

Sunway Berhad

Executive Condos in Sengkang...

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Yesterday, SUNWAY announced that they along with their joint-venture partner in Singapore have won a tender bid for a parcel of land measuring 5.19ac in Anchorvale Lane at Sengkang for a total consideration of SGD240.9m. We are mildly positive with the land tender win as it provides continuity to its development and presence in Singapore. No changes to FY16-17E core earnings. Maintain MARKET PERFORM with higher TP of RM3.23 based on SOP (previously at RM3.22).

News. Yesterday, SUNWAY announced that they along with their joint-venture partner in Singapore (joint-venture: HOIHUP, SUNWAY, ORIENTAL, and AZUKI with an equity proportion of 62:30:5:3) has won a tender to acquire from the Housing and Development Board of Singapore a 99-year leasehold land at Anchorvale Lane measuring 5.19ac for SGD240.9m or RM724.1m.

Tender pricing still palatable. We believe that the tender price of SGD355.3psf of allowable GFA won by SUNWAY is fair as we gathered that there is a plot of land near their development in Fernvale street, which is 1km away, has reached a tender bid of SGD489.8psf of allowable GFA representing 38% premium to SUNWAY's tender bid.

Anchorvale Lane. SUNWAY's development in Anchorvale Lane has a plot ratio of 3.0x for residential purpose (640 units of executive condos) with an estimated GDV of SGD520.0m translating an average selling price of SGD1,000psf, which is quite close to UOL Group Limited's project pricing, i.e. Riverbank @ Fernvale. The project is slated for launch end of 2017 or beginning 2018 and we are expecting low-teens pre-tax margins from the project given that land cost already made up 46% of its GDV.

Outlook. We remain confident with SUNWAY's ability in delivering solid performance for the year premised on its strong property unbilled sales of RM2.0b with 2-year visibility coupled with a robust outstanding order book of RM4.9b that provides 2-3 year visibility.

Earnings estimate. While we are mildly positive on the project as it would help lift SUNWAY's sales in the future, we make no changes to our FY16-17E core earnings as the development is only expected to take off by late 2017 or early 2018, which does not have any impact to our current estimates. Net-gearing wise, the proposed land acquisition would bump up its net gearing by 0.03x to 0.47x from its 0.44x as of 2Q16.

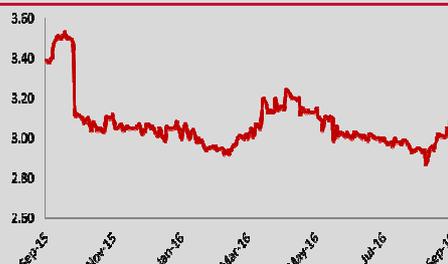
MARKET PERFORM. We are keeping our MARKET PERFORM recommendation but marginally bumped up our Target Price to RM3.23 after we factored in the land acquisition in Singapore (previously, TP@RM3.22 based on SoP). Nonetheless, we are still maintaining our cautious view on the property market as we have yet to see much improvement in the market, especially with bank loan approvals.

Downside risks to our call include: Weaker-than-expected property sales and construction order book replenishment, Higher-than-expected sales and administrative costs, negative real estate policies, and tighter lending environment.

MARKET PERFORM ↔

Price: **RM3.10**
Target Price: **RM3.23** ↑

Share Price Performance



KLCI	1,689.92
YTD KLCI chg	-0.2%
YTD stock price chg	0.6%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SWB MK Equity
Market Cap (RM m)	6,302.2
Issued shares	2,033.0
52-week range (H)	3.28
52-week range (L)	2.87
3-mth avg daily vol:	1,145,691
Free Float	34%
Beta	0.5

Major Shareholders

Sungei Way Corporation Sendirian Berhad	56.3%
Amanah Saham Bumiputera	5.1%
Employees Provident Fund Board	5.1%

Summary Earnings Table

FYE Dec (RM m)	2015A	2016E	2017E
Turnover	4,451	5,129	5,600
EBIT	686	659	737
PBT	929	816	798
Net Profit (NP)	732	499	520
Core NP	594	485	520
Consensus (NP)	n.a.	517	553
Earnings Revision	n.a.	n.a.	n.a.
EPS (sen)	42.5	29.0	30.2
Core EPS (sen)	34.5	28.1	30.2
EPS growth (%)	-51%	-32%	4%
NDPS (sen)	38.5	9.8	10.3
NTA/Share (RM)	2.91	3.26	3.61
Core PER (x)	7.3	10.7	10.3
Price/NTA (x)	1.1	0.9	0.9
Net Gearing (x)	0.5	0.4	0.5
Dividend Yield (%)	12.4%	3.2%	3.3%

Land Location



Source: Company

Sum-of-Parts

	Stake	Value @ Stake RM'm	PER (x)	Discount (%)	Value RM'm	Assumptions
Property Development & Investment	100%	6,487	n.a	61%	2,562	(i) Property Dev: DCF of Future Profits @ 11% WACC, 18% net margin (ii) Property Inv: Zero surplus on Book Value
Sunway Reit	35%	1,762	n.a		1,762	SUNREIT TP RM1.85
Construction	56%	1,303	14		1,303	14x FY17E PER- higher compared to mid cap construction Fwd PERs of 9x-13x.
Quarry & Buildings Mat	100%	37	8		37	8x FY17E PER
Trading & manufacturing	100%	450	8		450	8x FY17E PER
Group Shareholders Funds					0	
Total SOP		10,039			6,114	
Adjustment for Dilution					879	
TP (RM)					3.23	
Diluted no. of shares ('m)					2,168	

Source: Kenanga Research

07 September 2016

Income Statement

FY Dec (RM m)	2013A	2014A	2015A	2016E	2017E
Revenue	4734	4842	4451	5129	5600
EBITDA	915	729	808	791	877
Depreciation	-109	-114	-122	-131	-141
EBIT	806	615	686	659	737
Interest Expense	-138	-79	-124	-96	-106
Investing	36	48	98	53	47
Associate/JCE	172	233	270	200	121
Exceptionals/FV	1018	152	138	0	0
PBT	1894	969	929	816	798
Taxation	-121	-148	-130	-188	-178
Minority Interest	-273	-78	-67	-144	-100
Net Profit	1500	744	732	499	520
Core Net Profit	483	592	594	485	520

Balance Sheet

FY Dec (RM m)	2013A	2014A	2015A	2016E	2017E
Fixed Assets	3540	3766	5248	5614	6583
Intangibles	320	319	320	320	320
Other FA	2369	2652	3362	3362	3362
Inventories	623	598	693	702	777
Receivables	2679	3492	3633	3429	3744
Other CA	63	111	111	111	111
Cash	1527	1978	2627	2332	1773
Total Assets	11120	12917	15994	15870	16669
Payables	2154	2172	2446	2913	3171
ST Borrowings	1805	2283	3304	2283	2283
Other ST Liability	24	21	43	43	42
LT Borrowings	991	1502	2585	2498	3036
Other LT Liability	486	605	416	417	422
Minority Int.	317	389	651	794	794
Net Assets	5343	5945	6550	6922	6922
Share Capital	1723	1731	1800	1800	1800
Reserves	3620	4215	4750	5122	5122
Shareholder Eqty	5343	5945	6550	6922	6922

Cashflow Statement

FY Dec (RM m)	2013A	2014A	2015A	2016E	2017E
Operating CF	755	271	195	1,432	311
Investing CF	-1,131	-20	-2,948	-49	-1,171
Financing CF	744	761	2,935	-1,321	301
Net Chg in Cash	368	1,013	182	63	-559
Free Cash Flow	532	545	-629	1,918	421

Source: Kenanga Research

Financial Data & Ratios

FY Dec (RM m)	2013A	2014A	2015A	2016E	2017E
Growth (%)					
Revenue	-	2.3	-8.1	15.2	9.2
EBITDA	-	-20.3	10.8	-2.2	11.0
EBIT	-	-23.7	11.5	-3.9	11.7
Pre-tax Income	-	-48.8	-4.1	-12.1	-2.2
Net Income	-	-50.4	-1.5	-31.8	4.1
Core Net Profit	-	22.7	0.3	-18.4	7.2

Profitability (%)

EBITDA Margin	19.3	15.1	18.2	15.4	15.7
EBIT Margin	17.0	12.7	15.4	12.9	13.2
PBT Margin	40.0	20.0	20.9	15.9	14.3
Net Margin	31.7	15.4	16.5	9.7	9.3
Core Net Margin	10.2	12.2	13.3	9.5	9.3
Effective Tax Rate	-22.6	-22.3	-14.0	-23.0	-22.3
ROE	33.6	13.2	11.7	7.4	7.5
ROA	14.9	6.2	5.1	3.1	3.2

DuPont Analysis

Net margin (%)	31.7	15.4	16.5	9.7	9.3
Assets Turnover (x)	0.5	0.4	0.3	0.3	0.3
Leverage Factor (x)	2.3	2.1	2.3	2.4	2.4
ROE (%)	33.6	13.2	11.7	7.4	7.5

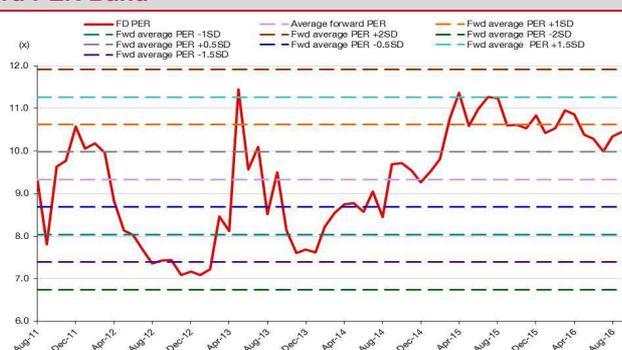
Leverage

Debt/Asset (x)	0.25	0.29	0.37	0.30	0.32
Debt/Equity (x)	0.52	0.64	0.90	0.69	0.77
Net Debt/(Cash)	1.3	1.8	3.3	2.4	3.5
Net Debt/Equity (x)	0.24	0.30	0.50	0.35	0.51

Valuations

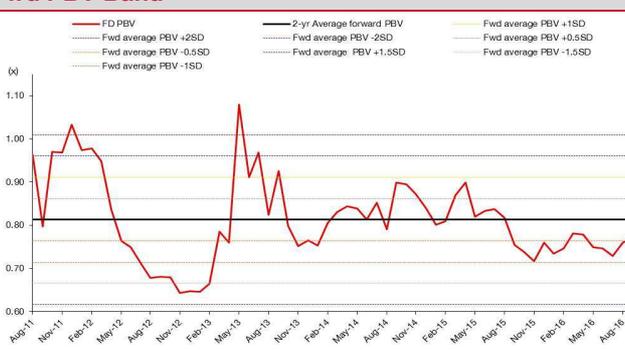
EPS (sen)	87.1	43.2	42.5	29.0	30.2
Core EPS	28.0	34.4	34.5	28.1	30.2
NDPS (sen)	10.0	13.8	38.5	9.8	10.3
BV/share (RM)	3.10	3.45	3.80	4.02	4.02
Core PER (x)	3.6	7.2	7.3	10.7	10.3
Net Div. Yield (%)	3.2%	4.5%	12.4%	3.2%	3.3%
PBV (x)	1.0	0.9	0.8	0.8	0.8
EV/EBITDA (x)	7.2	9.8	10.6	9.9	10.1

Fwd PER Band



Source: Bloomberg, Kenanga Research

Fwd PBV Band



07 September 2016

Peer Comparison

NAME	Price (6/9/16)	Mkt Cap	PER (x)			Est. NDiv. Yld.	Hist. ROE	P/BV	Net Profit (RMm)			FY16/17 NP Growth	FY17/18 NP Growth	Target Price	Rating
	(RM)	(RMm)	FY15/16	FY16/17	FY17/18	(%)	(%)	(x)	FY15/16	FY16/17	FY17/18	(%)	(%)	(RM)	
DEVELOPERS UNDER COVERAGE															
S P SETIA BHD*	3.28	9,242	9.4	12.5	11.6	5.1%	13.9%	1.13	918.3	692.0	744.2	-24.6%	7.5%	3.40	MARKET PERFORM
IOI PROPERTIES GROUP BHD*	2.54	11,204	17.3	15.0	15.0	3.1%	4.1%	0.69	648.5	749.1	750.5	15.5%	0.2%	2.57	MARKET PERFORM
UEM SUNRISE BHD*	1.12	5,082	19.8	30.3	29.6	1.4%	3.9%	0.81	257.2	168.5	172.4	-34.5%	2.3%	1.00	UNDERPERFORM
SUNWAY BHD	3.10	6,302	9.0	11.0	10.3	3.2%	11.7%	0.77	594.2	485.1	519.8	-18.4%	7.2%	3.23	MARKET PERFORM
MAH SING GROUP BHD^	1.61	3,879	10.9	10.2	10.0	4.0%	14.3%	1.15	357.2	379.7	389.5	6.3%	2.6%	1.53	MARKET PERFORM
ECO WORLD DEVELOPMENT GROUP BHD	1.34	3,168	72.1	31.3	15.4	0.0%	2.5%	0.98	44.0	126.5	257.7	187.8%	103.7%	1.58	OUTPERFORM
UOA DEVELOPMENT BHD*	2.52	4,111	9.6	9.8	9.2	6.0%	14.1%	1.16	399.0	391.0	414.6	-2.0%	6.0%	2.54	MARKET PERFORM
MALAYSIAN RESOURCES CORP BHD	1.27	2,642	-48.1	28.7	52.4	0.7%	-3.3%	1.30	-74.6	125.2	68.4	-267.8%	-45.3%	1.33	MARKET PERFORM
KSL HOLDINGS BHD	1.13	1,163	5.1	5.4	5.7	0.0%	10.5%	0.49	211.5	198.4	190.3	-6.2%	-4.1%	1.10	UNDERPERFORM
MATRIX CONCEPTS HOLDINGS BHD	2.51	1,432	6.0	6.8	6.2	5.9%	31.8%	1.45	255.2	224.2	248.1	-12.1%	10.7%	2.65	OUTPERFORM
CRESCENDO CORPORATION BHD*	1.49	339	19.1	13.5	11.7	3.0%	2.2%	0.39	17.8	25.3	29.1	42.0%	14.9%	1.60	MARKET PERFORM
HUA YANG BHD	1.86	491	4.5	4.6	5.1	2.2%	25.9%	0.77	110.1	106.1	96.7	-3.7%	-8.9%	1.90	MARKET PERFORM
CONSENSUS NUMBERS															
IGB CORPORATION BHD	2.61	3,484	17.4	14.5	13.2	3.3%	4.7%	0.8	200.1	240.3	263.0	20.1%	9.4%	3.55	NEUTRAL
GLOMAC BHD	0.77	557	6.9	7.1	6.5	5.3%	8.3%	0.6	80.8	78.1	86.1	-3.3%	10.2%	0.79	NEUTRAL
PARAMOUNT CORP BHD	1.43	605	9.4	8.9	8.4	5.6%	7.2%	0.7	64.1	67.7	71.9	5.6%	6.3%	2.18	BUY
TAMBUN INDAH LAND BHD	1.51	644	6.0	6.3	5.9	5.0%	23.5%	1.3	106.9	101.5	108.8	-5.0%	7.1%	1.57	BUY
* Core NP and Core PER															
** Crescendo per share data is based on non-Fully Diluted															
^ Last price and TP is Ex-rights and Ex-Bonus.															

Source: Kenanga Research

Stock Ratings are defined as follows:**Stock Recommendations**

- OUTPERFORM : A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
- MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERPERFORM : A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

Sector Recommendations***

- OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
- NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERWEIGHT : A particular sector's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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