

## Sunway Berhad Quick Note

**Sunway Berhad [SWB MK] (Royston Tan)**  
(Neutral; TP MYR1.76; 27 November closing price: MYR1.64)

No results briefing scheduled.

- Excluding fair value gains, 9M17 core PATMI of MYR455.7mn (+13.9%) represents 83% of our full-year estimate of MYR551.1mn and 81% of consensus full-year estimate of MYR563.2mn (Bloomberg mean).
- The beat on our numbers was mainly due to higher-than-expected contributions from the *property investment*, *construction* and *trading & manufacturing* segments, offset by lower-than-expected contributions from the *property development* and *quarry* segments.
- 9M17 property effective presales = MYR533mn, accounting for 59.2% of management's MYR900n target.
- YTD construction order book replenishment = MYR4.0bn, well and above management's target of MYR2bn. Current outstanding orderbook stands at MYR6.8bn, providing ~3 years of earnings visibility for the *construction* segment.
- This is another set of resilient result by SWB and we acknowledge that there are upside risks to our and consensus estimates. However, we suspect that the market could continue to favour **Sunway Construction Group** (SCGB MK, Buy) and **Sunway REIT** (SREIT MK, Buy) for the pure play exposure to the *construction* and *property investment* segments, respectively.

### Global Markets Research

28 November 2017

### Research analysts

#### Malaysia Property

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# Appendix A-1

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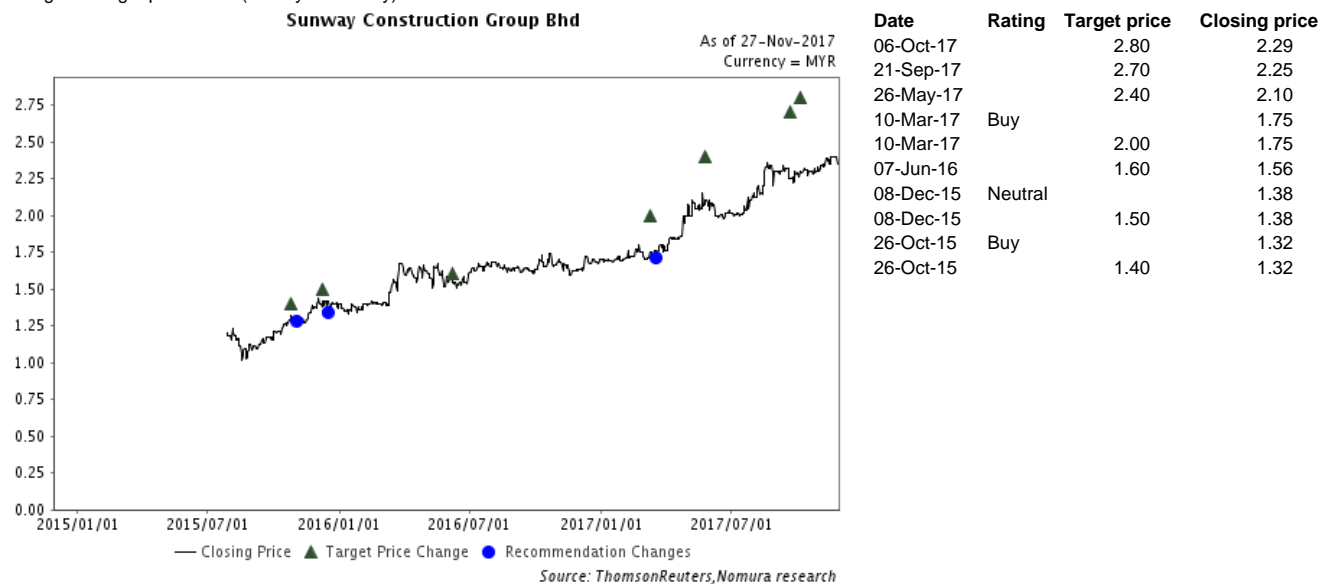
## Materially mentioned issuers

Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Sunway Construction Group Bhd	SCGB MK	MYR 2.35	27-Nov-2017	Buy	N/A	
Sunway REIT	SREIT MK	MYR 1.68	27-Nov-2017	Buy	N/A	
Sunway Bhd	SWB MK	MYR 1.64	27-Nov-2017	Neutral	N/A	

### Sunway Construction Group Bhd (SCGB MK)

MYR 2.35 (27-Nov-2017) Buy (Sector rating: N/A)

Rating and target price chart (three year history)



For explanation of ratings refer to the stock rating keys located after chart(s)

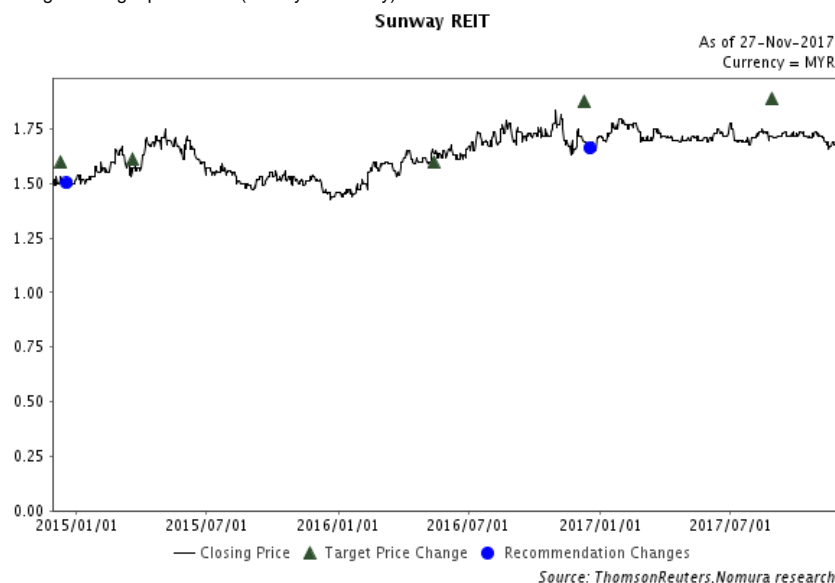
**Valuation Methodology** We value SunCon at a cash adjusted target P/E of 20x on FY18F earnings and value the cash sitting on its balance sheet separately. Using net income, less of interest income, of MYR154mn for FY18F and a cash-adjusted P/E of 20x, we arrive at an equity value, ex-cash holdings, of MYR3.1bn. To this we add the cash balance in end-FY18F to arrive at our TP of MYR2.80. The benchmark index for the stock is MSCI Malaysia.

**Risks that may impede the achievement of the target price** Downside risks include: 1) delay in construction project awards; 2) lower-than-expected margins; 3) Singapore housing units not growing as expected; and 4) lower-than-expected orderbook inflows

**Sunway REIT (SREIT MK)**

**MYR 1.68 (27-Nov-2017) Buy (Sector rating: N/A)**

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
28-Aug-17		1.89	1.72
09-Dec-16	Buy		1.69
09-Dec-16		1.88	1.69
13-May-16		1.60	1.64
20-Mar-15		1.61	1.57
10-Dec-14	Neutral		1.53
10-Dec-14		1.60	1.53

For explanation of ratings refer to the stock rating keys located after chart(s)

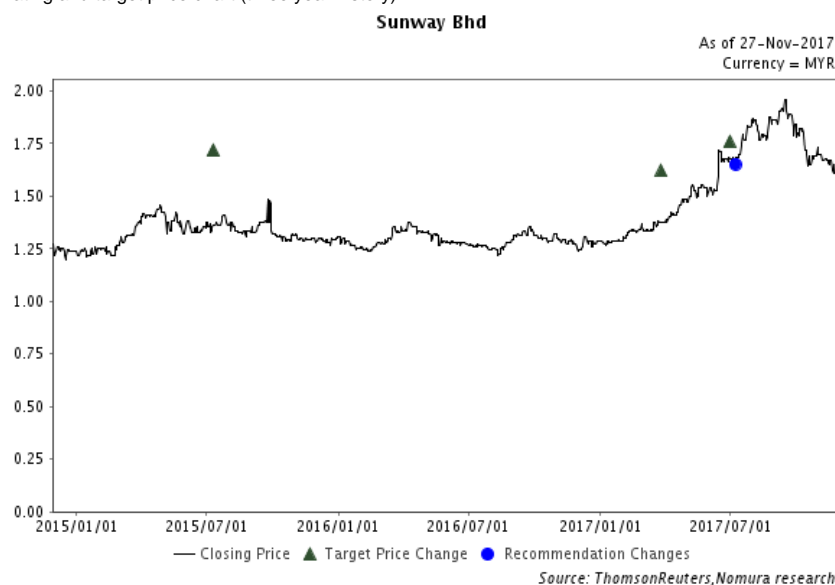
**Valuation Methodology** Our target price of MYR1.89 is derived using the Dividend Discount Model, based on our forward 5-year DPU forecast, cost of equity of 6.6% and long-term DPU growth of 2.0%. The benchmark index for this stock is MSCI Malaysia.

**Risks that may impede the achievement of the target price** Risks include: 1) rising bond yields; 2) higher-than-expected financing costs; 3) regulatory risks such as changes in the tax regime for REITs in Malaysia; 4) lower-than-expected portfolio occupancy; and 5) communicable diseases such as SARS.

**Sunway Bhd (SWB MK)**

**MYR 1.64 (27-Nov-2017) Neutral (Sector rating: N/A)**

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
30-Jun-17	Neutral		1.68
30-Jun-17		1.76	1.68
27-Mar-17		1.62	1.379
10-Jul-15		1.72	1.361

For explanation of ratings refer to the stock rating keys located after chart(s)

**Valuation Methodology** Our TP of MYR1.76 is based on a 29% effective discount on our FD FY17F RNAV estimate of MYR2.49/share. The benchmark index for the stock is MSCI Malaysia.

**Risks that may impede the achievement of the target price** Downside risks: 1) any project delays could dent earnings forecasts; 2) failure to meet its presales targets; 3) further weakening of Iskandar sentiment; 4) any unexpected deterioration of GDP growth; and 5) unexpected further property cooling measures on the property sector. Upside risks: 1) better-than-expected macro environment; 2) better-than-expected pre-sales; and 3) unexpected relaxation of property cooling measures.

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