

Company Note

I Malaysia

ADD (no change)

Consensus ratings*: Buy 7 Hold 6 Sell 0

Current price: RM3.01
Target price: RM3.53
Previous target: RM3.53
Up/downside: 17.3%
CIMB / Consensus: 0.5%

Reuters: SWAY.KL
Bloomberg: SWB MK
Market cap: US\$1,524m

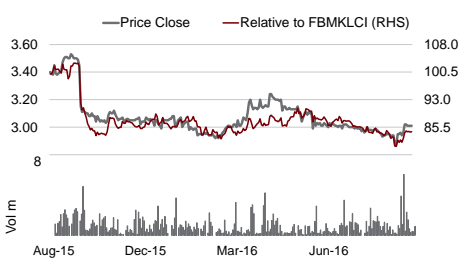
Average daily turnover: RM6,120m
US\$0.78m

Current shares o/s: 1,723m
Free float: 33.7%

* Source: Bloomberg

Key changes in this note

No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	2.7	-0.7	-11.5
Relative (%)	1	-3.4	-15.8

Major shareholders	% held
Tan Sri Jeffrey Cheah & family	55.4
JP Morgan Chase & Co.	5.8
Amanahraya Trustees	5.1

Analyst(s)



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Sunway Bhd

Steady billings for construction in 1H16

- Annualised 1H16 core net profit was broadly in line with our and Bloomberg consensus estimates.
- Key drivers of 1H16 core net profit were construction progress billings and higher-margin sales mix for property.
- SunCon is not very keen on Pan Borneo Sarawak but targets LRT 3 in 4Q16.
- It is a potential beneficiary of Bus Rapid Transit (BRT 2) if it takes off in 2017.
- Job flows are potential key catalysts in 2H16. Add retained.

1H16 earnings in line

Annualised 1H16 core net profit made up 100% of our full-year forecast and 98% of consensus. The results were in line as we expect strong construction billings to partially offset the challenging property sales in 2H16. Key drivers of 1H16 earnings were the property segment's higher-margin sales mix (RM510m YTD effective sales) and stronger momentum for construction billings. There were no major surprises in other segmental indicators. The 5 sen interim DPS was within expectations.

RM2.4bn construction wins YTD; RM4.bn unbilled order book

Outstanding order book for 54%-owned subsidiary SunCon stood at RM4.9bn (US\$1.6 bn) at end-2Q16, after delivering a strong RM2.4bn (US\$580m) in total order wins YTD. This includes the RM1.2bn viaduct package for MRT 2. Construction pretax margin stood at 13% in 1H16, which is higher than the average 8-9% for mid- to large-cap contractors. We suspect this was largely due to the positive impact of final certification of works for selected building and civil projects in 2Q16.

Not very keen on Pan Borneo; targets LRT 3

We estimate that about 20% of the RM4.9bn order book at end-2Q16 was made up of infra-related contracts, which would have surged if the group had won at least one package from Suke or Dash highways. The highways mainly benefited smaller non-listed players, a slight dampener for SunCon. Major jobs targeted in 2H16 include LRT 3, likely to be worth RM700m-RM1bn. Awards are likely to commence in late 4Q16. Separately, the group does not appear keen on Pan Borneo Sarawak due to pricing.

RM1.4bn property sales target intact

Management has earmarked c.RM800m property launch GDV in 2H16 as it plans to accelerate launches in the next few months. Key projects include Sunway Geo 3 and a mixed development project in Iskandar, Johor. We retain our RM1.4bn (US\$342m) property sales target in FY16 (FY15 achieved sales: RM1.2bn). The group will nevertheless, review the sales target in Sep. As for overseas, Singapore sales contributed c.RM100m in 1H16. 1H16 effective unbilled sales stood at RM1.5bn.

Construction still outweighs property; Maintain Add

Apart from LRT 3, Sunway via SunCon could potentially benefit from the upcoming Budget 2017 (late Oct 2016) if it contains more clarity on Bus Rapid Transit (BRT) project execution. Our EPS forecasts are unchanged. Our target price is still pegged to a 20% RNAV discount. We maintain our Add call, with job flows in 2H16 as potential catalysts. Possible downside risks include prolonged weakness in the property market and delays in job wins.

Financial Summary	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Revenue (RMm)	4,842	4,451	4,952	5,103	5,299
Operating EBITDA (RMm)	588.8	541.5	447.2	533.6	575.1
Net Profit (RMm)	743.3	732.4	490.4	570.6	605.0
Core EPS (RM)	0.34	0.50	0.28	0.33	0.35
Core EPS Growth	22.3%	45.6%	(43.1%)	16.4%	6.0%
FD Core P/E (x)	9.07	6.23	10.76	9.09	8.57
DPS (RM)	0.11	0.49	0.12	0.13	0.13
Dividend Yield	3.7%	16.3%	4.0%	4.3%	4.3%
EV/EBITDA (x)	10.45	13.70	16.74	13.61	12.24
P/FCFE (x)	44.54	30.71	36.11	20.28	16.26
Net Gearing	21.8%	48.9%	53.9%	49.6%	45.8%
P/BV (x)	0.52	0.79	0.83	0.79	0.75
ROE	7.7%	10.4%	7.7%	8.9%	9.0%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.00	1.05	1.05

SOURCE: COMPANY DATA, CIMB FORECASTS

Figure 1: Results comparison

FYE Dec (RM m)	2QFY16	2QFY15	yoy % chg	qoq % chg	2QFY16 Cum	2QFY15 Cum	yoy % chg	Prev. FY16F	Comments
Revenue	1,155.7	1,041.5	11.0	8.1	2,224.7	2,101.5	5.9	4,951.8	Driven by construction
Operating costs	(1,027.0)	(1,052.1)	(2.4)	8.7	(1,978.9)	(1,996.0)	(0.9)	(4,616.6)	Manageable cost levels
EBIT	128.7	(10.6)	1,310.6	3.3	245.7	105.5	133.0	335.2	In line
EBIT margin (%)	11.1	(1.0)	1,191.0	(4.5)	11.0	5.0	120.1	10.9	
Interest expense	(41.7)	(26.9)	55.1	5.2	(81.4)	(52.9)	54.0	(124.5)	Borrowings stood at RM6.8bn
Interest & invt inc	54.8	51.5	6.6	12.8	103.5	115.9	(10.7)	49.0	Cash stood at RM2bn
Associates' contrib	57.9	150.7	(61.6)	36.2	100.5	188.8	(46.8)	278.7	
Exceptionals	4.0	116.3	(96.5)	nm	11.6	117.1	(90.1)	-	
Pretax profit	203.7	280.9	(27.5)	15.7	379.9	474.4	(19.9)	786.4	In line
Tax	(23.9)	(33.1)	(27.8)	(27.3)	(56.7)	(69.2)	(18.0)	(174.8)	
Tax rate (%)	11.7	11.8	(0.5)	(37.2)	14.9	14.6	2.4	22.2	
Minority interests	(25.5)	(9.9)	157.0	(37.9)	(66.7)	(20.8)	220.3	(78.2)	
Net profit	154.3	237.9	(35.1)	51.1	256.5	384.4	(33.3)	490.3	Annualised 1H16 core net profit
Core net profit	150.3	121.6	23.6	47.2	244.9	267.3	(8.4)	490.3	made up 100% of our full-year
EPS (sen)	7.8	13.5	(42.2)	37.0	13.6	22.0	(38.1)	28.0	forecast and 98% of consensus
Core EPS (sen)	7.6	6.9	10.0	33.4	13.0	15.3	(15.0)	28.0	

SOURCE: CIMB RESEARCH, COMPANY

Figure 2: Segmental breakdown (1H16)

	1H16	1H15	yoy	Comments
Revenue				
Property development	549.1	504.8	9%	Driven by Avant Parc in Singapore (Singapore sales of RM100m in 1H)
Property investment	329.3	284.1	16%	Leasing revenue and the opening of new attractions
Construction	560.8	619.4	-9%	Timing of new jobs
Trading & Manufacturing	411.5	314.2	31%	Driven by construction activities
Quarry	99.3	117.9	-16%	Timing of orders
Investment holdings	6.3	0.9	620%	Lumpy contributions
Others	268.3	260.2	3%	Better revenue from healthcare and building materials
Total	2,224.7	2,101.5	6%	
	1H16	1H15	yoy	
Pretax profit				
Property development	129.7	110.0	18%	Higher margin sales mix and strong contribution from Singapore
Property investment	74.8	179.9	-58%	Lower fair value gains from Sunway REIT's properties
Construction	72.2	108.5	-33%	Timing of new job
Trading & Manufacturing	12.0	12.0	0%	Driven by construction activities
Quarry	17.5	23.3	-25%	Timing of orders
Investment holdings	39.5	9.0	341%	Lumpy contributions
Others	34.1	35.7	-5%	Weaker earnings from healthcare and building materials
Total	379.9	478.4	-21%	
	1H16	1H15	yoy	
			%pts	
Pretax margin				
Property development	24%	22%	2%	Higher margin sales mix and strong contribution from Singapore
Property investment	23%	63%	-41%	Lower fair value gains from Sunway REIT's properties
Construction	13%	18%	-5%	Larger portion of infra jobs at the tail-end
Trading & Manufacturing	3%	4%	-1%	Driven by construction activities
Quarry	18%	20%	-2%	Orders picking up
Investment holdings	627%	1024%	-398%	Lumpy contributions
Others	13%	14%	-1%	Stable numbers
Total	17%	23%	-6%	

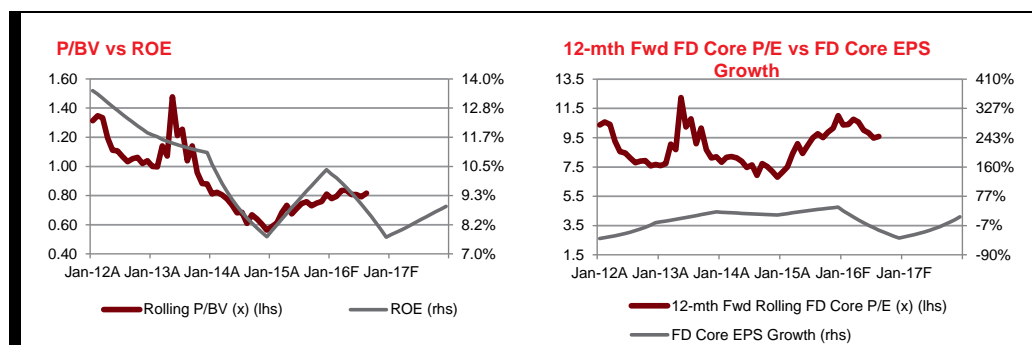
SOURCES: CIMB, COMPANY REPORTS

Figure 3: RNAV

Type	Location	Size/units	Area (sq ft)	Price	Stake	Value
Completed buildings						RM m
Sunway Lagoon Theme Park	Petaling, Selangor	59.9 ac	728,326	200.0	100%	145.7
Sunway Hotel Georgetown	Penang	240.0 units	0	150,000.0	100%	36.0
Monash University Sunway Campus	Petaling, Selangor	12.0 ac	754,000	220.0	100%	165.9
Sunway University College	Petaling, Selangor	12.4 ac	615,983	220.0	100%	135.5
Sunway Giza	Sunway Damansara, Selangor	1.4 ac	98,000	500.0	60%	29.4
Lost World of Tambun	Tambun, Perak	39.8 ac	728,326	80.0	65%	37.9
Sunway Hotel Phnom Penh	Phnom Penh, Cambodia	138.0 units	125,313	300,000.0	53%	21.7
Sunway Hotel Hanoi	Hanoi, Vietnam	142.0 units	9,365	300,000.0	100%	42.6
On going developments						
Sunway City Penang	Seberang Perai, Penang	15.8 ac	210,394.8	100.0	100%	21.0
Sunway Grand	Penang	3.8 ac	768,767.9	100.0	100%	76.9
Sg. Ara - new land	Penang	68.3 ac	3,484,800.0	13.0	100%	45.3
Bukit Mertajam - new land	Penang	17.8 ac	7,729,724.0	12.0	100%	92.8
Sunway Damansara	Petaling, Selangor	18.2 ac	1,048,489.2	120.0	60%	75.5
Sunway City Ipoh	Ipoh, Perak	899.2 ac	32,666,515.2	3.0	65%	63.7
Sunway Velocity	Kuala Lumpur	19.5 ac	984,456.0	150.0	50%	73.8
Sunway Tower KL 1	Kuala Lumpur	1.0 ac	43,560.0	1,000.0	100%	43.6
Sunway Kayangan	Bukit Raja, Selangor	5.4 ac	367,646.4	40.0	100%	14.7
Sunway Integrated Resort	Petaling, Selangor	18.5 ac	845,064.0	100.0	100%	84.5
Sunway Semenyih	Ulu Langat, Selangor	398.1 ac	17,341,671.6	5.0	100%	86.7
Sunway Cheras	Selangor	6.9 ac	301,870.8	25.0	100%	7.5
Sunway South Quay	Bandar Sunway, Selangor	52.4 ac	2,517,768.0	300.0	60%	453.2
Casa Kiara III	Sri Hartamas, KL	2.8 ac	130,680.0	180.0	80%	18.8
Sunway Duta	Kuala Lumpur	3.2 ac	136,342.8	350.0	60%	28.6
Sunway Melawati	Setapak, KL	30.6 ac	1,427,896.8	35.0	100%	50.0
Sunway Alam Suria	Shah Alam, Selangor	14.1 ac	1,045,440.0	40.0	50%	20.9
Sunway OPUS Grand India	Hyderabad, India	23.8 ac	1,524,600.0	20.0	50%	15.2
Sunway MAK Signature Residence	Hyderabad, India	14.0 ac	609,840.0	20.0	60%	7.3
Sunway Guanghao	Jiayin, China	3.7 ac	740,520.0	80.0	39%	23.1
Tianjin Eco City	Tianjin, China	90.9 ac	3,789,720.0	90.0	65%	221.7
Wonderland Business Park	Sydney, Australia	65.5 ac	3,971,800.8	95.0	31%	117.0
Bukit Lenang - new land	Johor	64.0 ac	2,787,840.0	40.0	80%	89.2
Taman Equine	Selangor	33.0 ac	1,437,480.0	20.0	100%	28.7
Bangi	Selangor	3.0 ac	130,680.0	10.0	100%	1.3
Sg. Long	Balakong	111.0 ac	4,835,160.0	25.0	80%	96.7
Mont Putra	Selangor	163.0 ac	7,100,280.0	25.0	100%	177.5
Melawati 2	Selangor	2.0 ac	87,120.0	20.0	100%	1.7
Tampines	Singapore	5.0 ac	217,800.0	750.0	30%	49.0
Sembawang	Singapore	0.8 ac	34,848.0	975.0	100%	34.0
Yuan Ching Road	Singapore	5.0 ac	217,800.0	750.0	30%	49.0
Pasir Ris Rise	Singapore	4.3 ac	187,308.0	780.0	30%	43.8
Medini land	Iskandar	691.0 ac	30,099,960.0	30.0	38%	343.1
Pendas land	Iskandar	1,079.2 ac	47,009,952.0	30.0	60%	846.2
New Land Novena	Singapore	1.7 ac	71,874.0	500.0	30%	10.8
Penang Land (4 plots)	Penang	989.9 ac	43,118,737.2	20.0	100%	862.4
New land - Kelana Jaya	Petaling Jaya	17.0 ac	739,039.0	54.0	100%	39.9
Total value of properties						4,930.0
		Market cap	Stake			
		RM m				
Sunway REIT		5,176.0	37%			1,899.6
		RM m	Stake	P/E		
Sunway Construction (market value)		2,108.0	54%			1,146.8
Quarry & Trading		70.8	100%	12.0		849.5
Property investments (2Q16)						2,822.5
Associates and JCE's						3,264.3
Net current assets less prop. dev cost						64.6
Total borrowings (2Q16)						(6,822.7)
FD RNAV (RM)						8,874.49
RNAV/share (RM)						4.41
Discount to RNAV						20%
Target price (RM)						3.53

SOURCES: CIMB, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(RMm)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Total Net Revenues	4,842	4,451	4,952	5,103	5,299
Gross Profit	4,842	4,451	4,952	5,103	5,299
Operating EBITDA	589	542	447	534	575
Depreciation And Amortisation	(114)	(115)	(112)	(118)	(123)
Operating EBIT	475	427	335	416	452
Financial Income/(Expense)	(30)	(27)	(42)	(19)	4
Pretax Income/(Loss) from Assoc.	260	270	279	284	290
Non-Operating Income/(Expense)	265	259	214	193	174
Profit Before Tax (pre-EI)	969	929	786	874	919
Exceptional Items	0	0	0	0	0
Pre-tax Profit	969	929	786	874	919
Taxation	(148)	(130)	(175)	(171)	(174)
Exceptional Income - post-tax					
Profit After Tax	821	799	612	704	745
Minority Interests	(78)	(67)	(121)	(133)	(140)
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	743	732	490	571	605
Recurring Net Profit	592	862	490	571	605
Fully Diluted Recurring Net Profit	592	862	490	571	605

Cash Flow

(RMm)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
EBITDA	588.8	541.5	447.2	533.6	575.1
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(93.6)	(101.7)	(49.4)	(66.4)	(75.5)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	0.0	0.0	0.0	0.0	0.0
Net Interest (Paid)/Received	(78.9)	(124.5)	(90.7)	(81.7)	(73.5)
Tax Paid	(121.7)	(125.5)	(174.8)	(170.5)	(173.8)
Cashflow From Operations	294.6	189.8	132.3	215.0	252.3
Capex	(20.0)	(20.0)	(20.0)	(20.0)	(20.0)
Disposals Of FAs/subsidiaries	160.9	237.3	243.0	248.9	255.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0	0.0
Other Investing Cashflow	0.0	0.0	0.0	0.0	0.0
Cash Flow From Investing	140.9	217.3	223.0	228.9	235.0
Debt Raised/(repaid)	(315.0)	(232.4)	(209.2)	(188.3)	(168.5)
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0	0.0
Dividends Paid	(125.6)	(125.6)	(125.6)	(125.6)	(126.6)
Preferred Dividends					
Other Financing Cashflow	534.6	600.0	(280.2)	(153.6)	(215.6)
Cash Flow From Financing	93.9	242.0	(615.0)	(467.5)	(510.7)
Total Cash Generated	529.4	649.1	(259.7)	(23.6)	(23.4)
Free Cashflow To Equity	120.5	174.7	146.1	255.6	318.8
Free Cashflow To Firm	514.3	531.6	446.0	525.6	560.8

BY THE NUMBERS

Balance Sheet

(RMm)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Total Cash And Equivalents	2,022	2,683	2,420	2,396	2,373
Total Debtors	1,787	2,695	2,722	2,668	2,616
Inventories	598	693	715	736	765
Total Other Current Assets	1,772	994	1,004	1,014	1,024
Total Current Assets	6,179	7,065	6,860	6,815	6,777
Fixed Assets	985	1,364	1,011	1,036	1,060
Total Investments	5,608	4,658	4,867	5,080	5,298
Intangible Assets	320	320	320	320	320
Total Other Non-Current Assets	3,945	2,588	2,613	2,666	2,719
Total Non-current Assets	10,858	8,930	8,811	9,102	9,397
Short-term Debt	2,283	3,304	3,238	3,173	3,109
Current Portion of Long-Term Debt	0				
Total Creditors	2,172	2,446	2,422	2,373	2,326
Other Current Liabilities	21	43	43	43	43
Total Current Liabilities	4,476	5,793	5,702	5,589	5,478
Total Long-term Debt	1,502	2,585	2,611	2,559	2,508
Hybrid Debt - Debt Component	0				
Total Other Non-Current Liabilities	522	325	325	325	325
Total Non-current Liabilities	2,024	2,911	2,937	2,885	2,833
Total Provisions	83	90	81	81	81
Total Liabilities	6,583	8,794	8,720	8,555	8,393
Shareholders' Equity	10,066	6,550	6,245	6,575	6,912
Minority Interests	389	651	706	786	869
Total Equity	10,454	7,200	6,950	7,362	7,782

Key Ratios

	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Revenue Growth	2.6%	(8.1%)	11.2%	3.0%	3.9%
Operating EBITDA Growth	(11.4%)	(8.0%)	(17.4%)	19.3%	7.8%
Operating EBITDA Margin	12.2%	12.2%	9.0%	10.5%	10.9%
Net Cash Per Share (RM)	(1.32)	(2.05)	(2.18)	(2.12)	(2.07)
BVPS (RM)	5.84	3.80	3.63	3.82	4.01
Gross Interest Cover	6.02	3.43	3.69	5.09	6.14
Effective Tax Rate	15.3%	14.0%	22.2%	19.5%	18.9%
Net Dividend Payout Ratio	16.9%	17.2%	25.6%	22.0%	20.8%
Accounts Receivables Days	119.7	178.7	196.1	188.8	178.2
Inventory Days	N/A	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A	N/A
ROIC (%)	7.70%	5.92%	5.44%	7.03%	7.50%
ROCE (%)	4.39%	3.70%	2.88%	3.59%	3.88%
Return On Average Assets	6.05%	5.00%	4.13%	4.57%	4.62%

Key Drivers

(RMm)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Outstanding Orderbook	3,000	2,700	2,900	3,100	3,100
Order Book Depletion	N/A	1,800	1,800	1,800	1,800
Orderbook Replenishment	1,500	2,000	2,000	1,800	1,800
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

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#01

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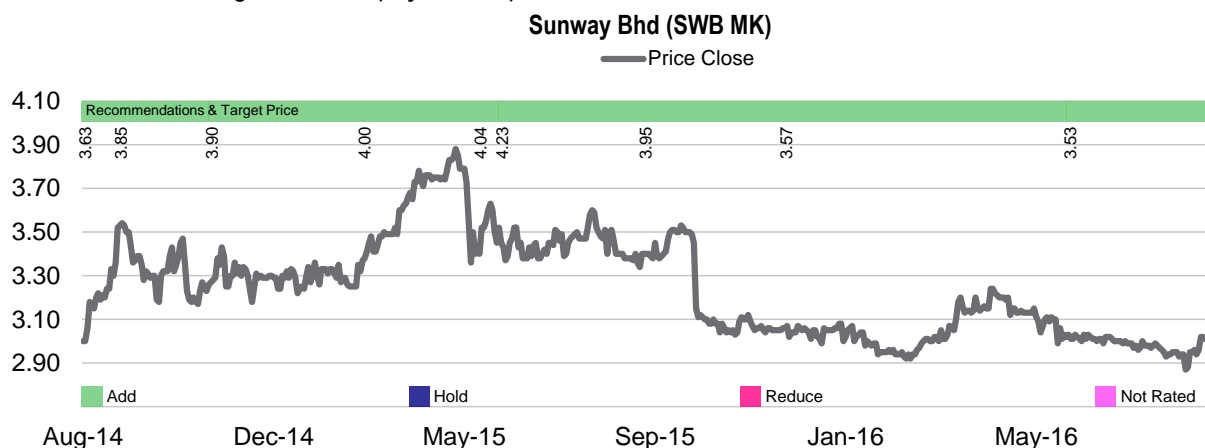
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Spitzer Chart for stock being researched (2 year data)



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