

22 February 2016 | Corporate Update

Sunway Berhad

Acquiring Industrial Lands

INVESTMENT HIGHLIGHTS


- Acquisition of industrial land parcels for RM56.05m.
- Landbanking at Kelana Jaya and developing industrial park on Subang land
- Earnings estimate maintained
- Maintain NEUTRAL with unchanged TP of RM3.20

Acquisition of industrial lands in Kelana Jaya and Kg Baru Subang for RM56.05m. Sunway Berhad (SUNWAY) has entered into agreement to acquire 4.84 acres of freehold land in Sungei Way Free Industrial Zone, Kelana Jaya for RM35.82m. Sunway had also entered into agreement to acquire 4.25 acres of industrial land in Kampung Baru Subang for RM20.23m. The total purchase price of RM56.05m will be funded by debts and internally generated funds.

Landbanking at Kelana Jaya. Effective valuation for Kelana Jaya land is RM170 per sq ft which we view as good, basing on the asking price of nearby land at around RM185 per sq ft. On this score, the 9% discount may be due to the bigger transaction size for SUNWAY deal. The land is located in the matured Kelana Jaya neighbourhood and is in close proximity to the land acquired by SUNWAY back in 2015 at RM389psf which was earmarked for mixed development project. Development plan on the proposed land acquisition is yet to be finalized however SUNWAY is expecting potential synergies between the developments in future.

Developing industrial park on Subang land. SUNWAY is acquiring two parcels of industrial land measuring 4.25 acres in Kampung Baru Subang for RM20.23m, i.e. price per sq ft of between RM92-129. We believe that the price is fair as it is close to the asking price range of between RM105-RM127psf in the surrounding area. The two parcels of land will be amalgamated with SUNWAY's existing land of 2.1 acres. Subsequently, SUNWAY will be setting up a joint venture for development on an industrial park on the amalgamated land where SUNWAY will be holding an 80% equity stake. The proposed development for the industrial park is 45 units of terrace industrial units with total GDV of RM110m (To be launched in 1HFY17). We are positive on SUNWAY diversification into industrial property where demand for industrial assets remains resilient.

Earnings estimate maintained. As the industrial park project in Subang land is expected to be launched in 1H17, we expect earnings to start to kick in only from FY18 onwards. Hence, we maintain our earnings forecasts for FY15 and FY16.

Maintain NEUTRAL with unchanged TP of RM3.20. We maintain our Target Price of RM3.20, based on 20% discount to RNAV. We expect limited immediate catalysts to Sunway due to the challenging property market outlook. Nevertheless, the robust performance of its construction arm is expected to cushion the weakness in property division. 

Maintain NEUTRAL
Unchanged Target Price (TP): RM3.20

| RETURN STATS | |
|------------------------------|---------------|
| Price (19 Feb 2016) | RM2.96 |
| Target Price | RM3.20 |
| Expected Share Price Return | +8.1% |
| Expected Dividend Yield | +3.7% |
| Expected Total Return | +11.8% |

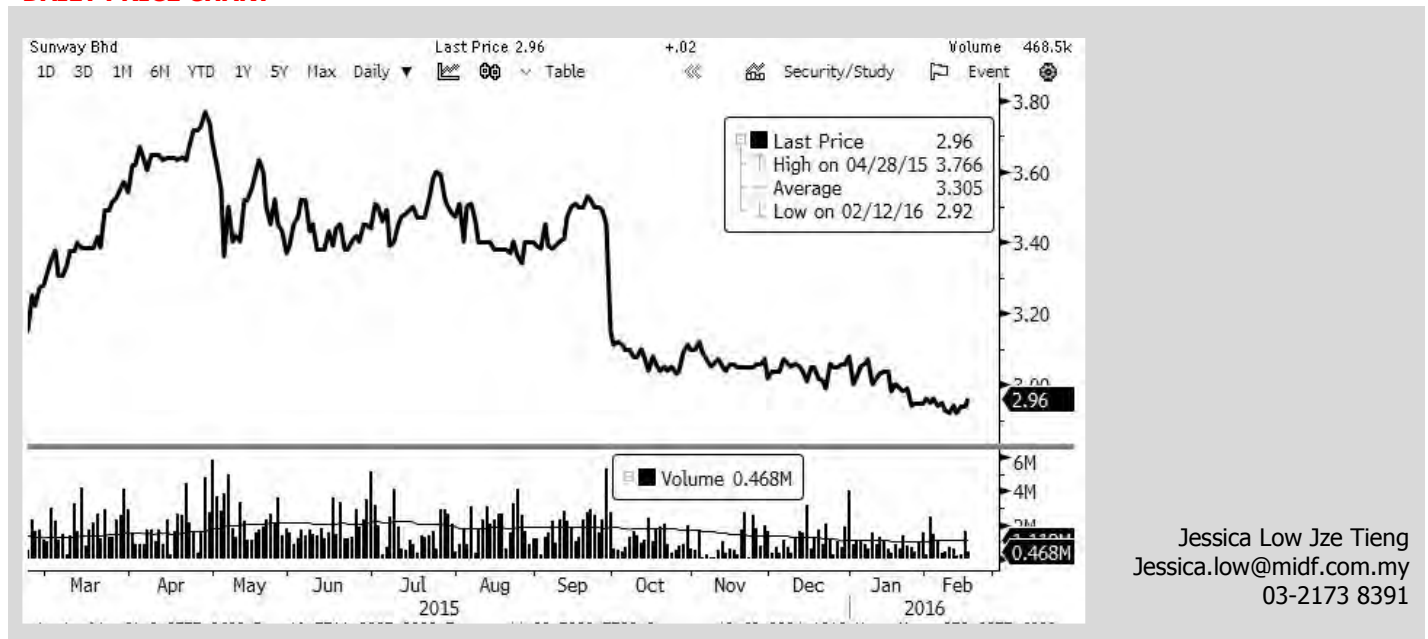
| STOCK INFO | |
|-----------------------|-------------------|
| KLCI | 1674.88 |
| Bursa / Bloomberg | 5211 / SWB MK |
| Board / Sector | Main / Properties |
| Syariah Compliant | Yes |
| Issued shares (mil) | 1799.5 |
| Par Value (RM) | 1.00 |
| Market cap. (RM'm) | 5268.18 |
| Price over NA | 0.77 |
| 52-wk price Range | RM2.89 - RM3.52 |
| Beta (against KLCI) | 0.55 |
| 3-mth Avg Daily Vol | 1.11m |
| 3-mth Avg Daily Value | RM3.37m |
| Major Shareholders | |
| SUNGEI WAY CORP | 50.15% |
| YEAN TIH CHEAH | 13.44% |

INVESTMENT STATISTICS

| FYE Dec (RM'm, unless otherwise stated) | FY12A | FY13A | FY14A | FY15F | FY16F |
|--|-------|-------|-------|-------|-------|
| Revenue | 4129 | 4721 | 4842 | 5018 | 5010 |
| Core EBIT | 719 | 824 | 567 | 517 | 516 |
| Core PBT | 716 | 915 | 767 | 717 | 722 |
| Net Income | 439 | 1490 | 743 | 538 | 542 |
| Core Net Income | 315 | 505 | 541 | 538 | 542 |
| EPS (sen) | 33.95 | 94.51 | 43.09 | 31.02 | 31.25 |
| Core EPS (sen) | 24.40 | 32.03 | 31.38 | 31.02 | 31.25 |
| Net DPS (sen) | 6 | 10 | 11 | 37 | 11 |
| Net Dvd Yield | 2.0% | 3.3% | 3.6% | 12.5% | 3.7% |
| Core PER | 12.5 | 9.6 | 9.8 | 9.5 | 9.5 |
| NTA/share (RM) | 2.51 | 2.96 | 3.35 | 3.55 | 3.75 |
| P/NTA | 1.22 | 1.03 | 0.91 | 0.83 | 0.79 |
| Core ROE | 8.9% | 9.9% | 8.8% | 8.3% | 7.9% |
| Core ROA | 12.2% | 4.6% | 4.2% | 4.1% | 4.0% |

Source: Company, MIDF Research Estimate

DAILY PRICE CHART



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Source: Bloomberg

SUNWAY RNAV

| Landbank | Location | Size (Ac) | Size (Sq ft) | Price (RM/sqft) | Stake | Value (RM m) |
|---|----------------------------|-----------|----------------|-----------------|-------|----------------|
| Property Development - Malaysia | | | | | | |
| Sunway South Quay | Bandar Sunway, Selangor | 49 | 2,134,440 | 466.2 | 60% | 597.0 |
| Sunway Velocity | Kuala Lumpur | 19 | 827,640 | 200 | 85% | 140.7 |
| Sunway Damansara | Petaling Jaya, Selangor | 15 | 653,400 | 256 | 60% | 100.4 1786. |
| Medini Iskandar | Iskandar, Johor | 678 | 29,532,809 | 108 | 56% | 1 |
| Daiwa JV | Iskandar, Johor | 13 | DCF @ WACC 10% | | 17% | 7.0 2775. |
| Pendas | Iskandar, Johor | 1079 | 47,001,240 | 98.4 | 60% | 0 |
| Sunway Lenang | Johor Bahru, Johor | 71 | 3,091,453 | 93.5 | 80% | 231.2 |
| Sunway Wellesley | Penang | 60 | 2,613,600 | 50 | 100% | 130.7 |
| Paya Terubong | Penang | 24 | 1,045,440 | 45 | 100% | 47.0 |
| Sunway Hillds | Penang | 81 | 3,528,360 | 30 | 100% | 107.3 |
| Balik Pulau | Penang | 29 | 1,263,240 | 23 | 100% | 29.1 |
| Sunway Cassia | Penang | 7 | 304,920 | 25 | 100% | 7.7 |
| Sunway Semenyih | Ulu Langat, Selangor | 508 | 22,141,548 | 25 | 100% | 544.7 |
| Kelana Jaya Land | Kelana Jaya, Selangor | 17 | 740,084 | 394 | 100% | 291.7 |
| Property Development - Singapore | | | | | | |
| Miltonia Residences | Yishun, Singapore | NA | DCF @ WACC 10% | | 30% | 37.4 |
| Arc | Tampines, Singapore | NA | DCF @ WACC 10% | | 30% | 45.8 |
| Lake Vista | Yuan Ching Road, Singapore | NA | DCF @ WACC 10% | | 30% | 36.0 |
| Sea Esta | Pasir Ris, Singapore | NA | DCF @ WACC 10% | | 30% | 35.3 |
| Royale Square | Novena MRT, Singapore | NA | DCF @ WACC 10% | | 30% | 48.6 |
| Mount Sophia | Dhoby Ghaut MRT, Singapore | NA | DCF @ WACC 10% | | 30% | 92.9 |
| Avant Parc | Sembawang | NA | DCF @ WACC 10% | | 100% | 19.9 |
| Property Development - Other Countries | | | | | | |
| Tianjin Eco City | Tianjin, China | 91 | DCF @ WACC 10% | | 60% | 221.1 |
| Sunway Guanghao | Jianyin, China | 4 | DCF @ WACC 10% | | 65% | 2.2 |
| Sunway OPUS Grand India | Hyderabad, India | 24 | DCF @ WACC 10% | | 50% | 23.5 |
| Sunway MAK Signature Residence | Hyderabad, India | 14 | DCF @ WACC 10% | | 60% | 9.1 |
| Wonderland Business Park | Sydney, Australia | 66 | DCF @ WACC 10% | | 45% | 10.6 |
| Investment Property | | | | | | |
| Monash University | Bandar Sunway, Selangor | 12.0 | 916,640 | NA | 100% | 300.0 |
| Sunway Pinnacle | Bandar Sunway, Selangor | 1.8 | 1,141,499 | NA | 100% | 280.0 |
| Sunway Velocity Shopping Mall | Kuala Lumpur | 21.4 | 259,497 | NA | 100% | 259.5 |
| Sunway University Campus | Bandar Sunway, Selangor | 12.4 | 704,577 | NA | 100% | 255.0 |

| | | | | | | |
|--|-------------------------|-----|---------|----|------|--------------|
| Monash Residence Hostel | Bandar Sunway, Selangor | 2.5 | 623,010 | NA | 100% | 226.6 |
| Total Value Of Properties | | | | | | 8699 |
| | | | Stake | | | 1721. |
| Sunway REIT | | | 34.5% | | | 7 |
| Sale of 70% stake in 13 acres land to Daiwa | | | 56.0% | | | 24.7 |
| Payment for Kelana Jaya land | | | | | | -286.0 |
| Construction Division Asset | | | 1297.8 | | 51% | 661.9 |
| Trading & Manufacturing Asset | | | | | | 415.1 |
| Quarry Division Asset | | | | | | 165.9 |
| Other Division Asset | | | | | | 1116. |
| Other Division Asset | | | | | | 5 |
| Total Liabilities (excl. deferred tax liabilities) | | | | | | - |
| | | | | | | 4931.3 |
| Total RNAV | | | | | | 7587. |
| | | | | | | 7 |
| No of shares (m) | | | | | | 1751. |
| | | | | | | 0 |
| RNAV per share | | | | | | 4.33 |
| Warrants, Exercise Price RM2.50 | | | | | | 289.6 |
| ESOS, Exercise Price RM2.80 | | | | | | 132.8 |
| Fully Diluted No Of Shares | | | | | | 2173. |
| | | | | | | 4 |
| FD RNAV Per Share | | | | | | 4.00 |
| Discount | | | | | | 20% |
| Target Price | | | | | | 3.20 |

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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. |