



Sunway Berhad

Higher Sales Target for 2016

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TP: RM3.26 (+6.6%)

Last Traded: RM3.06

Hold

On track to meet 2015 sales target of RM1.0bn

We gather that Sunway will have no problem in achieving its 2015 sales target of RM1.0bn on the back of property launches worth RM1.2bn last year. Note that this was a revised sales target from earlier guidance of RM1.7bn. With 9M15 sales already made up about 73% of full-year revised sales target, the balance is expected to come from its on-going projects in Klang Valley such as South Quay at Bandar Sunway and Sunway Velocity at Jalan Peel in 4Q15.

We expect the full-year sales breakdown by region to be largely similar to 9M15, with overseas sales accounted for 30% of the group's total sales. While take up rate for Mt Sophia, Singapore (launched in Sep-15) was largely unchanged at the ~15% level, 4Q15 sales were boosted by 3 new blocks of condominiums in Tian Jin, China, worth RM170mn GDV which was launched in 2H15. YTD, it has achieved a 80% take up rate. As for Sunway Iskandar landed properties (GDV: RM470mn), which were launched in Nov-15, 60% of the properties has been booked to date. We estimate 10% of these booking will be reflected as sales in 4Q15.

2016 sales target of RM1.4bn

Sunway is targeting new sales of RM1.4bn this year, underpinned by new projects worth RM1.6bn (see **Figure 1 & 2**) and other existing projects. Klang Valley is expected to contribute bulk of the sales. Of the upcoming launches, we believe Sunway Geo Residence 3 will fare relatively well, benefitting from the Bus Rapid Transit that has begun operation in June-15. New project to be introduced in 1Q16 is Sunway Gandaria, a new mixed-development comprises retail shops and a block of serviced apartments (GDV: RM200mn). Indicative selling price for Sunway Gandaria serviced apartments is about RM600psf, which is comparable to Mah Sing's upcoming launch (Cerrado Residential Suites) in Soutville City Bangi. Down south, the group will roll out new phase of landed residences within Sunway Iskandar development worth RM400mn in 4Q16 as it believes that demand for landed properties will stay relatively resilient.

Keeping our 2016 sales assumptions at RM1.2bn

Nevertheless, we opt to keep our 2016 sales assumptions of RM1.2bn unchanged for now as we see housing demand may be hurt by the jittery global economy outlook. In addition, we expect negative wealth effect from the falling commodity prices and "cheap" Ringgit to weigh on buyers' confidence to take on big-ticket item purchase. Furthermore, we foresee financial institutions to remain cautious in granting mortgage loans this year. Given that 38% of the new projects are targeted for launch in 4Q16 (Sunway Iskandar and Sunway Velocity Office), those interested buyers may take longer time to secure end financing and potentially lead to a shortfall in sales target.

Impact

No change to our FY15/16/17 sales assumptions of RM1.0bn/ RM1.2bn/ RM1.7bn. However, we perform some housekeeping on our model and revise our FY15/16/17 earnings forecast by -0.4%/+0.3%/+1.0% respectively. This translates to an EPS contraction of 4% and 9% for 2015 and 2016, which is

Share Information

Bloomberg Code	SWB MK
Stock Name	Sunway
Stock Code	5211
Listing	Main Market
Share Cap (mn)	1779.6
Market Cap (RMmn)	5445.5
Par Value	1.00
52-wk Hi/Lo (RM)	3.53/2.85
12-mth Avg Daily Vol ('000 shrs)	1656.8
Estimated Free Float (%)	24.4
Beta	0.6

Major Shareholders (%)

Sungei Way Corp	(51.8)
Skim Amanag Saham Bumiputera	(5.6)
EPF	(5.4)

Forecast Revision

	FY15	FY16
Forecast Revision (%)	(0.4)	0.3
Net profit (RMm)	568.6	514.9
Consensus (RMm)	573.0	536.0
TA's / Consensus (%)	99.2	96.1
Previous Rating	Hold (Maintained)	

Financial Indicators

	FY15	FY16
Net Debt / Equity (%)	25.2	17.8
FCPS (sen)	49.3	34.4
Price / CFPS (x)	6.2	8.9
ROA (%)	4.3	3.8
NTA/Share (RM)	3.4	3.6
Price/NTA (x)	0.9	0.8

Share Performance (%)

Price Change	Sunway	FBM KLCI
1 mth	0.3	(0.8)
3 mth	(0.6)	(2.2)
6 mth	(2.7)	(2.4)
12 mth	2.7	(4.2)

(12-Mth) Share Price relative to the FBM KLCI



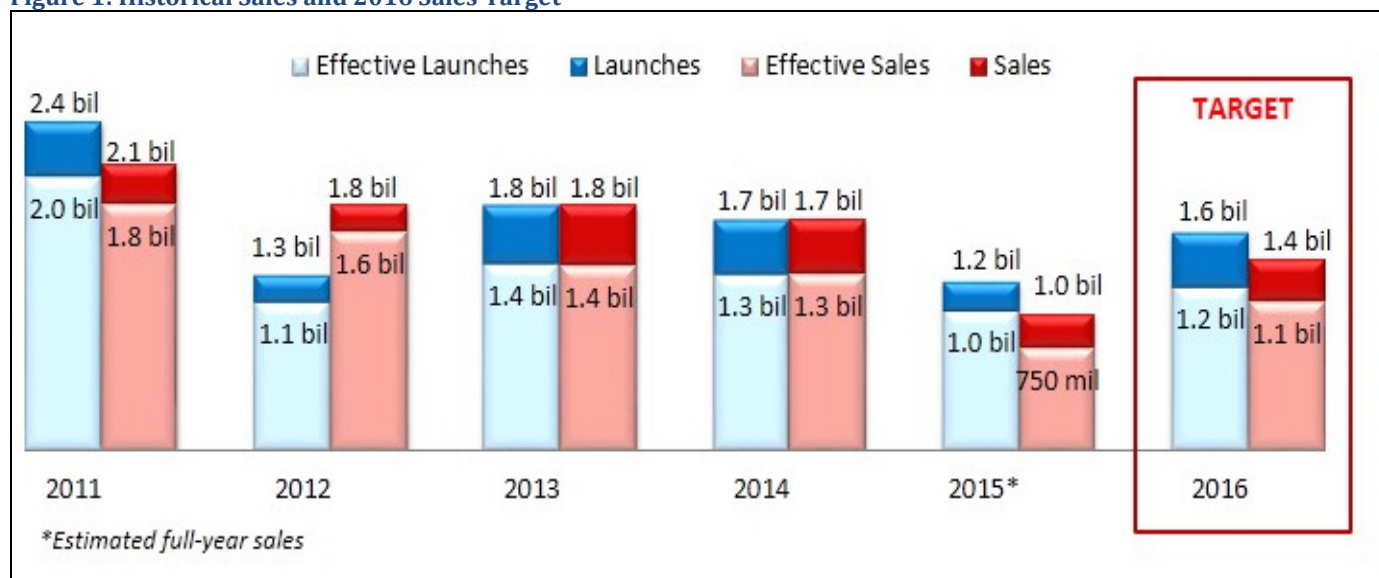
Source: Bloomberg

largely due to lower contribution from the construction division following SunCon's listing in July-15.

Valuation

No change to our target price of RM3.26/share, which is pegged to a 10% holding company discount to its SOP value of RM3.62/share. Our target price implies CY16 P/E of 11x, which is 1x lower than the sector's target P/E multiple of 12x (big cap only). With a potential total return of 10.2%, we maintain our **Hold** recommendation on Sunway.

Figure 1: Historical Sales and 2016 Sales Target



Source: Sunway, TA Research

Figure 2: 2016 New Launches

Development	Location	Type	Initial Planned GDV (RM mn)	Targeted Launch Date
Sunway Gandaria	Bangi	Retail & Service Apartment	200	1Q16
Sunway Geo Residence 3	South Quay	Condominiums & Townhouses	400	1Q16
Casa Kiara 3	Mont Kiara	Condominiums	200	2Q16
Velocity	Jalan Peel, Cheras	Offices	200	4Q16
Lost World Apartments	Ipoh	Service Apartments	100	2Q16
Sunway Iskandar	Iskandar	Landed Residences	400	4Q16
Others			100	
Total			1600	

Source: Sunway, TA Research

SOP Valuation Table

	Amount (RM mn)	Multiple	Stake	NAV (RM mn)	Per Share (RM)
CY16 Property Earnings	222.8	12	100%	2673.8	1.52
SunCon @ RM1.59 TP	2054.3	1	54%	1117.5	0.63
SunREIT @ RM1.60 TP	4700.2	1	36%	1696.8	0.96
CY16 Other Business Earnings	75.05	12	100%	900.6	0.51
SOP Value				6388.7	3.62
Discount		10%		(638.9)	(0.4)
Target Price				5749.8	3.26

Financial Statements

Profit and Loss (RM'mn)

FYE Dec	2013	2014	2015F	2016F	2017F
Revenue	4,721.4	4,841.9	5,046.3	5,030.1	5,045.5
EBITDA	642.8	655.8	786.1	775.1	731.9
Depreciation	(49.7)	(60.1)	(69.9)	(69.4)	(68.9)
Amortisation	(1.0)	(0.9)	(0.9)	(0.8)	(0.8)
EBIT	592.1	594.8	715.3	704.9	662.3
Finance cost	(102.4)	(30.4)	(49.2)	(47.9)	(46.6)
Associate & JV	172.5	233.2	107.4	131.3	131.7
EI	1,006.5	171.2	456.8	0.0	0.0
PBT	1,900.4	968.8	1,236.2	801.9	765.0
Tax	(120.9)	(148.0)	(155.2)	(159.7)	(152.3)
MI	(273.0)	(77.6)	(144.7)	(127.4)	(102.2)
Net profit	1,490.4	743.2	936.4	514.9	510.5
Core profit	483.9	591.7	568.6	514.9	510.5
Core EPS (sen)	28.1	34.2	32.9	29.8	29.5
DPS (sen)	10.0	11.0	36.0	11.0	11.0

Cash Flow (RM'mn)

FYE Dec	2013	2014	2015F	2016F	2017F
PBT	1,900.4	968.8	1,236.2	801.9	765.0
Depr & Amort	50.7	61.0	70.8	70.2	69.6
Change in working assets	300.8	(56.2)	(20.1)	(13.2)	(0.5)
Tax	(120.9)	(148.0)	(155.2)	(159.7)	(152.3)
Others	(244.7)	(151.0)	(365.2)	(20.5)	(15.9)
CFO	1,886.2	674.5	766.5	678.7	665.9
Capex	(707.0)	(60.0)	(346.0)	(60.0)	(60.0)
Property Inv	(329.0)	(324.0)	(24.0)	(24.0)	(24.0)
Disposal	0.0	0.0	456.8	0.0	0.0
CFI	(1,036.0)	(384.0)	86.8	(84.0)	(84.0)
Net Addition/Rpmt	70.0	(100.0)	(100.0)	(100.0)	(100.0)
Dividend Paid	(172.4)	(190.4)	(623.0)	(190.4)	(190.4)
Others	732.9	20.8	0.0	0.0	0.0
CFF	630.6	(269.5)	(723.0)	(290.4)	(290.4)
Change in cash	1,480.8	21.0	130.3	304.3	291.5
FCF/share	49.3	16.8	49.3	34.4	33.6

Assumptions (RM mn)

FYE Dec	2013	2014	2015F	2016F	2017F
New Property Sales	1,800.0	1,700.0	1,030.6	1,172.5	1,672.3
Property Margins (%)	18.3	23.5	23.6	24.7	24.5
Orderbook Replenishment	2,900.0	800.0	2,800.0	2,000.0	2,000.0
Construction margins (%)	4.6	8.6	9.2	10.1	9.9

Balance Sheet (RM'mn)

FYE Dec	2013	2014	2015F	2016F	2017F
PPE	866.2	1,046.8	1,218.2	1,208.8	1,199.9
Land held for dev	886.8	529.2	529.2	529.2	529.2
Associate & JV	2,304.9	2,481.0	2,494.1	2,514.7	2,530.6
Investment Properties	1,803.0	2,189.6	2,213.6	2,237.6	2,261.6
Goodwill	319.4	319.4	319.4	319.4	319.4
Others	73.0	171.4	170.6	169.8	169.0
LT Assets	6,253.3	6,737.4	6,945.1	6,979.5	7,009.7
Property dev. Cost	1,175.0	1,772.5	1,772.5	1,772.5	1,772.5
Inventories	615.8	597.8	636.0	647.7	649.7
Trade & other receivables	1,525.5	1,719.9	1,755.8	1,764.0	1,769.4
Cash & Cash equivalent	1,448.8	1,978.2	2,108.5	2,412.8	2,704.4
Others	83.1	110.6	110.6	110.6	110.6
ST Assets	4,848.3	6,179.0	6,383.4	6,707.6	7,006.6
Total Assets	11,101.6	12,916.4	13,328.5	13,687.1	14,016.3
Trade and other payables	2,051.8	2,171.9	2,225.9	2,232.5	2,239.4
ST Borrowings	2,000.7	2,282.9	2,232.9	2,182.9	2,132.9
Others	21.5	20.8	20.8	20.8	20.8
ST Liabilities	4,074.0	4,475.6	4,479.6	4,436.2	4,393.0
LT Borrowings	859.6	1,501.5	1,451.5	1,401.5	1,351.5
Others	522.8	605.5	605.5	605.5	605.5
LT Liabilities	1,382.3	2,107.0	2,057.0	2,007.0	1,957.0
Share Cap	1,723.5	1,730.6	1,730.6	1,730.6	1,730.6
Reserves	3,604.8	4,214.6	4,528.0	4,852.5	5,172.7
Shareholder's Funds	5,328.3	5,945.2	6,258.6	6,583.1	6,903.3
MI	316.9	388.7	533.3	660.7	762.9
Liabilities + Equities	11,101.6	12,916.4	13,328.5	13,687.1	14,016.3
Ratios	2013	2014	2015F	2016F	2017F
EPS Growth (%)	57.3	21.8	(3.9)	(9.4)	(0.8)
PER (x)	10.8	8.8	9.2	10.2	10.2
GDPS (sen)	10.0	11.0	36.0	11.0	11.0
Div Yield (%)	3.3	3.6	11.9	3.6	3.6
Net cash (RMm)	(1,411.5)	(1,806.2)	(1,575.9)	(1,171.6)	(780.1)
Net gearing (x)	0.3	0.3	0.3	0.2	0.1
ROE (%)	11.3	10.5	9.3	8.0	7.6
ROA (%)	4.1	4.9	4.3	3.8	3.7
NTA/share (RM)	2.9	3.3	3.4	3.6	3.8
P/NTA (x)	1.0	0.9	0.9	0.8	0.8

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