

17 August 2017 | Corporate Update

Sunway Berhad

Fifth landbanking for the year


INVESTMENT HIGHLIGHTS

- **Acquiring land in Wangsa Maju**
- **Positive on the land acquisition**
- **Limited impact on net gearing**
- **Maintain Neutral with a revised TP of RM4.26**

Acquiring land in Wangsa Maju. Sunway Berhad (SUNWAY) announced that it has entered into a Sale and Purchase Agreement to acquire 4.34 acres of freehold land in Wangsa Maju for RM51m. In addition, SUNWAY has entered into a joint venture agreement with Huatland Development Sdn Bhd to develop the land whereby SUNWAY will hold 55% of the JV company. The acquisition is expected to complete by end of 2017.

Positive on the land acquisition. We are positive on the land acquisition due to the strategic location of the land and the planned affordable property segment on the land. The land is located within 850 meters from the Sri Rampai LRT station in Wangsa Maju. The land is also located within 1.5km to amenities like Wangsa Walk Mall and Aeon Big Wangsa Maju. SUNWAY is planning a mixed development comprising serviced apartments and lifestyle retail units on the land with indicative GDV of RM500m. It translates into commendable land cost to GDV ratio of 10%. Meanwhile, we expect the affordable price range of the residential units, which are expected to sell at average pricing of RM550k to underpin good take-up rate of the project upon launching in end of 2018. Meanwhile, we view the acquisition price of RM270psf as fair as it falls within the asking price of RM165psf-RM330psf for land in Wangsa Maju.

Limited impact on net gearing. SUNWAY intends to fund the acquisition via internally generated funds and borrowings. Funding is not an issue to SUNWAY considering its cash pile of RM4b as at 1QFY17. We estimate net gearing of SUNWAY to be lifted marginally to 0.48x post acquisition from net gearing of 0.47x as of 1QFY17. Meanwhile, immediate earnings impact from the land acquisition is limited as target launch for the proposed development will be in 2H2018.

Maintain Neutral with a revised TP of RM4.26. We left our earnings forecast for FY17-18 unchanged as we expect earnings contribution from the proposed development to kick in from FY19 onwards. Meanwhile, we revised our TP for SUNWAY upwards marginally to RM4.26 from RM4.25 after taking into account the NPV from the proposed development. Our TP is based on Sum-of-Parts valuation. 

Maintain NEUTRAL

Revised Target Price (TP): RM4.26
(Previously: RM4.25)

RETURN STATS	
Price (16 Aug 2017)	RM4.15
Target Price	RM4.25
Expected Share Price Return	2.4%
Expected Dividend Yield	3.0%
Expected Total Return	5.4%

STOCK INFO	
KLCI	1,773.75
Bursa / Bloomberg	5211 / SWB MK
Board / Sector	Main / Trading & Services
Syariah Compliant	Yes
Issued shares (mil)	2,061.7
Market cap. (RM'm)	8,511.76
Price over NA	1.12
52-wk price Range	RM2.89 – RM4.4
Beta (against KLCI)	0.47
3-mth Avg Daily Vol	3.39m
3-mth Avg Daily Value	RM13.2m
Major Shareholders	
Sungei Way Corp	56.32%
EPF	5.36%
Cheah Fook Ling	4.58%

Location of land:



Source: Company

INVESTMENT STATISTICS

FYE Dec (RM m)	FY14A	FY15A	FY16A	FY17F	FY18F
Revenue	4558.1	4448.4	4725.9	4907.4	5379.6
Core EBIT	609.8	546.6	726.9	653.7	687.7
Core PBT	810.1	788.7	820.5	821.0	871.9
Net Income	734.0	732.4	585.9	555.6	633.0
Core Net Income	583.9	590.7	547.4	555.6	603.6
EPS (sen)	42.6	41.8	28.4	27.0	30.7
Core EPS (sen)	33.9	33.7	26.6	27.0	29.3
Net DPS (sen)	11.00	38.00	12.14	12.40	13.47
Net Dvd Yield	2.7%	9.2%	2.9%	3.0%	3.2%
Core PER	12.26	12.32	15.63	15.40	14.17
NTA/share (RM)	3.44	3.74	3.62	3.76	3.93
P/NTA	1.21	1.11	1.15	1.10	1.06
Core ROE	9.8%	9.0%	7.3%	7.2%	7.5%
Core ROA	4.5%	3.7%	2.9%	2.9%	3.1%
Net Gearing (x)	0.30	0.50	0.45	0.44	0.46

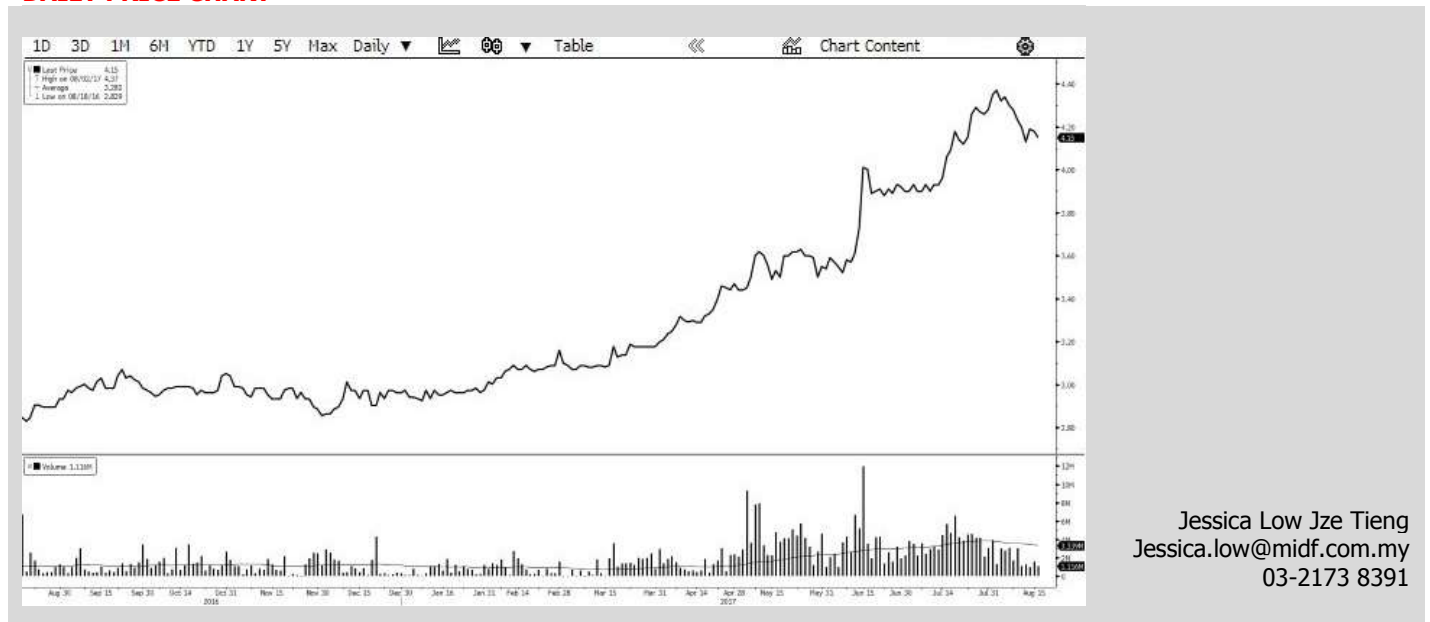
Source: Company, MIDF Research Estimates

Sum-of-Parts

Division	Methodology	PER (x)	Stake	Discount	Value (RM m)
Property Development	NPV of profits	n/a	100%	10%	2575.4
Property Investment	Net Book Value	n/a	100%	n/a	1490.0
Construction	17x FY18E PER - KL Construction Index PER	17	54%	n/a	2279.0
Sunway REIT	Target Price of RM1.88	n/a	35%	n/a	1910.2
Trading and manufacturing	10x FY18E PER - In line with small cap PER of 10x	10	100%	n/a	149.6
Quarry	10x FY18E PER - In line with small cap PER of 10x	10	100%	n/a	376.4
Total SOP					8780.6
Number of shares					2061.7
Target Price (RM)					4.26

Source: MIDF Research Estimates

DAILY PRICE CHART



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Source: Bloomberg

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.