

Sunway (SWB MK) : HOLD

Mkt. Cap: US\$1,432m | **3m Avg. Daily Val:** US\$0.66m

Last Traded Price (10 Feb 2017): RM3.14

Price Target 12-mth: RM2.90 (8% downside) (Prev RM2.90)

Analyst

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Company Guide

Sunway

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

JV with landowner in Cheras

- **Acquires 8.45 acres of leasehold land in Sunway Velocity, Cheras**
- **Proposed RM2bn mixed development over 10 years with first launch targeted in 1H18**
- **Maintain Hold and RM2.90 TP**

Forecasts and Valuation

FY Dec (RMm)	2015A	2016F	2017F	2018F
Revenue	4,451	5,085	4,777	5,013
EBITDA	929	946	907	962
Pre-tax Profit	929	737	699	743
Net Profit	732	497	490	538
Net Pft (Pre Ex.)	591	497	490	538
Net Pft Gth (Pre-ex) (%)	(0.2)	(15.9)	(1.5)	9.9
EPS (sen)	41.1	27.9	27.5	30.2
EPS Pre Ex. (sen)	33.2	27.9	27.5	30.2
EPS Gth Pre Ex (%)	(3)	(16)	(1)	10
Diluted EPS (sen)	35.6	24.1	23.8	26.1
Net DPS (sen)	49.0	8.37	8.25	9.07
BV Per Share (sen)	368	388	407	428
PE (X)	7.6	11.2	11.4	10.4
PE Pre Ex. (X)	9.5	11.2	11.4	10.4
P/Cash Flow (X)	6.5	64.8	8.8	10.3
EV/EBITDA (X)	10.2	10.7	11.1	10.6
Net Div Yield (%)	15.6	2.7	2.6	2.9
P/Book Value (X)	0.9	0.8	0.8	0.7
Net Debt/Equity (X)	0.5	0.5	0.4	0.4
ROAE (%)	11.7	7.4	6.9	7.2

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

What's New

Sunway announced that it has entered into a shareholders' agreement with Low Peng Kiat and CRSC Property Sdn Bhd to establish a JV via Austral Meridian Property Sdn Bhd(AMP) which owns 8.45 acres of leasehold land at Jalan Peel, Cheras which is also directly opposite Sunway's existing development of Sunway Velocity.

Sunway will subscribe for 50% + 1 share in AMP under the JV agreement for RM0.5m and also advance up to RM140m to settle the liabilities of AMP. There are also two put option agreements entered between the parties which allow existing shareholders to sell their 10% stake four years after Sunway's entry for RM91.35m and also another 10% stake eight years after Sunway's entry for RM91.35m as well. This could increase Sunway's stake in AMP up to 70%.

Assuming the put options are exercised, the 8.45-acre project site carries an implied valuation of RM886psf which comes with a plot ratio of 7x, translating into RM127psf/plot ratio. This is considerably cheaper than the land price at Tun Razak Exchange (RM250-300psf/plot ratio) which is just one MRT station away from Sunway Velocity.

The proposed mixed development on the site is expected to fetch RM2bn gross development value over 10 years, comprising serviced apartments, office towers and retail shops. Sunway is likely to derive synergies by linking the proposed mixed development with its successful RM4bn Sunway Velocity development.

Flash Note

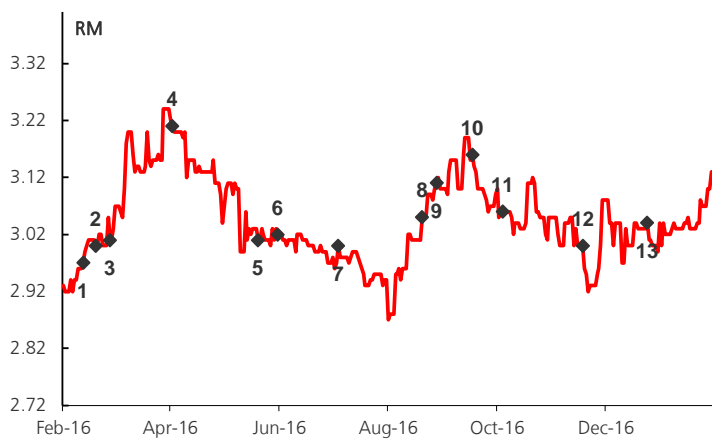
Given that the first launch is only expected in 1H18, we keep our earnings intact for now. Reiterate our Hold rating with RM2.90 TP as there is no re-rating catalyst in the near term in view of the challenging property market.

Project site at Jalan Peel, Cheras



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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