

Malaysia Flash Note

Refer to important disclosures at the end of this report

DBS Group Research . Equity

2 Aug 2017

Sunway (SWB MK) : HOLD

Mkt. Cap: US\$2,075m | 3m Avg. Daily Val: US\$3.4m

Last Traded Price (1 Aug 2017): RM4.35

Price Target 12-mth: RM3.80 (13% downside) (Prev RM3.80)

Analyst

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Company Guide

Sunway



Summary of our point of view, and highlights the relevant data points, which are actively tracked

Land bank expansion

- Acquisition of 5.276 acre site in Kajang for RM63m
- Acquisition of 14.8 acre site in USJ 1, Subang Jaya for RM167.6m
- Project launches likely to take place after 2018
- Maintain Hold and RM3.80 TP

Forecasts and Valuation

FY Dec (RMm)	2016A	2017F	2018F	2019F
Revenue	4,726	4,867	5,037	5,154
EBITDA	994	964	1,017	1,008
Pre-tax Profit	859	773	798	807
Net Profit	586	544	576	618
Net Pft (Pre Ex.)	547	544	576	618
Net Pft Gth (Pre-ex) (%)	(7.3)	(0.7)	5.9	7.3
EPS (sen)	32.9	30.5	32.4	34.7
EPS Pre Ex. (sen)	30.8	30.5	32.4	34.7
EPS Gth Pre Ex (%)	(7)	(1)	6	7
Diluted EPS (sen)	28.3	26.2	27.8	29.8
Net DPS (sen)	14.1	9.16	9.71	10.4
BV Per Share (sen)	419	440	463	487
PE (X)	13.2	14.2	13.4	12.5
PE Pre Ex. (X)	14.1	14.2	13.4	12.5
P/Cash Flow (X)	14.4	34.3	12.5	11.6
EV/EBITDA (X)	11.9	12.8	12.1	12.2
Net Div Yield (%)	3.2	2.1	2.2	2.4
P/Book Value (X)	1.0	1.0	0.9	0.9
Net Debt/Equity (X)	0.4	0.4	0.4	0.4
ROAE (%)	8.4	7.1	7.2	7.3

Source of all data on this page: Company, AllianceDBS, Bloomberg Finance L.P.

What's New

Sunway announced two separate land acquisitions totaling 20 acres for RM231m:

1. 5.276 acres in Kajang for RM63m, implying RM274psf
2. 14.8 acres in USJ 1, Subang Jaya for RM167.6m, implying RM260psf

Kajang land. The land is strategically located next to the Sg. Jernih MRT station in Kajang and will be another transit-oriented development for Sunway. It also comes with a partially completed commercial development comprising a 3-storey retail podium, 10-storey car park podium, a 20-storey commercial tower, and a 12-storey commercial tower. Construction has reached the roof top of the car park podium and both commercial blocks. We believe this is the reason for the relatively high valuation of RM274psf for the Kajang land which is typically priced below RM200psf.

Sunway will be replacing the project with a mixed development (retail podium/commercial lots, serviced apartments/SOHO) worth RM460m GDV which will also have direct connectivity to the MRT station.

Subang Jaya land. Sunway will utilise the industrial lots as warehouses and storage facilities for its trading and manufacturing business in the near term though it intends to undertake a mixed development worth RM1.4bn in the medium term. The site is located 500m from landmarks such as Da Men Mall and Giant Hypermarket.

Flash Note

The price tag translates into 12% of the estimated RM1.4bn GDV. We believe Sunway values the long-term development potential of the site given the scarcity of prime land in Subang Jaya.

Maintain HOLD. Both land transactions are only expected to be completed in 1H18 and launches would only take place at a much later stage. Therefore, there is no change to our earnings forecast. We maintain our HOLD recommendation given Sunway's subdued earnings growth prospects though we continue to like its integrated real estate business model.

Kajang land

1 Transit Oriented Development



Source: Company

Target Price & Ratings History



Note: Share price and Target price are adjusted for corporate actions.

Source: AllianceDBS

Analyst: QUAH He Wei, CFA

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STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

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Sources for all charts and tables are AllianceDBS unless otherwise specified.

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