

Sunway Berhad

Replenishes Klang Valley Landbank

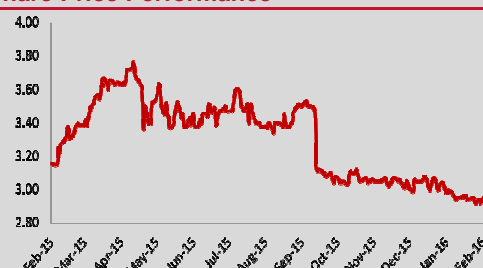
By Adrian Ng | adrian.ng@kenanga.com.my

- News**
- Last Friday, SUNWAY made two separate announcements on land acquisitions;(i) freehold industrial land in Kelana Jaya from Tamura Electronics (M) SdnBhd for a total consideration of RM35.8m or RM169.95psf, and (ii) two parcels of leasehold land measuring 2.25 acres and 2.0 acres in Kampung Baru Subang from View2Pick SdnBhd (V2P) and Chen Yew Plastics Sdn Bhd for RM9.0m (RM91.83psf) and RM11.2m (RM128.85psf), respectively. However, these two parcels of land would be acquired through the joint-venture set up by SUNWAY with V2P on a 80:20 basis, whereby SUNWAY would inject its land measuring 2.1 acres for industrial park development purposes, upon the completion of the amalgamation of the three parcels of land.
- Comments**
- SUNWAY's move in acquiring more land banks is not surprising. In fact, we had been anticipating developers to be more active in landbanking activities since our sector report dated 6/4/15. In 2016, SUNWAY would be the first developer in making a landbanking move with the several parcels of land to be acquired as mentioned above.
 - On a land cost to GDV perspective, both Kelana Jaya and Kampung Baru Subang land acquisition cost makes up 35.8% and 29.8% of the prospective GDVs of RM100.0m and RM110.0m, respectively. While it is slightly higher than our usual comfortable land cost to GDV threshold of 20%, we deem the land acquisition costs as still fair given their industrial purposes. Furthermore, it is still comparable with the surrounding bid prices from nearby industrial parks RM137.99psf (Sungai Penaga) to RM400.0psf (Hicom-Glenmarie), while Kampung Baru Subang bid prices ranges between RM94.06psf - RM126.26/psf.
- Outlook**
- SUNWAY is expected to release its FY15 results on 26/2/16. Judging from its 9M15 sales performance of RM734.0m, we believe that SUNWAY should be able to meet our sales estimates of RM1.0b. Its property unbilled sales remain fairly healthy at c.RM2.3b, providing at least 1–1.5 years of visibility and we believe that it is sustainable at that level should they are able to meet our FY15 sales estimates of RM1.0b.
- Forecast**
- Following the recent earnings downgrade on SUNREIT from our REIT analyst, we trimmed our FY15-16E earnings lower by 1%-2% to RM565.6-484.5m, and we do not expect any earnings contribution in FY15-16E from the two projects above, as the project launches are only expected in FY17.
- Rating** **Maintain MARKET PERFORM**
- Valuation**
- While the acquisition would add 1.0 sen to our previous SoP driven TP of RM3.27, we lowered our TP to RM3.20 after the adjustment in our valuation for SUNREIT of which our REIT analyst has downgraded to RM1.60 (previously, RM1.73). Our applied discount of 54% on its property division is close to our overall sector average discount of 53%. We also maintain our MP call on SUNWAY due to the lack of re-rating catalyst in the property division.
- Risks**
- Weaker-than-expected property sales and construction orderbook replenishment.
 - Higher-than-expected sales and administrative costs.
 - Negative real estate policies.
 - Tighter lending environments.

MARKET PERFORM ↔

Price: RM2.96
Target Price: RM3.20 ↓

Share Price Performance



KLCI	1,674.88
YTD KLCI chg	-1.0%
YTD stock price chg	-3.9%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SWB MK Equity
Market Cap (RM m)	5,268.2
Issued shares	1,779.8
52-week range (H)	3.53
52-week range (L)	2.89
3-mth avg daily vol:	1,119,470
Free Float	26%
Beta	0.6

Major Shareholders

SUNGEI WAY CORP SDN	55.1%
YEAN TIH CHEAH	13.1%
EMPLOYEES PROVIDENT	5.6%

Summary Earnings Table

FYE Dec (RM m)	2014A	2015E	2016E
Turnover	4,842	5,093	5,043
EBIT	615	660	642
PBT	969	859	794
Net Profit (NP)	744	566	499
Core NP	592	566	485
Consensus (NP)	n.a.	548	538
Earnings Revision	n.a.	-1%	-2%
EPS (sen)	43.2	32.8	28.9
Core EPS (sen)	34.4	32.8	28.1
EPS growth (%)	-50%	-24%	-12%
NDPS (sen)	13.8	35.6	9.8
NTA/Share (RM)	2.91	3.26	3.52
PER (x)	8.6	9.3	10.6
Price/NTA (x)	1.0	0.9	0.9
Net Gearing (x)	0.3	0.2	0.2
Dividend Yield (%)	4.5%	11.6%	3.2%



22 February 2016

Kelana Jaya Land Details

Land Area (acres)	4.84
Existing Land Use	Industrial
Purchase Price	RM35.8m (RM169.95psf)
Tenure	Freehold
Purchaser	Sunway Dimension Stones SdnBhd
Vendor	Tamura Electronics (M) SdnBhd
Conditions Precedent	State Authority consent for sale and transfer
Tenancy	SDSSB and Tamura to enter into tenancy agreement for the purpose of letting the property to Tamura for 9 months from Completion Date at a total rental of RM600.0k

Source: Sunway, Kenanga Research

Kelana Jaya Land Location Map



Source: Sunway, Google Maps, Kenanga Research

Kampung Baru Subang Land Details

Land Title	PT7	PT8	PT2049
Vendor	Sunway Dimension Stones	View2Pick	Chen Yew Plastics
Land Area (acres)	2.10	2.25	2.00
Existing Land Use	Industrial	Agriculture	Industrial
Tenure	Leasehold	Leasehold	Leasehold
Lease Expiry	2055	2057	2049
Renewal	To apply to state authorities for extension of lease to 99 years		
Purchase Price	RM12.5m (RM136.65psf)	RM9.0m (RM91.83psf)	RM11.2m (RM128.85psf)
Payment Terms	As and when JV Co has Cash Flow	50% upon receipt of building approval from authorities. Balance 50% one year later.	10% deposit on signing of SPA. Balance 90% upon Completion Date (all CPs met).
Current Use	Tenanted	Vacant	Tenanted
Conditions Precedent (CPs)	State Authority approval Discharge of all charges		
JV Company	State approval for amalgamation and extension of lease Ekuiti Meranti SdnBhd		
Shareholding	Sunway City SdnBhd (80%), View2Pick SdnBhd (20%)		
Project management fee	JVCo to pay Sunway a management fee equivalent to 1% of gross development value (GDV) of the development		

Source: Sunway, Google Maps, Kenanga Research

Kampung Baru Subang Land Location Map



Source: Sunway, Kenanga Research

Sum-of-Parts

	Stake	Value @ Stake	PER	Discount	Value	Assumptions
		RM'm	(x)	(%)	RM'm	
Property Development & Investment	100%	6,470	n.a	54%	2,976	(i) Property Dev: DCF of Future Profits @ 11% WACC, 18% net margin (ii) Property Inv: Zero surplus on Book Value
Sunway Reit	35%	1,620	n.a		1,620	SUNREIT TP RM1.60
Construction	56%	1,009	14		1,009	14x FY16E PER- pegged with the mid end of mid cap construction Fwd PERs of 12x-15x.
Quarry & Buildings Mat	100%	35	8		35	8x FY16E PER
Trading & manufacturing	100%	421	8		421	8x FY16E PER
Group Shareholders Funds					0	
Total SOP		9,554			6,060	
Adjustment for Dilution					879	
TP (RM)					3.20	
Diluted no. of shares ('m)					2,168	

Source: Kenanga Research

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Income Statement

FY Dec (RM m)	2012A	2013A	2014A	2015E	2016E
Revenue	3849	4734	4842	5093	5043
EBITDA	417	915	729	783	773
Depreciation	-95	-109	-114	-122	-131
EBIT	322	806	615	660	642
Interest Expense	-100	-138	-79	-85	-96
Investing	23	36	48	49	56
Associate/JCE	296	172	233	234	192
Exceptionals/FV	182	1018	152	0	0
PBT	723	1894	969	859	794
Taxation	-125	-121	-148	-192	-177
Minority Interest	-67	-273	-78	-102	-133
Net Profit	530	1500	744	566	499
Core Net Profit	350	483	592	566	485

Balance Sheet

FY Dec (RM m)	2012A	2013A	2014A	2015E	2016E
Fixed Assets	2646	3540	3766	4305	5086
Intangibles	318	320	319	319	319
Other FA	1590	2369	2652	2652	2652
Inventories	650	623	598	720	666
Receivables	2128	2679	3492	3121	3090
Other CA	493	63	111	111	111
Cash	1159	1527	1978	2794	3127
Total Assets	8983	11120	12917	14022	15052
Payables	1772	2154	2172	2276	2255
ST Borrowings	1765	1805	2283	2283	2283
Other ST Liability	31	24	21	21	21
LT Borrowings	972	991	1502	1961	2498
Other LT Liability	478	486	605	605	615
Minority Int.	381	317	389	490	623
Net Assets	3585	5343	5945	6386	6758
Share Capital	1293	1723	1731	1731	1731
Reserves	2293	3620	4215	4656	5027
Shareholders Equity	3585	5343	5945	6386	6758

Cashflow Statement

FY Dec (RM m)	2012A	2013A	2014A	2015E	2016E
Operating CF	390	755	271	1,273	837
Investing CF	-370	-1,131	-20	-273	-476
Financing CF	274	744	761	258	328
Net Change in Cash	294	368	1,013	1,257	690
Free Cash Flow	-43	532	545	1,470	930

Source: Kenanga Research

Financial Data & Ratios

FY Dec (RM m)	2012A	2013A	2014A	2015E	2016E
Growth (%)					
Revenue	4.3	23.0	2.3	5.2	-1.0
EBITDA	-2.4	119.5	-20.3	7.3	-1.2
EBIT	-0.2	150.5	-23.7	7.4	-2.8
Pre-tax Income	45.0	162.0	-48.8	-11.4	-7.5
Net Income	36.8	183.0	-50.4	-23.9	-11.8
Core Net Profit	-1.1	37.7	22.7	-4.5	-14.3
Profitability (%)					
EBITDA Margin	10.8	19.3	15.1	15.4	15.3
EBIT Margin	8.4	17.0	12.7	13.0	12.7
PBT Margin	18.8	40.0	20.0	16.9	15.7
Net Margin	13.8	31.7	15.4	11.1	9.9
Core Net Margin	9.1	10.2	12.2	11.1	9.6
Effective Tax	-17.3	-22.6	-22.3	-22.3	-22.3
ROE	16.1	33.6	13.2	9.2	7.6
ROA	6.3	14.9	6.2	4.2	3.4

DuPont Analysis

Net margin (%)	13.8	31.7	15.4	11.1	9.9
Assets turn. (x)	0.5	0.5	0.4	0.4	0.3
Leverage fac. (x)	2.5	2.3	2.1	2.2	2.2
ROE (%)	16.1	33.6	13.2	9.2	7.6

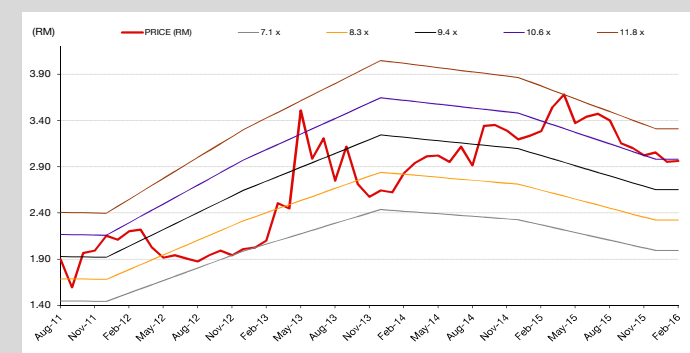
Leverage

Debt/Asset (x)	0.30	0.25	0.29	0.30	0.32
Debt/Equity (x)	0.76	0.52	0.64	0.66	0.71
Net Debt/(Cash)	1.6	1.3	1.8	1.4	1.7
Net Debt/Eq. (x)	0.39	0.24	0.30	0.23	0.24

Valuations

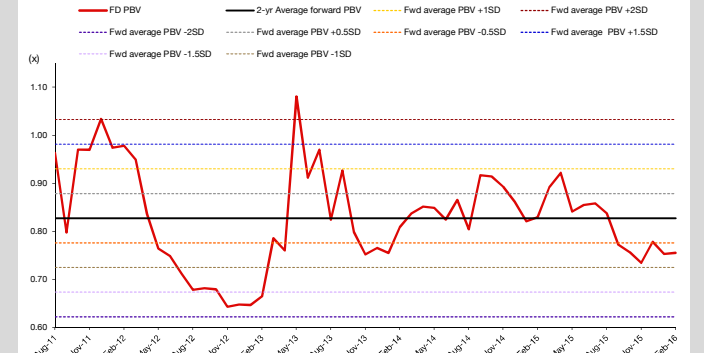
EPS (sen)	30.8	87.1	43.2	32.8	28.9
Core EPS	20.3	28.0	34.4	32.8	28.1
NDPS (sen)	6.0	10.0	13.8	35.6	9.8
BV/share (RM)	2.08	3.10	3.45	3.71	3.92
Core PER (x)	9.9	3.5	7.1	9.3	10.6
Net Div. Yld (%)	2.0%	3.3%	4.5%	11.6%	3.2%
PBV (x)	1.5	1.0	0.9	0.8	0.8
EV/EBITDA (x)	16.4	7.1	9.7	8.6	9.0

Fwd PER Band



Source: Bloomberg, Kenanga Research

Fwd PBV Band



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Peer Comparison

NAME	Price (19/2/16)	Mkt Cap (RMm)	PER (x)			Est. NDiv. Yld. (%)	Historica I ROE (%)	P/BV (x)	Net Profit (RMm)			FY15/16 NP Growth (%)	FY16/17 NP Growth (%)	Target Price (RM)	Rating
	(RM)		FY14/15	FY15/16	FY16/17				FY14/15	FY15/16	FY16/17				
DEVELOPERS UNDER COVERAGE															
S P SETIA BHD*	2.87	7,543	20.2	9.5	11.5	5.2%	7.1%	1.2	361.0	763.9	631.8	111%	-17.3%	3.50	MARKET PERFORM
IOI PROPERTIES GROUP BHD*	2.08	9,176	10.3	16.7	16.3	2.9%	3.9%	0.6	528.6	552.4	562.8	4.5%	1.9%	2.09	UNDERPERFORM
UEM SUNRISE BHD*	1.11	5,037	10.5	20.0	16.6	2.3%	7.8%	0.8	479.9	251.7	304.1	-47.6%	20.8%	1.07	MARKET PERFORM
SUNWAY BHD	2.96	5,268	8.6	9.0	10.5	3.3%	13.2%	0.8	592.2	566.0	485.0	-4.4%	-14.3%	3.20	MARKET PERFORM
MAH SING GROUP BHD^	1.29	3,108	9.1	8.3	7.9	5.0%	16.1%	0.9	339.2	372.4	389.8	9.8%	4.7%	1.35	MARKET PERFORM
ECO WORLD DEVELOPMENT GROUP BHD	1.33	3,144	71.5	24.8	12.2	0.0%	2.5%	1.0	44.0	126.6	257.8	188%	103.7 %	1.90	OUTPERFORM
UOA DEVELOPMENT BHD*	2.09	3,176	11.4	9.4	8.7	6.7%	12.2%	1.0	279.1	338.1	363.1	21.2%	7.4%	2.22	OUTPERFORM
MALAYSIAN RESOURCES CORP BHD	1.21	2,162	48.1	104.1	44.9	0.0%	2.6%	1.2	41.6	19.2	44.5	-53.8%	132%	1.39	MARKET PERFORM
KSL HOLDINGS BHD	1.29	1,290	4.0	4.5	4.4	8.8%	15.3%	0.7	252.0	271.7	276.5	7.8%	1.8%	1.72	OUTPERFORM
MATRIX CONCEPTS HOLDINGS BHD	2.37	1,306	7.9	6.0	7.3	7.6%	29.5%	1.8	182.6	243.1	198.9	33.1%	-18.2%	2.46	MARKET PERFORM
CRESCENDO CORPORATION BHD*	1.71	389	9.0	20.4	19.2	1.9%	15.3%	0.5	43.3	19.1	20.3	-55.9%	6.3%	1.74	UNDERPERFORM
HUA YANG BHD	1.79	473	4.3	4.2	4.5	7.3%	25.9%	0.9	110.6	111.6	106.1	0.9%	-4.9%	2.20	OUTPERFORM
CONSENSUS NUMBERS															
IGB CORPORATION BHD	2.31	3,084	13.9	12.6	11.4	3.2%	5.1%	0.7	221.1	244.3	271.0	10.5%	10.9%	4.10	NEUTRAL
YNH PROPERTY BHD	1.90	772	60.1	14.1	11.0	1.6%	1.5%	0.9	12.8	54.8	70.2	327%	28.1%	1.83	NEUTRAL
GLOMAC BHD	0.83	601	6.5	7.0	6.4	5.3%	9.8%	0.6	91.9	85.5	94.2	-6.9%	10.2%	1.03	BUY
PARAMOUNT CORP BHD	1.55	655	10.4	8.6	8.2	5.2%	7.3%	0.7	62.9	76.0	80.2	20.9%	5.6%	2.40	BUY
TAMBUN INDAH LAND BHD	1.36	577	5.9	5.8	5.8	6.0%	24.0%	1.3	97.6	99.7	98.9	2.2%	-0.9%	1.60	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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Published and printed by:

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