

### UOBKH HIGHLIGHTS

## Sunway Bhd (SWB MK/BUY/RM3.06/Target: RM3.60)

### 4Q15: Spot-on

Year to 31 Dec	4Q15 (RMm)	3Q15 (RMm)	qoq % chg	yoy % chg	2015 (RMm)	yoy % chg	Year	EPS (sen)	PE (x)
Revenue	1,398.8	951.0	47.1	(5.3)	4,451.3	(2.3)	2016F	33.7	9.1
Property Development	405.9	196.8	106.3	(15.1)	1,222.1	(17.5)	2017F	34.4	8.9
Property Investment	420	270.9	55.0	(15.4)	1,195.7	(0.2)	2018F	35.4	8.7
Construction	185.4	172.2	7.7	15.6	641.7	0.0			
EBIT	305.6	155.2	96.9	(18.1)	955.9	(3.5)			
Property Development	96.4	38.5	150.6	(43.7)	244.9	(32.1)			
Property Investment	100.9	37.3	170.4	(59.5)	314.1	(4.0)			
Construction	26.8	24.1	11.1	(54.6)	159.4	16.0			
PBT	283.8	171.0	66.0	(70.7)	929.2	(3.2)			
PATMI	214.7	133.3	61.1	8.3	732.4	(0.2)			
Core PATMI	180.0	147.0	22.4	(12.7)	590.7	1.2			
<b>Margins</b>									
Pretax construction margin	6.6%	12.2%			13.0%				
Pretax property margin	23.0%	14.2%			20.5%				

Source: Sunway, UOB Kay Hian

### WHAT'S NEW

- **Sunway's results was in line**, with core net profit coming in at RM180m (+22.4% qoq, -12.7% yoy), on revenues of RM1,399m (+47.1% qoq, -5.3% yoy) for 4Q15. The difference in core and net profit for 4Q15 takes into account one-off items including: a) fair value gains for its investment properties (RM49.9m), b) loss on derivatives (RM3.3m), and c) fair value of ESOS (RM12m). Cumulatively for 2015, the group recorded a core PATMI of RM610m (+4.5%) which came in within expectations, representing 100% of our full-year estimate of RM591m and 107% of consensus full year estimate of RM552m. Net profit was down yoy largely due to the slowdown in the property segment of the group.
- **Property development division was seeing slowdown effects**. On a yoy basis, revenue was down 15.1% to RM405.0m, while EBIT was down by 59.5% to RM100.9m as: a) there are fewer ongoing projects due to the lack of launches, and b) the previous corresponding year had recognition and delivery of the Sunway Nexis development. On a qoq basis, revenue was up by over 100% as the progress billings for the key Sunway developments including Sunway Velocity, Sunway South Quay and Sunway Lenang Heights had intensified. Consequently, margins showed improvement due to the billings of the abovementioned projects.
- **Construction margins lower due to early stages of construction**. Revenue for construction was up to RM184.4m (+7.7% qoq, +15.6% yoy) due to lower elimination of intra group construction revenue for the quarter. EBIT margins were lower this quarter, largely due to the fact that most of the projects that were billed this quarter are in the early stages of billings (ie the Putrajaya Parcel F job). Going forward, we are expecting EBIT margins to hover between 4.7-5.1% from 2016-18 onwards..

### COMMENTS

- **Property sales of RM178m in 4Q15 lifted 2015 property sales to RM912m**, representing about 91% of its 2015 sales target. Going forward into 2016, the group is aiming for RM1.1b in sales on the back of RM1.2b in launches primarily to be driven by a mix of residential and commercial properties vs our sales target of about RM950m for the year. Thus far, its maiden launch for the year offering retail units with a total GDV of RM54m was well received, with over 95% of the units sold.
- **Construction orderbook remained healthy at RM3.6b**, which includes the recently-won Putrajaya Parcel F building job (RM1.4b) and ongoing MRT and LRT jobs valued at a total of RM361m. In 2016 ytd, the group has secured about RM142m worth of new jobs which represents about 6.3% of our 2016 forecast. We expect the construction division to be one of the key beneficiaries of the rollout of the MRT Line 2 and LRT Line 3 jobs, both which are expected to be awarded in 2Q16 and 4Q16 respectively.

### RECOMMENDATION

- **Maintain BUY with a target price of RM3.60**. We continue to like Sunway for its diversified business exposure which includes a strong construction and REIT division. While property demand may be sluggish in the near term, Sunway's REIT and construction divisions would be able to cushion the negative earnings impact. Our target price implies a 2017F PE of 10.5x

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