

07 September 2016 | Corporate Update

Sunway Berhad

Strengthening presence in Singapore


INVESTMENT HIGHLIGHTS

- **Won land tender in Singapore**
- **Positive on the news**
- **Gearing to increase marginally**
- **Maintain NEUTRAL with a revised TP of RM3.07**

Won land tender in Singapore. Sunway Berhad (SUNWAY) announced that its unit, Sunway Developments Pte Ltd, along with joint venture partner (Hoi Hup Realty Pte Ltd) have received the Letter of Award for the tender of 5.19 acres of 99-year leasehold land at Anchorvale Lane, Singapore from the Housing and Development Board at tender price of S\$240.95m (RM724.14m). A proposed new joint venture company (JVC) will acquire the land where Sunway Developments Pte Ltd will hold a 30% stake while Hoi Hup Pte Ltd will own a 62% stake in the JVC.

Positive on the news. We are positive on the news, as the acquisition of the land would strengthen SUNWAY's property exposure in Singapore. Note that SUNWAY has a few on-going projects in Singapore, namely Mount Sophia and Avant Parc. SUNWAY intends to develop executive condominium on the land, which comprise 10 blocks of 17-storey buildings with GDV of approximately SGD520m while development period would be within 48 months from the award of land. We expect take-up rate of the project to be healthy despite the challenging property market in Singapore, as the selling price deemed affordable with estimated average selling price per unit of the condominium at below SGD1mil.

Gearing to increase marginally. Sunway Developments Pte Ltd's cost of investment in the JVC is S\$72.28m (RM218m) while funding is not an issue to SUNWAY considering its huge cash pile of RM3.7b as at June-16. Net gearing of SUNWAY is expected to increase to 0.47x from 0.44x post land acquisition. Meanwhile, we expect earnings contribution from the project to kick in meaningfully only from FY18 onwards while earnings contribution is expected to be at below 8%. Hence, we are maintaining our earnings forecasts for FY16 and FY17.

Maintain Neutral with a revised TP of RM3.07. We revise our TP for SUNWAY to RM3.07 from RM3.05 based on unchanged 25% discount to our revised RNAV. Note that we impute the project contribution to our RNAV valuation, which has resulted in 1% increase in our RNAV. 

Maintain NEUTRAL

Adjusted Target Price (TP): RM3.07
(previously RM3.05)

RETURN STATS

Price (6 Sept 2016)	RM3.10
Target Price	RM3.07
Expected Share Price Return	-0.1%
Expected Dividend Yield	+3.4%
Expected Total Return	+3.3%

STOCK INFO

KLCI	1,689.92
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)	6,302.24
Price over NA	0.87
52-wk price Range	RM2.87 - RM3.28
Beta (against KLCI)	0.54
3-mth Avg Daily Vol	1.14m
3-mth Avg Daily Value	RM3.41m

Major Shareholders

Sungei Way Corp	56.25%
Skim Amanah Saham	5.12%
EPF	5.06%
Cheah Fook Ling	4.57%

INVESTMENT STATISTICS

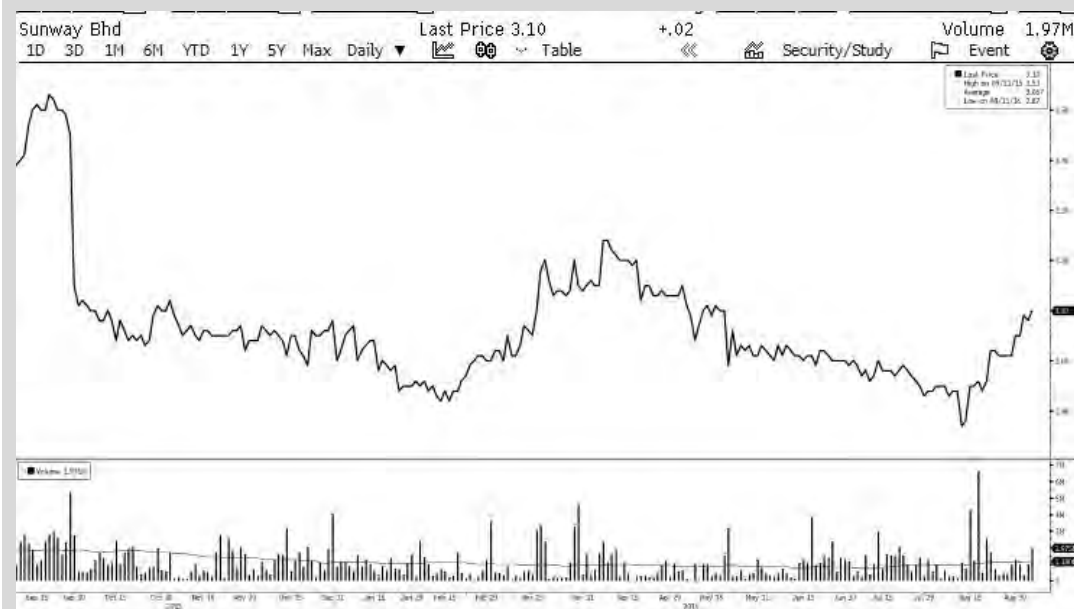
FYE Dec (RM'm, unless otherwise stated)	FY13A	FY14A	FY15A	FY16F	FY17F
Revenue	4721	4842	4451	4523	4941
Core EBIT	824	619	545	443	504
Core PBT	915	819	788	692	752
Net Income	1490	743	732	519	564
Core Net Income	505	593	591	519	564
EPS (sen)	94.51	43.09	41.77	29.93	32.56
Core EPS (sen)	32.03	34.39	33.69	29.93	32.56
Net DPS (sen)	10	11	38	11	11
Net Dvd Yield	3.2%	3.5%	12.2%	3.4%	3.6%
Core PER	9.7	9.0	9.2	10.4	9.5
NTA/share (RM)	2.96	3.35	3.55	3.79	4.19
P/NTA	1.05	0.93	0.87	0.82	0.74
Core ROE	9.9%	9.7%	9.0%	7.5%	7.8%
Core ROA	4.6%	4.6%	3.7%	3.2%	3.4%

Figure 1: Location of land



Source: Company

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%	1825.8
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	
Anchorvale Lane project	Singapore	NA	DCF @ WACC 10%	30%	81.0	
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					8922.6	
Stake						
Sunway REIT			34.5%		1721.7	
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					7811.1	
No of shares (m)					1751.0	
RNAV per share					4.46	
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					4.10	
Discount					25%	
Target Price for SUNWAY Post SCG IPO					3.07	

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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.