



AmInvestment Bank

Company report

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03-2036 2025

SUNWAY

(SWB MK EQUITY, SWAY.KL)

PROPERTY

27 Feb 2017

Highly satisfactory performance

BUY

(Maintained)

Rationale for report: Company results

Price	RM3.16
Fair Value	RM3.48
52-week High/Low	RM3.24/RM2.87

Key Changes

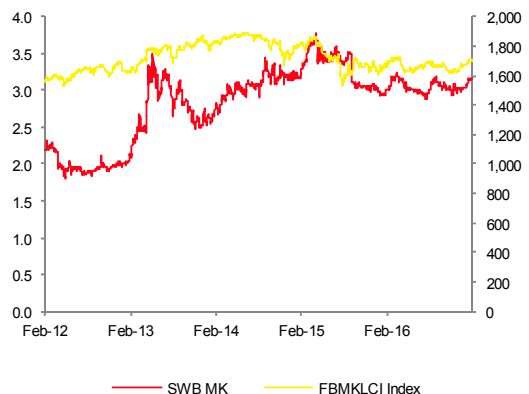
Fair value	ⓘ
EPS	ⓘ

YE to Dec	FY16	FY17F	FY18F	FY19F
Revenue (RM mil)	4,725.9	5,694.3	6,346.8	6,782.7
Core net profit (RM mil)	585.9	539.2	579.0	643.7
FD Core EPS (sen)	28.8	26.7	28.5	31.5
FD Core EPS growth (%)	(14.9)	(7.5)	6.9	10.5
Consensus Net Profit (RM mil)	-	512.0	543.6	584.0
DPS (sen)	10.0	10.0	10.0	10.0
PE (x)	11.0	11.8	11.1	10.0
EV/EBITDA (x)	10.5	10.8	10.9	10.1
Div yield (%)	3.2	3.2	3.2	3.2
ROE (%)	8.4	7.1	7.3	7.9
Net Gearing (%)	45.1	45.0	49.6	52.7

Stock and Financial Data

Shares Outstanding (million)	1,723.5
Market Cap (RMmil)	5,446.3
Book Value (RM/share)	3.54
P/BV (x)	0.9
ROE (%)	8.4
Net Gearing (%)	45.1
Major Shareholders	Tan Sri Jeffrey Cheah (48.2%) EPF (5.7%)
Free Float	22.4
Avg Daily Value (RMmil)	2.9

Price performance	3mth	6mth	12mth
Absolute (%)	5.3	5.0	5.0
Relative (%)	1.2	4.3	3.1



Investment Highlights

- We increase our FY17-18F net earnings forecasts by 11-17%, and introduce our FY19 numbers. We raise our SOP-based fair value to RM3.48, derived by applying a 20% discount to property RNAV and valuing Sunway's construction business at 15x FY17F earnings, in line with our 1-year forward target PE of 13-15x for mid-sized construction stocks. Reiterate BUY.
- Sunway's FY16 core net profit of RM547.4mil (excluding fair value gains and ESOS expense) came in above our expectations at 113%/107% of our full-year forecast and the full-year consensus estimates respectively.
- FY16 core net profit dropped 7.3% YoY to RM547.4mil although revenue increased 6.2% YoY to RM4.73bil. The lower earnings were mainly due to its construction division, which recorded lower revenue recognition from local construction projects and higher intra-group eliminations.
- Sunway recorded RM1.2bil new property sales in FY16 (+0% YoY), underpinned largely by sales from Sunway Mont Residences (RM219mil), Singapore (RM184mil), Iskandar (RM128mil) and China (RM188mil). Its unbilled sales stood at RM1.5bil (from RM1.8bil as at end-3Q16), mainly due to substantial billings during the quarter.
- Its 54.5%-owned unit Sunway Construction's order backlog stood at RM4.8bil as at end-4QFY16, which should keep the unit busy for the next 12-24 months. It replenished in total RM2.7bil of its order book in FY16.
- We continue to like Sunway for its strong earnings visibility, underpinned by sizeable property unbilled sales and construction order book. It has been weathering the slowdown in the property market relatively well due to its well-located landbank locally, as well as its geographical diversification.
- Its construction division has already benefitted from the booming local construction sector, with its involvement in the construction of MRT2 and the massive new government complex called "Parcel F" in Putrajaya.
- We expect Sunway's earnings to remain resilient even with the slowdown in the property sector due to its diversified earnings base, as only 40% of its net earnings are contributed by the property development division. The rest of its earnings base is made up of property investment and its stake in Sunway REIT, its construction segment, and other businesses, including healthcare.

EXHIBIT 1: RESULTS SUMMARY

FYE Dec (RMmil)	4QFY16	4QFY15	3QFY16	YoY (%)	QoQ (%)	FY16	FY15	YoY (%)
Revenue	1,363.7	1,398.8	1,137.5	(2.5)	19.9	4,725.9	4,448.4	6.2
EBIT	251.4	257.2	164.4	(2.2)	52.9	726.9	687.0	5.8
Finance income	26.6	23.6	31.5	<i>nm</i>	<i>nm</i>	107.8	97.9	10.2
Finance costs	(52.2)	(45.3)	(34.1)	15.2	53.1	(167.7)	(124.5)	34.8
Share of profit from associates	28.7	26.5	25.1	8.4	14.3	125.1	201.8	(38.0)
Share of profit from JVs	16.1	23.1	21.6	(30.0)	(25.2)	67.0	68.1	(1.7)
El/Others	24.0	34.6	(4.5)	(30.6)	(633.3)	38.5	141.7	
Pretax profit	270.6	285.0	208.5	(5.0)	29.8	859.0	930.4	(7.7)
Tax	(46.0)	(30.3)	(37.7)	51.7	21.9	(140.4)	(130.9)	7.2
Non-controlling interests	38.8	40.0	27.2			132.7	67.0	
Net Profit	185.8	214.7	143.6	(13.4)	29.4	585.9	732.4	(20.0)
Core Profit	161.8	180.1	148.1	(10.1)	9.3	547.4	590.7	(7.3)
<i>EBIT Margin (%)</i>	18.4%	18.4%	14.5%			15.4%	15.4%	
<i>Pretax Margin (%)</i>	19.8%	20.4%	18.3%			18.2%	20.9%	
<i>Effective tax rate (%)</i>	20.4%	12.9%	23.3%			21.0%	19.8%	
<i>Core net Margin (%)</i>	11.9%	12.9%	13.0%			11.6%	13.3%	

Source: Company, AmInvestment Bank Bhd

EXHIBIT 2: PB BAND CHART

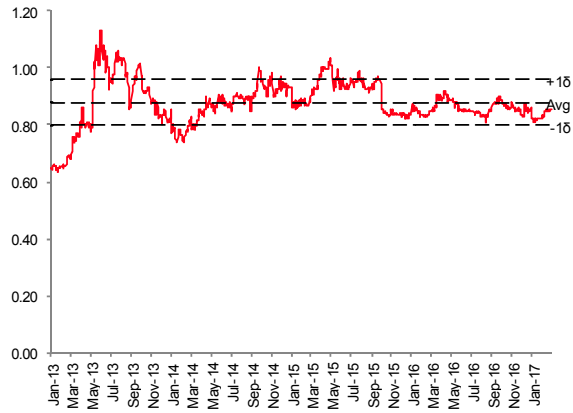


EXHIBIT 3: PE BAND CHART

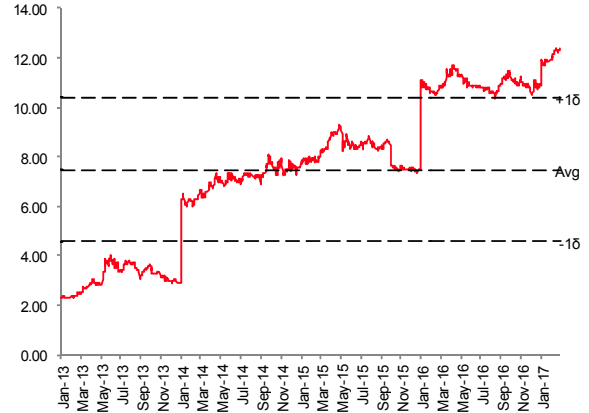


EXHIBIT 4: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY15	FY16	FY17F	FY18F	FY19F
Revenue	4,448.4	4,725.9	5,694.3	6,346.8	6,782.7
EBITDA	804.4	840.7	827.6	868.3	974.8
Depreciation/Amortisation	(117.3)	(113.9)	(136.0)	(144.0)	(150.0)
Operating income (EBIT)	687.1	726.9	691.6	724.3	824.8
Other income & associates	269.9	192.0	167.0	170.0	180.0
Net interest	(26.6)	(59.9)	(44.1)	(19.8)	(32.4)
Exceptional items	-	-	-	-	-
Pretax profit	930.4	859.0	814.5	874.5	972.4
Taxation	(130.9)	(140.4)	(125.4)	(134.7)	(149.7)
Minorities/pref dividends	(67.0)	(132.7)	(149.9)	(160.9)	(178.9)
Net profit	732.4	585.9	539.2	579.0	643.7
Core net profit	590.7	585.9	539.2	579.0	643.7
Balance Sheet (RMmil, YE 31 Dec)	FY15	FY16	FY17F	FY18F	FY19F
Fixed assets	1,333.6	1,875.8	1,770.6	1,976.6	2,176.6
Intangible assets	358.5	342.6	358.5	358.5	358.5
Other long-term assets	7,569.3	7,461.6	8,892.3	9,562.3	10,242.3
Total non-current assets	9,261.3	9,679.9	11,021.3	11,897.3	12,777.3
Cash & equivalent	2,631.0	4,059.8	2,377.6	1,900.6	1,497.4
Stock	693.1	661.8	693.1	693.1	693.1
Trade debtors	1,541.1	2,828.4	1,541.1	1,541.1	1,541.1
Other current assets	1,874.4	1,601.5	1,874.4	1,874.4	1,874.4
Total current assets	6,739.6	9,151.5	6,486.2	6,009.2	5,606.0
Trade creditors	1,287.0	2,708.3	1,287.0	1,287.0	1,287.0
Short-term borrowings	3,068.6	4,830.7	3,068.6	3,068.6	3,068.6
Other current liabilities	1,208.5	44.4	1,208.5	1,208.5	1,208.5
Total current liabilities	5,564.2	7,583.3	5,564.2	5,564.2	5,564.2
Long-term borrowings	2,815.2	2,590.5	2,815.2	2,815.2	2,815.2
Other long-term liabilities	408.2	438.4	408.2	408.2	408.2
Total long-term liabilities	3,223.4	3,028.9	3,223.4	3,223.4	3,223.4
Shareholders' funds	6,562.7	7,455.7	7,784.8	8,022.9	8,320.7
Minority interests	650.6	763.5	935.2	1,096.1	1,275.0
BV/share (RM)	3.65	3.54	3.69	3.80	3.95
Cash Flow (RMmil, YE 31 Dec)	FY15	FY16	FY17F	FY18F	FY19F
Pretax profit	930.4	859.0	814.5	874.5	972.4
Depreciation/Amortisation	117.3	113.9	136.0	144.0	150.0
Net change in working capital	152.9	(328.7)	-	-	-
Others	(261.0)	(106.5)	(248.4)	(284.9)	(297.4)
Cash flow from operations	939.6	537.7	702.1	733.7	825.0
Capital expenditure	(412.9)	(288.2)	(350.0)	(350.0)	(350.0)
Net investments & sale of fixed assets	18.7	(193.4)	-	-	-
Others	(1,693.4)	(1,071.7)	(500.0)	(500.0)	(500.0)
Cash flow from investing	(2,087.6)	(1,592.4)	(850.0)	(850.0)	(850.0)
Debt raised/(repaid)	1,763.8	1,457.2	-	-	-
Equity raised/(repaid)	180.1	595.0	-	-	-
Dividends paid	(656.7)	(260.8)	(210.9)	(210.9)	(210.9)
Others	(171.1)	(163.2)	(124.1)	(149.8)	(167.4)
Cash flow from financing	1,116.0	1,571.3	(334.9)	(360.7)	(378.3)
Net cash flow	(32.0)	516.6	(482.8)	(477.0)	(403.3)
Net cash/(debt) b/f	1,292.9	1,247.9	1,514.5	1,031.7	554.7
Net cash/(debt) c/f	1,285.0	1,787.0	1,031.7	554.7	151.4
Key Ratios (YE 31 Dec)	FY15	FY16	FY17F	FY18F	FY19F
Revenue growth (%)	(2.4)	6.2	20.5	11.5	6.9
EBITDA growth (%)	(7.7)	4.5	(1.6)	4.9	12.3
Pretax margin (%)	20.9	18.2	14.3	13.8	14.3
Net profit margin (%)	16.5	12.4	9.5	9.1	9.5
Interest cover (x)	25.8	12.1	15.7	36.6	25.5
Effective tax rate (%)	14.1	16.3	15.4	15.4	15.4
Dividend payout (%)	90.9	36.0	39.1	36.4	32.8
Debtors turnover (days)	112	169	140	89	83
Stock turnover (days)	64	64	51	46	37
Creditors turnover (days)	128	188	150	86	69

Source: Company, AmlInvestment Bank Bhd estimates

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