

Sunway (SWB MK)

A good year

Results above expectation

Sunway's FY15 results came in above our expectation but within consensus estimates. FY15 locked-in sales was MYR912m or 22% above its sales target for FY15. Despite a weak property market outlook, Sunway sets a higher sales target of MYR1.1b for FY16 (+21% YoY). We raise our FY16/17 earnings forecasts by 8%/4%. Maintain HOLD with a higher RNAV-TP of MYR3.31 (+7sen) based on an unchanged 40% discount to RNAV.

Bottomline boosted by lower tax charges

Excluding MYR34.7m one-off gains, Sunway's 4Q15 core net profit of MYR180m (-9% YoY, +22% QoQ) lifted FY15 core net profit to MYR591m (+1% YoY), which beat our forecast by 11%. We attribute the earnings gap to lower-than-expected tax charges. Sunway has proposed an interim DPS of 6 sen (YTD: 37 sen), also above expectation.

Sets higher sales target

In FY15, Sunway's locked-in new property sales was MYR912m, 22% above its initial target, thanks to decent take-ups at its China project which contributed 13% to the locked-in sales. Management sets a higher sales target of MYR1.1b for FY16 (+21% YoY) supported by MYR1.6b worth of launches. Unbilled sales stood at MYR1.5b at end-Dec 2015, 2.2x our FY16F revenue forecast. Elsewhere, 54%-owned Sunway Construction's 2015 job wins was MYR2.6b (+136% YoY, 2014: MYR1.1b), surpassing expectation by 4%. Outstanding orderbook is a strong MYR3.7b.

Earnings adjustments

We raise our FY16/17 earnings forecasts by 7.6%/4.1% to factor in: i) a higher sales assumption of MYR1b (5% below management's target) and ii) stronger progress billings at South Quay. Our RNAV/sh estimate is raised to MYR5.71 (+22sen) after factoring in a higher MYR1.65 (+25sen) TP for Sunway Construction (SCG MK; BUY). We have also rolled forward our valuation base year to 2016, introduce our 2018 earnings forecast.

FYE Dec (MYR m)	FY14A	FY15A	FY16E	FY17E	FY18E
Revenue	4,842	4,451	5,370	5,390	6,713
EBITDA	504	428	766	825	1,117
Core net profit	592	591	526	590	760
Core FDEPS (sen)	32.5	31.6	26.1	29.3	37.7
Core FDEPS growth(%)	20.7	(2.8)	(17.3)	12.1	28.8
Net DPS (sen)	11.0	37.0	8.6	8.8	11.3
Core FD P/E (x)	9.3	9.5	11.5	10.3	8.0
P/BV (x)	0.9	0.8	0.7	0.8	0.7
Net dividend yield (%)	3.7	12.3	2.8	2.9	3.8
ROAE (%)	10.5	9.5	7.4	7.5	9.1
ROAA (%)	4.9	4.1	3.2	3.4	4.2
EV/EBITDA (x)	15.6	21.8	12.8	13.7	10.8
Net debt/equity (%)	30.4	49.8	46.9	56.7	62.2
Consensus net profit	-	-	538	554	na
MKE vs. Consensus (%)	-	-	(2.1)	6.4	na

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HOLD

Share Price	MYR 3.01
12m Price Target	MYR 3.31 (+10%)
Previous Price Target	MYR 3.24

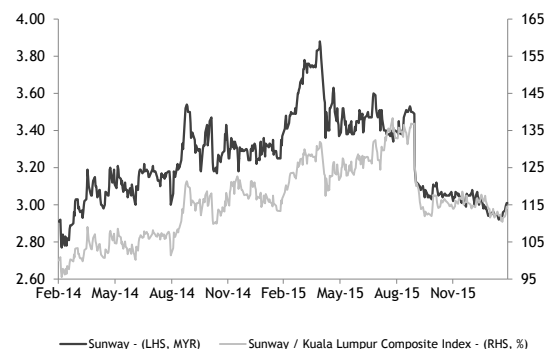
Statistics

Shariah status	Yes
52w high/low (MYR)	3.88/2.92
3m avg turnover (USDm)	0.7
Free float (%)	34.0
Issued shares (m)	1,801
Market capitalisation	MYR5.4B USD1.3B

Major shareholders:

Sungei Way Corp. Sdn. Bhd.	54.4%
Employees Provident Fund	5.6%
CHEAH FOOK LING	4.5%

Price Performance



	-1M	-3M	-12M
Absolute (%)	2	(2)	(11)
Relative to index (%)	0	(0)	(2)

Source: FactSet

Table 1: Results summary table - Sunway

FY Dec (MYRm)	Quarterly					Cumulative			Comments
	4Q15	4Q14	%YoY	3Q15	%QoQ	2015	2014	%YoY	
Revenue	1,398.8	1,193.8	17.2	951.0	47.1	4,451.3	4,558.1	(2.3)	2015: The decline in revenue was dragged by the property development, construction and quarry businesses.
EBIT	259.3	364.3	(28.8)	118.7	>+100	686.9	759.9	(9.6)	
Finance costs	(21.8)	(7.2)	>+100	15.8	>-100	(26.6)	(30.4)	(12.4)	End-2015: Net gearing stood at 0.50x, from 0.38x in end-3Q15.
Other income	46.3	42.2	9.8	31.5	46.8	268.9	230.8	16.5	
Profit before tax	283.8	399.2	(28.9)	171.0	66.0	929.2	960.2	(3.2)	
Profit before tax-EI	243.5	274.1	(11.2)	184.7	31.9	781.8	790.5	(1.1)	
Taxation	(29.2)	(51.5)	(43.3)	(31.5)	(7.3)	(129.8)	(148.6)	(12.6)	
Minority interest	(40.0)	(44.0)	(9.1)	(6.2)	>+100	(67.0)	(77.6)	(13.7)	
Net profit	214.7	303.8	(29.3)	133.3	61.0	732.4	734.0	(0.2)	
Net profit ex-EI	180.0	198.3	(9.2)	147.0	22.4	590.7	583.9	1.2	2015: Above our expectation by 12% but within consensus estimates.
Exceptional item (pretax)	40.3	125.1	(67.8)	(13.7)	>-100	147.4	169.7	(13.1)	
			<i>+/- ppt</i>		<i>+/- ppt</i>			<i>+/- ppt</i>	
<i>EBIT margin (%)</i>	18.5	25.3	(6.7)	12.5	6.1	15.4	16.7	(1.2)	
<i>Tax rate (%)</i>	12.0	18.8	(6.8)	18.4	(6.4)	16.6	18.8	(2.2)	

The exceptional items relate to fair value gain, loss on derivatives, fair value of ESOS, disposal gain and listing expenses

Source: Company, Maybank KE

Sunway Bhd's RNAV estimates

1. Landbank - MARKET VALUE	Stake	Acres	MV (MYR m)	BV (MYR m)	Surplus (MYR m)
Sunway Semenyih	70%	398.1	260.1	128.0	92.5
Suncity Ipoh	65%	440.5	76.8	58.7	11.7
Sunway Integrated Resort	100%	14.9	9.3	8.3	1.1
Sunway Tower KL 1	100%	1.0	56.6	28.3	28.3
Sunway JB, Bukit Lenang	80%	64.8	50.8	134.5	(67.0)
Sg Long Balakong	80%	111	140.2	21.8	94.8
Mont Putra Rawang	100%	163	49.7	35.1	14.6
Sunway Iskandar - Pendas, freehold	60%	1079	705.1	596.6	65.1
Sub-total:					241.1
2. Active developments - WACC: 10.5-13.1%					
	Stake				(MYR m)
South Quay	60%				98.9
Sunway Cheras	100%				1.7
Sunway Damansara	60%				32.9
Sunway D' Mont Kiara	88%				0.0
Sunway Kayangan	100%				1.0
Sunway Duta	100%				13.3
Bangi	100%				5.7
Sunway Melawati	100%				20.0
Casa Kiara III	80%				13.1
Sunway Alam Suria	50%				2.4
Sunway Velocity	85%				154.4
Penang projects	100%				56.8
Wonderland Business Park, Australia	31%				7.0
Singapore Yi Shun	30%				5.5
Singapore Tampines	30%				0.0
Singapore Sembawang	100%				4.6
Thomson/Irrawady	30%				46.6
Mount Sophia	30%				40.1
Sunway Iskandar -leasehold (Medini)	51%				439.6
Kelana Jaya	100%				135.4
Sub-total:					1,079.0
3. Investment properties - MARKET VALUE					
	Stake		MV (MYR m)	BV (MYR m)	Surplus (MYR m)
Monash University Campus	100%		158.0	158.0	0.0
Sunway University College	100%		150.0	150.0	0.0
Sunway Giza (shopping mall)	60%		42.4	42.4	0.0
Sunway Hotel Phnom Penh	52.5%		15.7	21.7	(3.1)
Sunway Lagoon Theme Park	100%		165.0	59.1	105.9
Lost World of Tambun	65%		38.7	36.0	1.8
Sunway Hotel Hanoi	100%		14.1	45.8	(31.8)
Sub-total:					72.8
4. Other businesses or assets					
35.7% stake in SunREIT based on Maybank IB's MYR1.50 TP					178.0
Construction (based on MYR1.65 TP)					1,983.5
Building material (10x 2016PER)					325.2
Trading (10x 2016PER)					341.3
Grand total:					4,220.9
Shareholders fund (MYR m) - Dec 2015					6,549.8
Warrants conversion (MYR2.50 exercise price; expiring Aug 2016)					724.0
RNAV (MYR m)					11,494.8
Number of shares (m shares) - post rights issue					1,723.5
Enlarged share capital post warrant					2,013.1
FD RNAV/share (MYR) - post warrant					5.71
Target price (MYR) - based on 40% discount to RNAV					3.31
<i>Source: Company, Maybank KE</i>					

FYE 31 Dec	FY14A	FY15A	FY16E	FY17E	FY18E
Key Metrics					
P/E (reported) (x)	7.0	7.2	10.5	10.3	8.0
Core P/E (x)	8.8	8.9	10.5	10.3	8.0
Core FD P/E (x)	9.3	9.5	11.5	10.3	8.0
P/BV (x)	0.9	0.8	0.7	0.8	0.7
P/NTA (x)	0.9	0.8	0.7	0.7	0.7
Net dividend yield (%)	3.7	12.3	2.8	2.9	3.8
FCF yield (%)	14.8	16.3	nm	nm	nm
EV/EBITDA (x)	15.6	21.8	12.8	13.7	10.8
EV/EBIT (x)	10.2	13.6	13.4	14.3	11.2

INCOME STATEMENT (MYR m)

Revenue	4,841.9	4,451.3	5,370.4	5,389.9	6,713.0
Gross profit	504.2	427.8	765.5	825.2	1,116.6
EBITDA	504.2	427.8	765.5	825.2	1,116.6
Depreciation	0.0	0.0	0.0	0.0	0.0
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	768.8	686.9	730.8	786.5	1,073.8
Net interest income / (exp)	(30.4)	(26.6)	(115.9)	(135.5)	(151.0)
Associates & JV	233.2	269.9	199.2	248.2	292.2
Exceptionals	0.0	147.4	0.0	0.0	0.0
Other pretax income	(2.7)	0.0	0.0	0.0	0.0
Pretax profit	968.8	929.2	814.2	899.2	1,215.0
Income tax	(148.0)	(129.8)	(203.5)	(224.8)	(303.7)
Minorities	(77.6)	(67.0)	(84.5)	(84.6)	(151.4)
Perpetual securities	0.0	0.0	0.0	0.0	0.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	743.2	732.4	526.2	589.8	759.8
Core net profit	591.7	590.7	526.2	589.8	759.8

BALANCE SHEET (MYR m)

Cash & Short Term Investments	1,978.2	2,627.3	2,305.1	1,324.4	550.1
Accounts receivable	1,719.9	2,639.6	2,639.6	2,639.6	2,639.6
Inventory	597.8	693.1	663.0	665.4	828.8
Property, Plant & Equip (net)	1,046.8	1,364.3	1,273.6	1,411.9	1,554.2
Intangible assets	319.4	320.1	320.1	320.1	320.1
Investment in Associates & JVs	2,481.0	2,890.3	2,890.3	2,890.3	2,890.3
Other assets	4,773.3	5,459.7	6,950.0	8,211.7	9,805.7
Total assets	12,916.4	15,994.4	17,041.8	17,463.4	18,588.8
ST interest bearing debt	2,282.9	3,303.8	3,303.8	3,303.8	3,303.8
Accounts payable	2,171.9	2,446.3	2,409.0	2,417.7	3,011.2
LT interest bearing debt	1,501.5	2,585.5	2,585.5	2,585.5	2,585.5
Other liabilities	626.0	459.0	451.0	451.0	451.0
Total Liabilities	6,582.6	8,794.1	8,749.1	8,757.8	9,351.3
Shareholders Equity	5,945.2	6,549.8	7,642.2	8,055.0	8,586.9
Minority Interest	388.7	650.6	650.6	650.6	650.6
Total shareholder equity	6,333.9	7,200.4	8,292.7	8,705.6	9,237.5
Perpetual securities	0.0	0.0	0.0	0.0	0.0
Total liabilities and equity	12,916.4	15,994.4	17,041.8	17,463.4	18,588.8

CASH FLOW (MYR m)

Pretax profit	968.8	929.2	814.2	899.2	1,215.0
Depreciation & amortisation	0.0	0.0	0.0	0.0	0.0
Adj net interest (income)/exp	273.7	236.0	(115.9)	(135.5)	(151.0)
Change in working capital	(91.4)	87.6	(900.0)	(900.0)	(900.0)
Cash taxes paid	(150.5)	(140.6)	(203.5)	(224.8)	(303.7)
Other operating cash flow	(231.3)	(250.3)	0.0	0.0	0.0
Cash flow from operations	769.4	861.9	(371.0)	(322.9)	(97.4)
Free cash flow	769.4	861.9	(371.0)	(322.9)	(97.4)
Dividends paid	(212.9)	(673.2)	(175.2)	(157.9)	(176.9)
Equity raised / (purchased)	41.6	145.7	724.0	0.0	0.0
Perpetual securities	0.0	0.0	0.0	0.0	0.0
Change in Debt	872.9	1,752.0	0.0	0.0	0.0
Perpetual securities distribution	0.0	0.0	0.0	0.0	0.0
Other invest/financing cash flow	(71.9)	(2,392.0)	(500.0)	(500.0)	(500.0)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	1,399.1	(305.6)	(322.2)	(980.7)	(774.3)

FYE 31 Dec	FY14A	FY15A	FY16E	FY17E	FY18E
Key Ratios					
Growth ratios (%)					
Revenue growth	2.3	(8.1)	20.6	0.4	24.5
EBITDA growth	(10.5)	(15.2)	78.9	7.8	35.3
EBIT growth	(57.8)	(10.6)	6.4	7.6	36.5
Pretax growth	(48.9)	(4.1)	(12.4)	10.4	35.1
Reported net profit growth	(50.5)	(1.5)	(28.2)	12.1	28.8
Core net profit growth	22.6	(0.2)	(10.9)	12.1	28.8
Profitability ratios (%)					
EBITDA margin	10.4	9.6	14.3	15.3	16.6
EBIT margin	15.9	15.4	13.6	14.6	16.0
Pretax profit margin	20.0	20.9	15.2	16.7	18.1
Payout ratio	25.6	88.6	30.0	30.0	30.0
DuPont analysis					
Net profit margin (%)	15.4	16.5	9.8	10.9	11.3
Revenue/Assets (x)	0.4	0.3	0.3	0.3	0.4
Assets/Equity (x)	2.2	2.4	2.2	2.2	2.2
ROAE (%)	10.5	9.5	7.4	7.5	9.1
ROAA (%)	4.9	4.1	3.2	3.4	4.2
Liquidity & Efficiency					
Cash conversion cycle	(12.8)	27.4	nm	nm	nm
Days receivable outstanding	116.1	176.3	176.9	176.3	141.6
Days inventory outstanding	50.7	57.8	nm	nm	nm
Days payables outstanding	179.5	206.6	nm	nm	nm
Dividend cover (x)	3.9	1.1	3.3	3.3	3.3
Current ratio (x)	1.4	1.2	1.4	1.5	1.5
Leverage & Expense Analysis					
Asset/Liability (x)	2.0	1.8	1.9	2.0	2.0
Net debt/equity (%)	30.4	49.8	46.9	56.7	62.2
Net interest cover (x)	25.3	25.8	6.3	5.8	7.1
Debt/EBITDA (x)	7.5	13.8	7.7	7.1	5.3
Capex/revenue (%)	na	na	na	na	na
Net debt/ (net cash)	1,806.2	3,262.0	3,584.2	4,564.9	5,339.2

Source: Company; Maybank

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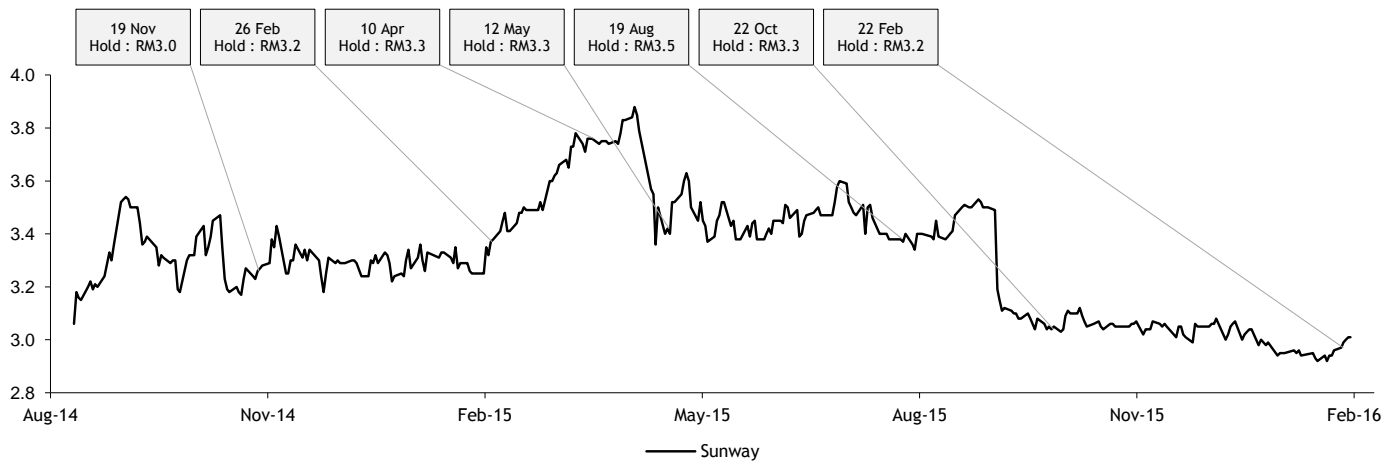
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