



AmInvestment Bank

Company report

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PROPERTY

# SUNWAY

(SWB MK EQUITY, SWAY.KL)

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## JV wins tender for Singapore land under EC scheme

**BUY**

Price: RM3.10  
Fair Value: RM3.50

**Rationale for report: Company update**

YE to Dec	FY15	FY16F	FY17F	FY18F
<a href="#">Click here to enter text.</a>				
FD Core EPS (sen)	33.9	28.2	28.3	28.6
PE (x)	9.2	11.0	10.9	10.9

Source: AmInvestment Bank Bhd

Quick Take

- A Sunway 30%-owned company has won a tender in Singapore to acquire a 99-leasehold land measuring 5.19 acres (226,200 square feet) at Anchorvale Lane, Sengkang, for S\$240.95mil (RM724.14mil).
- The JV parties comprise Hoi Hup Realty Pte Ltd (62%), Sunway's unit Sunway Developments Pte Ltd (30%), Oriental Worldwide Investments Inc (5%) and Azuki Investments Pte Ltd (3%).
- The JV company, Hoi Hup Sunway Sengkang Pte Ltd, will acquire the land from the Housing and Development Board of Singapore at about S\$355/sf, for the maximum allowable gross floor area (GFA) of 678,600 sq ft with a plot ratio of 3.
- The JV will build ten 17-storey blocks consisting of a total of 640 units under the republic's Executive Condominium Housing Development (ECHD) scheme, with an indicative GDV totalling S\$520mil (RM1.56bil).
- Sunway said SDPL's cost of investment in the JV amounts to RM72.28mil (RM218mil). The parties expect to complete the project within 48 months and it is expected to contribute positively to the group's earnings from FY18.
- Assuming an efficiency ratio at 70% translating into a net floor area of 475,000 sq ft, the average selling price per sq ft amounts to slightly over S\$1,000. According to online listings, EC units are priced at between S\$800 and S\$900/sf. vs. private condo price range of S\$1,200-S\$1,800/sf.
- The JV beat 15 other competing bids, with the closest challenge offering S\$235mil - just S\$6mil short of the winning bid - while the lowest bid came in at S\$176mil.
- We maintain our numbers; the project's increment to our SOP value is less than 1%. Sunway's landbank now stands at 3,303 acres, with a potential GDV of RM49bil (effective: RM31.8bil) over 15 years.
- The Singapore project at RM1.56bil accounts for 3% of the total potential GDV. The rest are in Johor (61% at RM30.0bil), the Klang Valley (23% at RM11.1bil), Penang (7% at RM3.2bil), China (2% at RM1.1bil), and others (4% at RM2.0bil).
- We reiterate BUY on Sunway, with an unchanged fair value of RM3.50/share, based on a 15% discount to our SOP value of RM4.11/share and an implied PE of 13x FY16F. The stock is currently trading at undemanding forward PEs of 11x, and at 0.9x PBV FY15.

TABLE 1 : VALUATION MATRIX

YE 31 Dec	FY14	FY15	FY16F	FY17F	FY18F
Revenue (RM mil)	4,558.1	4,451.3	5,338.0	5,154.3	5,146.8
Core net profit (RM mil)	523.9	590.7	485.3	487.2	491.8
FD Core EPS (sen)	31.5	33.9	28.2	28.3	28.6
FD Core EPS growth (%)	3.2	7.7	(16.7)	0.4	0.9
Consensus Net Profit (RM mil)	-	-	516.6	553.3	580.0
DPS (sen)	11.0	37.0	10.0	10.0	10.0
PE (x)	9.9	9.2	11.0	10.9	10.9
EV/EBITDA (x)	10.2	11.3	10.8	11.1	10.9
Div yield (%)	365.4	1,229.2	332.2	332.2	332.2
ROE (%)	13.0	11.7	7.5	7.5	7.2
Net Gearing (%)	30.4	49.8	49.2	51.9	47.8

Source: Company, AmInvestment Bank Bhd estimates

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