

# Sunway Berhad

## Fifth Land Banking Deal

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Yesterday, SUNWAY announced that they have entered into a joint-venture (55:45) agreement with Huatland to acquire a parcel of freehold land measuring 4.34 acres in Wangsa Maju for a total consideration of RM51.1m with an estimated GDV of RM500.0m. Neutral on the acquisition as we have factored in RM2.0b worth of GDV replenishment to our estimated RNAV in our previous report. No changes to FY17-18E earnings. Maintain MARKET PERFORM with an unchanged SoP-driven Cum/Ex-TP of RM4.25/RM1.82.

**News.** Yesterday, SUNWAY entered into a joint-venture (55:45) agreement with Huatland to acquire a parcel of freehold land measuring 4.34acre in Wangsa Maju for a total consideration of RM51.1m or RM270.0psf from Setapak Heights Development Sdn Bhd.

**Fifth land bank in a year.** This marks the fifth land bank deal of the year for SUNWAY with an estimated GDV of RM500.0m. We are neutral on the acquisition having factoring in RM2.0b worth of GDV replenishment in our previous report. The land is located approximately 850m from the Sri Rampai LRT Station. The surrounding developments in the area are Wangsa 9 Residence by MITRA and Seri Riana Residence by IJM Land. The transacted cost of RM270.0psf is slightly higher compared to the surrounding asking price of RM250.0psf, but we reckon it is due to its freehold status versus leasehold land in the area. We opine that its acquisition price of RM51.1m as fair as it implies land cost to GDV of 10% based on management's estimated GDV of RM500.0m. We believe that management's estimated GDV of RM500.0m is reasonable as it implies a selling price of RM705.0psf which is still comparable to Wangsa 9 Residence's current asking price of RM731.6psf.

**Outlook.** It has been a land banking year for SUNWAY, and we believe there could be more land banking deals in the pipeline despite the replenished GDV of RM5.5b and we also do not rule out further asset disposal. In terms of earnings delivery, we are confident that SUNWAY would be able to deliver for the year premised on its strong unbilled sales of RM1.4b with 2-year visibility, a robust outstanding order-book of RM4.6b that provides 2-3 year visibility and other divisions that have been generating decent growth over the years. However, its weak 1Q17 sales of RM142.0m which is below our and management's target of RM1.1b, remains a concern. In five years' time, we expect management to consider the option of spinning off its medical division.

**Earnings unchanged.** There are no changes to our FY17-18E Core Net Profits as we have yet to factor in any potential contributions from the project, as it is only targeted for launch in end 2018.

**MARKET PERFORM maintained.** We maintain our MARKET PERFORM call on SUNWAY due to its unexciting sales trajectory with an unchanged SoP-driven Cum/Ex-TP of RM4.25/RM1.82 as we have previously factored RM2.0b worth of GDV replenishment assumptions. Post this land deal; we have a remaining GDV replenishment assumption of RM1.7b.

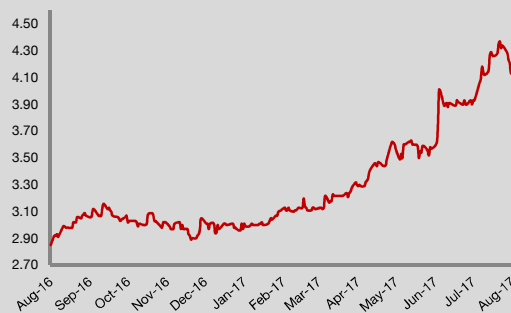
**Downside risks include:** Weaker-than-expected property sales and construction replenishment, higher-than-expected administrative costs, negative real estate policies, and tighter lending environment.

## MARKET PERFORM ↔

Cum/Ex-Price : RM4.15/RM1.78

Cum/Ex-Target Price : RM4.25/RM1.82 ↔

### Share Price Performance



KLCI	1,773.75
YTD KLCI chg	8.0%
YTD stock price chg	38.3%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SWB MK Equity
Market Cap (RM m)	8,511.8
Issued shares	2,051.0
52-week range (H)	4.40
52-week range (L)	2.89
3-mth avg daily vol:	3,409,138
Free Float	34%
Beta	0.5

### Major Shareholders

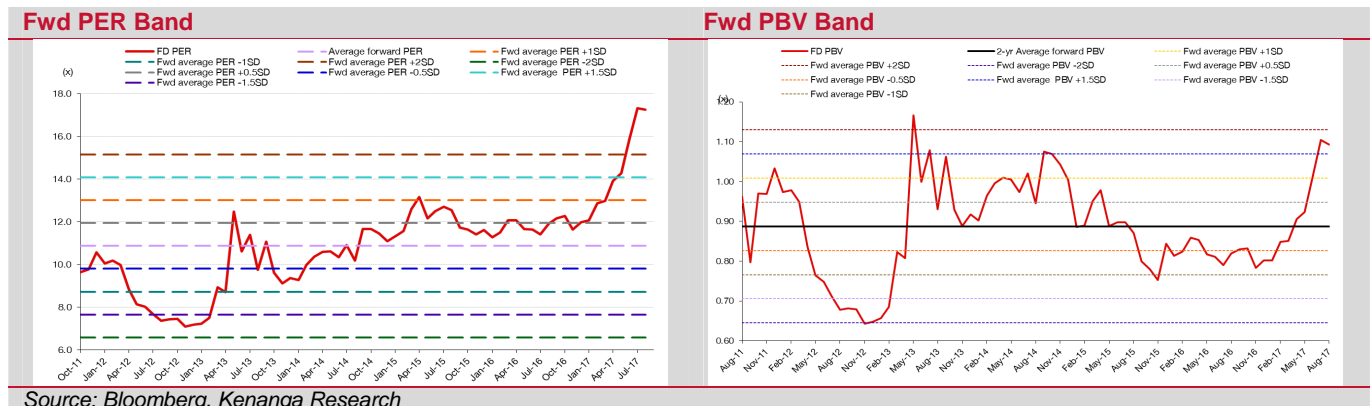
Sungei Way Corporation Sdn Bhd	56.3%
Employees Provident Fund Board	5.4%
Fook Ling Cheah	4.6%

### Summary Earnings Table

FYE Dec (RM m)	2016A	2017E	2018E
Turnover	4,726	5,262	5,584
EBIT	727	728	772
PBT	859	798	846
<b>Net Profit (NP)</b>	<b>586</b>	<b>552</b>	<b>543</b>
<b>Core net profit</b>	<b>542</b>	<b>522</b>	<b>543</b>
Consensus (NP)	n.a.	564	603
Earnings Revision	n.a.	n.a.	n.a.
Core Basic EPS	26.3	25.3	26.3
Core EPS grow. (%)	-20%	-6%	-2%
DPS (sen)	12.1	9.4	9.2
Basic PER (x)	15.8	16.4	15.8
BVPS (RM)	3.61	3.79	3.96
Net Gearing (x)	0.5	0.5	0.4
Dividend Yield (%)	2.9%	2.3%	2.2%

Sum-of-Parts						
	Stake	Value @ Stake RM'm	PER (x)	Discount (%)	Value RM'm	Assumptions
Property Development & Investment	100%	7,862	n.a.	52%	3,774	(i) Property Dev: DCF of Future Profits @ 11% WACC, 18% net margin property rnav discount of 52%
Sunway Reit	35%	1,936	n.a.		1,936	(ii) Property Inv: Zero surplus on Book Value SUNREIT TP RM1.90
Construction	56%	1,438	16		1,438	16x FY18E PER- Inline with Big-Cap peers range of 16-18x.
Quarry & Buildings Mat	100%	158	8		158	8x FY18E PER
Trading & manufacturing	100%	288	8		288	8x FY18E PER
Healthcare	100%	1,334	27		1,334	27x FY18E PER inline with KPJ
Group Shareholders Funds						
<b>Total SOP</b>		<b>13,018</b>			<b>8,929</b>	
Adjustment for Dilution					1,157	
<b>TP (RM)</b>					<b>1.82</b>	
Diluted no. of shares ('m)					5,539	

Source: Kenanga Research



Source: Bloomberg, Kenanga Research

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17 August 2017

## Peer Comparison

NAME	Price (16/8/17)	Mkt Cap	PER (x)			Est. NDiv. Yld.	Hist. ROE	Fwd ROE	Fwd P/BV	Net Profit (RMm)			FY17/18 NP Growth	FY18/19 NP Growth	Target Price	Rating
	(RM)	(RMm)	FY16/17	FY17/18	FY18/19	(%)	(%)	(%)	(x)	FY16/17	FY17/18	FY18/19	(%)	(%)	(RM)	
<b>DEVELOPERS UNDER COVERAGE</b>																
IOI PROPERTIES GROUP BHD*	2.10	11,563	17.8	14.5	14.4	3.4%	4.1%	4.2%	0.61	648.5	800.2	803.6	23.4%	0.4%	2.30	OUTPERFORM
S P SETIA BHD*#	3.26	9,885	12.2	13.0	15.1	4.1%	9.7%	8.0%	1.33	808.0	761.3	653.4	-5.8%	-14.2%	4.08	OUTPERFORM
UEM SUNRISE BHD*	1.14	5,173	35.1	22.2	32.1	0.0%	2.2%	3.4%	0.81	147.3	233.5	161.3	58.5%	-30.9%	1.45	OUTPERFORM
SUNWAY BHD*	1.78	8,512	15.7	16.3	15.7	5.0%	7.3%	6.7%	0.47	541.6	521.7	542.6	-3.7%	4.0%	1.82	MARKET PERFORM
MAH SING GROUP BHD^	1.58	3,807	11.0	11.2	11.6	4.1%	10.1%	10.0%	1.10	346.8	338.9	327.5	-2.3%	-3.4%	1.67	OUTPERFORM
ECO WORLD DEVELOPMENT GROUP BHD	1.55	4,564	35.3	40.4	18.3	0.0%	3.7%	4.4%	1.21	129.3	112.9	248.8	-12.7%	120.4%	1.72	MARKET PERFORM
UOA DEVELOPMENT BHD*	2.54	4,402	11.8	11.6	11.2	5.9%	19.4%	9.8%	1.05	373.9	379.2	391.4	1.4%	3.2%	2.63	MARKET PERFORM
MALAYSIAN RESOURCES CORP BHD#	1.11	2,675	11.0	35.2	27.5	0.2%	8.6%	2.4%	0.91	244.1	76.0	97.2	-69%	27.9%	1.32	OUTPERFORM
KSL HOLDINGS BHD	1.22	1,256	6.1	6.1	6.1	0.0%	8.8%	6.9%	0.46	204.6	206.0	205.0	0.7%	-0.5%	1.30	MARKET PERFORM
MATRIX CONCEPTS HOLDINGS BHD	2.65	1,544	8.2	6.9	6.5	5.5%	31.8%	22.7%	1.39	188.0	224.0	238.0	19.1%	6.3%	2.65	MARKET PERFORM
SUNSUBURIA BERHAD	1.41	1,126	30.7	11.5	7.2	2.2%	6.9%	13.3%	1.43	36.7	98.0	157.0	167.2%	60.1%	1.61	OUTPERFORM
CRESCENDO CORPORATION BHD*	1.40	318	11.0	10.4	10.1	3.1%	2.2%	8.0%	0.42	28.9	30.6	31.6	6.0%	3.3%	1.70	MARKET PERFORM
HUA YANG BHD	0.81	283	4.6	6.6	5.7	1.5%	21.9%	12.2%	0.44	61.0	43.0	50.0	-29.5%	16.3%	0.95	UNDERPERFORM
A&M REALTY BHD	1.40	511	25.5	19.1	14.8	0.0%	3.3%	4.2%	0.79	20.1	26.7	34.6	33.2%	29.5%	3.00	OUTPERFORM
MAGNA PRIMA BHD	1.49	496	62.7	76.2	45.1	0.4%	7.4%	1.1%	1.22	7.9	6.5	11.0	-17.7%	69.2%	1.60	MARKET PERFORM
<b>CONSENSUS NUMBERS</b>																
IGB CORPORATION BHD	2.82	3,764	12.6	15.7	15.7	3.5%	6.7%	6.4%	0.76	298.0	240.3	240.3	-19.4%	0.0%	3.00	NEUTRAL
GLOMAC BHD	0.67	484	4.4	8.5	6.8	4.5%	10.7%	5.3%	0.43	110.4	57.1	70.8	-48.3%	24.1%	0.70	NEUTRAL
PARAMOUNT CORP BHD	1.86	789	10.5	9.8	9.3	9.1%	8.0%	16.1%	0.83	75.0	80.6	84.9	7.5%	5.3%	2.37	BUY
TAMBUN INDAH LAND BHD	1.22	529	4.7	5.8	6.1	7.0%	21.5%	15.3%	0.88	112.2	91.0	86.7	-18.9%	-4.8%	1.54	NEUTRAL
LBS BINA GROUP BHD	1.94	1,316	15.4	11.7	9.2	4.9%	8.4%	9.1%	1.04	85.3	112.6	143.8	32.0%	27.7%	2.30	BUY

\* Core NP and Core PER

^ Last price and TP is Ex-rights and Ex-Bonus.

# MRCB's prices are of ex-rights

Source: Bloomberg, Kenanga Research

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

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%  
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%  
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%  
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%  
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

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

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