



Sunway Berhad

Sales Cushioned by Overseas Projects

TP: RM3.26 (+6.6%)

Last Traded: RM3.06

Hold

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Review

- Sunway's 9M15 core net profit of RM414.5mn came in below our but in line with streets' estimates, accounting for 69% and 75% of our and consensus full-year forecasts respectively. The variance was largely due to lower-than-expected progress billing. Note that the group has declared a special cash dividend of 26sen in 3Q15.
- Sunway's 9M15 revenue declined 9.3% YoY to RM3.1bn, largely due to lower contribution from construction division following the listing of SunCon in July-2015 that saw Sunway's stake in SunCon reduced to 54.4%. The group's core net profit increased 7.5% YoY to RM414.5mn, largely due to better margins at the construction (+9.8 ppt YoY) and quarry division (+5.3 ppt YoY) and lower effective tax rates.
- Sequentially, 3Q15 core net profit increased 7.5% to RM147.0mn despite revenue decreased 8.7%. The better bottom-line was contributed by improved performance from property investment, healthcare and building material divisions.
- Sunway 9M15 new sales contracted 41% YoY to RM734mn (effective RM564mn). Sales from overseas which amounted to RM236mn or 32% of total YTD sales, cushioned the lackluster sales in Malaysia. The group launched Mt Sophia, Singapore in Sept-15. It was 15% sold and contributed to bulk of the group's sales in 3Q15. Excluding overseas sales contribution, the group's sales would have plunged by 56% YoY. Unbilled sales remained healthy at RM2.3bn (effective RM1.7bn), which will keep the group busy over the next two years.

Share Information

Bloomberg Code	SWB MK
Stock Name	Sunway
Stock Code	5211
Listing	Main Market
Share Cap (mn)	1788.9
Market Cap (RMmn)	5474.0
Par Value	1.00
52-wk Hi/Lo (RM)	3.53/2.81
12-mth Avg Daily Vol ('000 shrs)	1709.7
Estimated Free Float (%)	24.2
Beta	0.55
Major Shareholders (%)	
	Sungei Way Corp (50.9)

Forecast Revision

	FY15	FY16
Forecast Revision (%)	(5.5)	(1.7)
Net profit (RMmn)	571.0	513.2
Consensus	552.7	546.1
TA's / Consensus (%)	103.3	94.0
Previous Rating	Hold (Maintained)	

Financial Indicators

	FY15	FY16
Net Debt / Equity (%)	25.1	17.8
FCPS (sen)	49.4	34.3
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

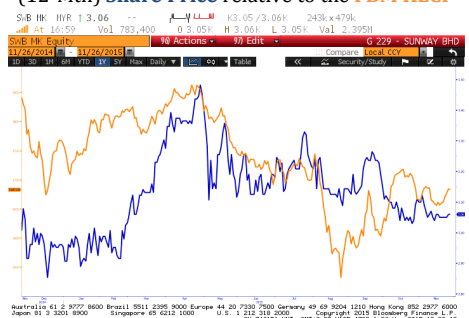
SCORECARD

	% of FY	
vs TA	69.0	Below
vs Consensus	75.0	Within

Share Performance (%)

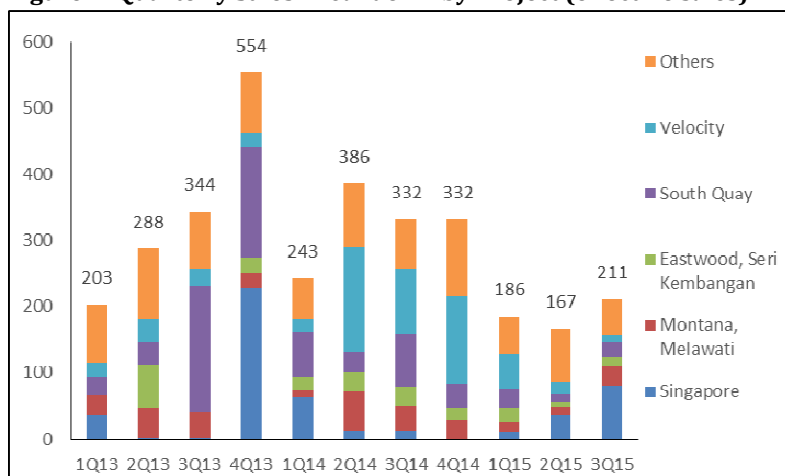
Price Change	Sunway	FBM KLCI
1 mth	0.7	(0.8)
3 mth	(2.7)	5.1
6 mth	(4.1)	(4.1)
12 mth	(0.6)	(8.0)

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



Source: Bloomberg

Figure 1: Quarterly Sales Breakdown by Project (effective sales)



Source: Sunway, TA Research

Impact

- We adjust our FY15/16/17 earnings forecast by -5.5% / -1.7% / +3.1% after fine-tuning our progress billing assumptions.

Outlook

- Last month, Sunway announced that it has trimmed its 2015 sales target by 41% to RM1.0bn from RM1.7bn previously, amidst cautious market condition. We think this is a prudent approach to slow down the group's new launches during this challenging period. With YTD sales made up about 73% of full-year sales target, we believe the target is achievable.
- The group has previewed its first landed homes (Emerald Residence) and retail shops (Emerald Boulevard) at Sunway Iskandar on 25 Nov. Emerald Residence and Emerald Boulevard, which have a combined GDV of RM430mn, will features landed homes and retail shops with an indicative selling price starting from RM888k and RM1.5mn/unit respectively. The landed homes and retail shops have recorded booking rate of 50% and 60% respectively, which we think is satisfactory in this challenging environment.
- On the construction front, Sunway's 54.4%-owned subsidiary, SunCon has secured contracts worth RM2.6bn YTD, exceeding the management's target of RM2.5bn for 2015. Going forward, we also see SunCon as a strong contender for upcoming mega projects such as LRT line 3, MRT 2 and BRT.

Valuation

- Attaching a 10% discount to our SOP valuation, we derived a new target price of **RM3.26** (from RM3.31) based on 12x CY16 property development and quarry & manufacturing earnings, and latest TPs for Sunway's listed entities. Maintain **Hold** with a total potential return of 10.2%.

Figure 2: SOP Valuation

	Amount (RM mn)	Multiple	Stake	Sunway's Share (RM mn)	Per Share (RM)
CY16 Property Earnings	222.8	12	100%	2673.0	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	75.0	12	100%	900.3	0.51
SOP Value				6387.7	3.62
Discount		10%		(638.8)	(0.4)
Target Price				5748.9	3.26

Earnings Summary

YE Dec 31 (RM'mn)	2013	2014	2015F	2016F	2017F
Revenue	4721.4	4841.9	5066.3	5021.9	4682.9
EBITDA	642.8	655.8	789.1	772.9	722.6
EBITDA margin (%)	13.6	13.5	15.6	15.4	15.4
Pretax profit	662.2	797.6	782.4	799.8	755.6
Net profit	1490.4	743.2	938.8	513.2	505.3
Net profit -adj	483.9	591.7	571.0	513.2	505.3
EPS (sen)	30.6	34.2	33.0	29.7	29.2
EPS - adj (sen)	28.1	34.2	33.0	29.7	29.2
EPS Growth (Core) (%)	57.3	21.8	(3.5)	(10.1)	(1.5)
PER (x)	10.9	8.9	9.3	10.3	10.5
GDPS (sen)	10.0	11.0	36.0	11.0	11.0
Div Yield (%)	3.3	3.6	11.8	3.6	3.6
ROE (%)	11.3	10.5	9.4	8.0	7.5

3Q15 Results analysis

YE 31 Dec (RM'mn)		3Q14	2Q15	3Q15	QoQ (%)	YoY (%)	9MFY14	9MFY15	YoY(%)
Revenue		1134.0	1041.5	951.0	(8.7)	(16.1)	3364.4	3052.6	(9.3)
<i>Property Development</i>		178.0	324.1	270.9	(16.4)	52.2	702.0	775.7	10.5
<i>Property Investment</i>		151.8	144.8	172.2	18.9	13.5	434.0	456.3	5.1
<i>Construction</i>		488.2	244.1	196.8	(19.4)	(59.7)	1273.0	816.2	(35.9)
<i>Trading & Manufacturing</i>		159.4	122.3	130.5	6.7	(18.1)	470.5	444.7	(5.5)
<i>Quarry</i>		56.3	64.1	66.8	4.2	18.7	162.2	184.6	13.8
<i>Others</i>		100.4	142.0	113.9	(19.8)	13.5	322.6	374.9	16.2
EBIT		151.9	139.0	118.7	(14.6)	(21.9)	395.6	427.6	8.1
Gain on derivative		(0.1)	0.5	4.9	864.0	(8310.0)	0.1	2.3	3318.2
Finance income		11.2	17.6	42.1	138.8	274.2	33.7	74.3	120.4
Finance costs		(16.4)	(26.9)	(26.3)	(2.3)	60.4	(56.9)	(79.1)	39.2
Associates		22.8	130.6	24.2	(81.5)	6.2	124.3	175.3	41.0
JV		15.7	20.1	7.3	(63.5)	(53.3)	64.2	45.0	(29.9)
EI		(5.6)	101.2	(13.7)	(113.5)	144.6	44.6	103.3	131.6
PBT		185.2	280.9	171.0	(39.1)	(7.7)	561.0	645.4	15.0
Core PBT		190.8	179.7	184.7	2.7	(3.2)	516.4	542.1	5.0
<i>Property Development</i>		99.2	53.1	38.5	(27.5)	(61.2)	243.8	148.4	(39.1)
<i>Property Investment</i>		31.7	32.1	50.3	56.9	58.5	82.3	102.4	24.4
<i>Construction</i>		17.7	56.3	24.1	(57.2)	36.2	81.7	132.6	62.4
<i>Trading & Manufacturing</i>		10.4	(0.7)	3.5	(574.2)	(66.2)	28.6	15.5	(45.7)
<i>Quarry</i>		6.8	15.5	10.4	(33.0)	52.1	21.0	33.7	60.1
<i>Others</i>		25.0	23.5	57.9	146.2	131.3	59.0	109.4	85.3
Tax		(21.8)	(33.1)	(31.5)	(4.8)	44.2	(97.1)	(100.6)	3.6
MI		(19.7)	(9.9)	(6.2)	(37.9)	(68.7)	(33.7)	(27.0)	(19.8)
<i>Net profit</i>		143.7	237.9	133.3	(44.0)	(7.2)	430.2	517.8	20.3
Core net profit		149.3	136.7	147.0	7.5	(1.5)	385.6	414.5	7.5
Reported EPS	(sen)	8.3	13.5	7.5	(44.3)	(9.6)	25.0	29.5	18.3
Adj EPS	(sen)	8.7	7.8	8.3	6.9	(4.0)	22.4	23.6	5.6
DPS	(sen)	0.0	5.0	26.0	>100	nm	5.0	31.0	>100
EBIT margin	(%)	13.4	13.3	12.5	(0.9)	(0.9)	11.8	14.0	2.3
PBT margin	(%)	16.8	17.3	19.4	2.2	2.6	15.3	17.8	2.4
<i>Property Development</i>	(%)	13.2	13.1	15.5	2.3	2.3	11.5	13.6	2.1
<i>Property Investment</i>	(%)	11.4	18.4	17.0	(1.4)	5.6	18.8	18.6	(0.2)
<i>Construction</i>	(%)	3.6	23.1	12.2	(10.8)	8.6	6.4	16.3	9.8
<i>Trading & Manufacturing</i>	(%)	6.5	(0.6)	2.7	3.3	(3.8)	6.1	3.5	(2.6)
<i>Quarry</i>	(%)	12.2	24.3	15.6	(8.7)	3.4	13.0	18.2	5.3
<i>Others</i>	(%)	24.9	16.5	50.8	34.3	25.9	18.3	29.2	10.9
Net margin	(%)	10.5	11.7	13.1	1.5	2.7	10.6	12.4	1.8
Effective tax rate	(%)	25.3	21.1	18.4	(2.7)	(6.9)	23.1	13.4	(9.7)

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