

Outthink. Outperform.

Within expectation

Sunway's 9M15 core earnings came within our and street estimates. YTD revenue was underpinned by higher contribution from property and property investment segment but more than offset by lower contribution from construction on higher internal elimination. On a positive side, both unbilled sales and construction orderbook remain high. No change to earnings forecast. Maintain BUY with a TP of RM3.90.

9M15 core earnings came in within our expectation

In 3Q15, Sunway reported a core net profit of RM128m (-14.2% yoy), taking 9M15 core earnings to RM388.4m (+2.4% yoy). This came in within our expectation, accounting for 73% of our and street estimates. The drop in 3Q15 earnings was in tandem with the 16% drop in revenue. No dividend was declared during the quarter.

Revenue was dragged down by construction segment

The lower yoy 3Q15 revenue was due to lower contribution from the construction segment – higher inter-company elimination. This offset the 52% increase in the property segment on higher contribution from local projects. However, profit contribution from the property segment was lower due to the completion of Sunway Nexis and Sunway Alam Suria.

Unbilled sales remain high at RM1.7bn

Given the soft property environment, Sunway's 9M15 effective property sales fell to RM564m (from RM951m in 9M14). Sunway's 9M15 property sales were generated from various projects in different locations – South Quay, Velocity, Montana and Eastwood. As at end-Sept 2015, total effective unbilled sales remain high at RM1.7bn. Meanwhile, current total construction order book stood at a high of RM4.3bn.

Maintain BUY with an unchanged TP of RM3.90

We maintain our earnings forecast and BUY rating and TP of RM3.90 (based on 30% discount to RNAV). We continue to like Sunway for its strategic property land bank, extensive experience in the construction sector, and inexpensive valuation of 0.7x P/RNAV. Risk to recommendation include; i) sharper-than-expected slowdown in the domestic property market; ii) prolonged oversupply within the Johore region, iii) lower-than-expected construction contract wins.

Earnings & Valuation Summary

FYE 31 Dec	2013	2014	2015E	2016E	2017E
Revenue (RMm)	4,721.4	4,841.9	5,429.0	5,727.4	5,907.9
EBITDA (RMm)	608.3	735.6	737.2	769.3	795.6
Pretax profit (RMm)	1,900.4	968.8	818.3	766.5	789.8
Net profit (RMm)	1,490.4	743.2	616.9	574.6	590.4
EPS (sen)	98.8	43.0	35.6	33.2	34.1
PER (x)	3.1	7.1	8.6	9.2	9.0
Core net profit (RMm)	482.7	743.2	531.9	589.6	605.4
Core EPS (sen)	32.0	43.0	29.9	33.2	34.1
Core EPS growth (%)	18.0	34.4	(30.6)	11.2	2.8
Core PER (x)	9.6	7.1	10.2	9.2	9.0
Net DPS (sen)	10.0	11.0	9.0	10.0	11.0
Dividend Yield (%)	3.3	3.6	2.9	3.3	3.6
EV/EBITDA (x)	10.8	9.7	9.0	8.3	7.7

Chg in EPS (%)	-	-	-
Affin/Consensus (x)	1.0	1.1	1.1

Source: Company, Affin Hwang estimates

Affin Hwang Investment Bank Bhd (14389-U)
(Formerly known as HwangDBS Investment Bank Bhd)

Results Note

Sunway

SWB MK
Sector: Property

RM3.06 @ 26 November 2014

BUY (maintain)

Upside 28%

Price Target: RM3.90

Previous Target: RM3.90



Price Performance

	1M	3M	12M
Absolute	+1.0%	-2.7%	+1.8%
Rel to KLCI	+2.4%	-8.6%	+11.4%

Stock Data

Issued shares (m)	1,788.9
Mkt cap (RMm)/(US\$m)	5,474/1,295
Avg daily vol - 6mth (m)	1.7
52-wk range (RM)	2.81-3.53
Est free float	13%
BV per share (RM)	3.57
P/BV (x)	0.86
Net cash/ (debt) (RMm) (3Q15)	(2,587)
ROE (2015F)	8.4%
Derivatives	
Warr 2016 (SP:RM2.50)	
Shariah Compliant	Yes

Key Shareholders

Tan Sri Jeffrey Cheah	63.9%
SASB	5.6%

Source: Affin Hwang, Bloomberg

Sharifah Farah
(603) 2146 7538
farah.jamalulil@affinhwang.com

Outthink. Outperform.

Fig 1: Results Comparison

FYE 31 Dec (RMm)	3Q15	QoQ % chg	YoY % chg	9M15	YoY % chg	Comment
Revenue	951.0	(8.7)	(16.1)	3,052.6	(9.3)	Dragged down by lower contribution from construction segment
Op costs	(832.4)	(17.0)	(14.8)	(2,751.7)	(8.9)	
EBIT	118.7	209.8	(24.6)	300.8	(12.7)	
<i>EBIT margin (%)</i>	12.5	+8.8ppt	-1.4ppt	9.9	-0.3ppt	
Int expense	(26.3)	(2.3)	60.4	(79.1)	39.2	Total debt stood at RM5.3bn (+40% yoy)
Int and other income	42.1	138.8	274.2	74.3	120.4	
Associates	31.5	(79.1)	(18.1)	220.4	16.9	
5.0	nm	nm	129.1	153.6		Fair value gain from annual revaluation of Sunway REITs properties
El						
Pretax profit	171.0	(39.1)	(7.7)	645.4	15.0	
Core pretax	166.0	(7.6)	(13.0)	516.3	1.2	
Tax	(31.7)	(4.0)	45.4	(100.9)	3.9	Lower due to deferred taxation
<i>Tax rate (%)</i>	18.6	n.m	n.m	15.6	n.m	
MI	(6.2)	(37.9)	(68.7)	(27.0)	(19.8)	
Net profit	133.0	(44.1)	(7.4)	517.5	20.3	
EPS (sen)	7.5	(44.3)	(9.6)	29.5	18.3	
128.1	(6.3)	(14.2)	388.4	2.4		In line; Accounts for 73% of our full year forecast
Core net profit						

Source: Affin Hwang, Company data

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.

OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

This report is intended for information purposes only and has been prepared by Affin Hwang Investment Bank Berhad (14389-U) (formerly known as HwangDBS Investment Bank Berhad) ("the Company") based on sources believed to be reliable. However, such sources have not been independently verified by the Company, and as such the Company does not give any guarantee, representation or warranty (express or implied) as to the adequacy, accuracy, reliability or completeness of the information and/or opinion provided or rendered in this report. Facts, information, views and/or opinion presented in this report have not been reviewed by, may not reflect information known to, and may present a differing view expressed by other business units within the Company, including investment banking personnel. Reports issued by the Company, are prepared in accordance with the Company's policies for managing conflicts of interest arising as a result of publication and distribution of investment research reports. Under no circumstances shall the Company, its associates and/or any person related to it be liable in any manner whatsoever for any consequences (including but are not limited to any direct, indirect or consequential losses, loss of profit and damages) arising from the use of or reliance on the information and/or opinion provided or rendered in this report. Any opinions or estimates in this report are that of the Company, as of this date and subject to change without prior notice. Under no circumstances shall this report be construed as an offer to sell or a solicitation of an offer to buy any securities. The Company and/or any of its directors and/or employees may have an interest in the securities mentioned therein. The Company may also make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

Comments and recommendations stated here rely on the individual opinions of the ones providing these comments and recommendations. These opinions may not fit to your financial status, risk and return preferences and hence an independent evaluation is essential. Investors are advised to independently evaluate particular investments and strategies and to seek independent financial, legal and other advice on the information and/or opinion contained in this report before investing or participating in any of the securities or investment strategies or transactions discussed in this report.

Third-party data providers make no warranties or representations of any kind relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages of any kind relating to such data.

The Company's research, or any portion thereof may not be reprinted, sold or redistributed without the consent of the Company.

The Company, is a participant of the Capital Market Development Fund-Bursa Research Scheme, and will receive compensation for the participation.

This report is printed and published by:
 Affin Hwang Investment Bank Berhad (14389-U)
 (formerly known as HwangDBS Investment Bank Berhad)
 A Participating Organisation of Bursa Malaysia Securities Bhd
 Chulan Tower Branch,
 3rd Floor, Chulan Tower,
 No 3, Jalan Conlay,
 50450 Kuala Lumpur.
www.affinhwang.com
 Email : research@affinhwang.com
 Tel : + 603 2143 8668
 Fax : + 603 2145 3005