

30 May 2016 | 1QFY16 Results review

Sunway Berhad

Earnings broadly in line


INVESTMENT HIGHLIGHTS

- **1QFY16 earnings within expectations**
- **Earnings lower on reduced construction division's contribution**
- **New property sales of RM263m within expectation**
- **Maintain NEUTRAL with unchanged TP of RM3.25**

1QFY16 earnings within expectations. Sunway Berhad (SUNWAY) 1QFY16 core net income of RM104.5m was within expectations. This was despite achieving only 19% of our and consensus full year estimates as 1Q is traditionally the weaker quarter. As expected, no dividend was declared for the quarter.

Earnings lower on reduced construction division's contribution. Core net income of SUNWAY dropped 20%yoy mainly due to reduced earnings contribution from construction division following the listing of Sunway Construction Berhad. Meanwhile, property development segment registered improved performance with increased profit before tax (PBT) at 21%yoy mainly due to higher contribution from its property project (Avant Parc) in Singapore. Likewise, property investment division saw a 67%yoy increase in core PBT mainly due to additional rental contribution from Sunway University New Academic Block, opening of Nickelodeon Lost Lagoon in 1QFY16, and contribution from Sunway Putra Hotel. Meanwhile, PBT of construction division shed 28%yoy due to lower project billings and as some of its projects are at the tail-end.

New property sales of RM263m within expectation. SUNWAY chalked up new property sales of RM263m as at 1QFY16, at 20% of our full year sales target of RM1.3b while meeting 19% of management's sales target of RM1.4b. We are keeping our sales target of RM1.3b for FY16 considering total property launches of RM1.6b for FY16. Meanwhile, unbilled sales stood at RM2b as of March-16, relatively unchanged from RM2.1b in the previous quarter.

Maintain NEUTRAL with unchanged TP of RM3.25. Post results, we are keeping our earnings forecasts. Also intact is our target price of RM3.25, based on 20% discount to RNAV. Outlook for SUNWAY remains neutral given challenging outlook for property sector. 

Maintain NEUTRAL

Unchanged Target Price (TP): RM3.25

RETURN STATS	
Price (27 May 2016)	RM3.03
Target Price	RM3.25
Expected Share Price Return	+7.3%
Expected Dividend Yield	+4.0%
Expected Total Return	+11.3%

STOCK INFO	
KLCI	1,637.19
Bursa / Bloomberg	5211 / SWB MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	1,969.89
Par Value (RM)	1.00
Market cap. (RM'm)	5,968.76
Price over NA	0.82
52-wk price Range	RM2.89 - RM3.35
Beta (against KLCI)	0.55
3-mth Avg Daily Vol	0.9m
3-mth Avg Daily Value	RM2.83m
Major Shareholders	
Sungei Way Corp	58.08%
Cheah Yean Tih	11.84%
Skim Amanah Saham	5.04%
Cheah Fook Ling	4.71%

INVESTMENT STATISTICS

FYE Dec (RM'm, unless otherwise stated)	FY13A	FY14A	FY15A	FY16F	FY17F
Revenue	4721	4842	4451	4975	5393
Core EBIT	824	619	545	537	582
Core PBT	915	819	788	786	831
Net Income	1490	743	732	589	623
Core Net Income	505	593	591	589	623
EPS (sen)	94.51	43.09	41.77	34.00	35.95
Core EPS (sen)	32.03	34.39	33.69	34.00	35.95
Net DPS (sen)	10	11	38	12	12
Net Dvd Yield	3.3%	3.6%	12.5%	4.0%	4.1%
Core PER	9.5	8.8	9.0	8.9	8.4
NTA/share (RM)	2.96	3.35	3.55	3.81	4.24
P/NTA	1.02	0.90	0.85	0.79	0.72
Core ROE	9.9%	9.7%	9.0%	8.5%	8.5%
Core ROA	4.6%	4.6%	3.7%	3.6%	3.7%

Sunway: 1QFY16 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	1QFY16	%YoY	%QoQ	FY16	%YoY	
Revenue	1069.0	1%	-24%	1,069.0	1%	
EBIT	149.6	-12%	-42%	149.6	-12%	
Core PBT	178.5	-85%	-28%	178.5	-85%	
Net Income	102.1	-30%	-52%	102.1	-30%	
Core Net Income	104.5	-20%	-42%	104.5	-20%	Lower core net income due to reduced contribution from construction division following the listing of construction arm.
EPS (sen)	5.71	-32%	-53%	5.7	-32%	
Core EPS (sen)	5.85	-22%	-42%	5.8	-22%	
Net DPS (sen)	0.00	NA	NA	0.00	NA	
NTA/share (RM)	3.76	12%	8%	3.76	12%	
Net Gearing (x)	0.40	NA	NA	0.40	NA	
EBIT Margin	14.0%	NA	NA	14.0%	NA	
Core PBT Margin	16.7%	NA	NA	16.7%	NA	

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
Medini Iskandar	Iskandar, Johor	678	29,532,809	110.4	56%	8
Daiwa JV	Iskandar, Johor	13	DCF @ WACC 10%		17%	7.0
Pendas	Iskandar, Johor	1079	47,001,240	102	60%	2876.5
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%	37.5
Arc	Tampines, Singapore	NA	DCF @ WACC 10%		30%	45.9

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%	48.7	
Mount Sophia	Dhoby Ghaut MRT, Singapore	NA	DCF @ WACC 10%	30%	93.1	
Avant Parc	Sembawang	NA	DCF @ WACC 10%	100%	20.0	
Property Development - Other Countries						
Tianjin Eco City	Tianjin, China	91	DCF @ WACC 10%	60%	221.7	
Sunway Guanghao	Jianyin, China	4	DCF @ WACC 10%	65%	2.2	
Sunway OPUS Grand India	Hyderabad, India	24	DCF @ WACC 10%	50%	23.6	
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					8841.6	
		Stake			1721.7	
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					1116.5	
Total Liabilities (excl. deferred tax liabilities)					-	
					4931.3	
Total RNAV					7730.1	
No of shares (m)					1751.0	
RNAV per share					4.41	
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					4.06	
Discount					20%	
Target Price for SUNWAY Post SCG IPO					3.25	

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(Bank Pelaburan)

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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.