

28 May 2018 | Corporate Update

Sunway Berhad

Acquiring completed units of Residensi Infiniti 3


INVESTMENT HIGHLIGHTS

- Acquiring completed residential units of Residensi Infiniti 3
- Neutral on the acquisition
- Minimal impact on balance sheet
- Earnings estimates maintained
- Maintain Neutral with an unchanged TP of RM1.60

Acquiring completed residential units of Residensi Infiniti 3. Sunway Berhad (SUNWAY) announced that its subsidiary has entered into a Master Sale and Purchase Agreement with Setapak Heights Development Sdn Bhd for the acquisition of 47 completed residential units (build up area: 2,266 sf) of Residensi Infiniti 3 for a total purchase consideration of RM45.8m. Residensi Infiniti 3 is located in Wangsa Maju and it was developed by Setapak Heights.

Neutral on the acquisition. The acquisition cost of RM430psf is below current selling price of between RM550psf to RM600 psf. SUNWAY intends to resell the properties to end purchasers at a profit, leveraging on strength of its sales and marketing team. We are neutral on the acquisition as profit contribution from the acquisition (assuming residential units resold at RM550psf) is expected to be minimal, estimated at below RM12m or equivalent to less than 2% of our FY18 net profit forecast for SUNWAY group. Meanwhile, the resell of the said properties is not expected to cannibalise SUNWAY's upcoming launches in Wangsa Maju as new project of SUNWAY in Wangsa Maju does not consist large sized units as the said properties.

Minimal impact on balance sheet. The proposed acquisition will be funded through internally generated funds. Impact on balance sheet of SUNWAY is expected to be minimal considering current cash pile of RM4.5b while Setapak Heights has granted favourable payment terms where payment of 90% balance will be deferred equally to the 12th and 18th month from the date of SPA signed.

Maintain Neutral with an unchanged TP of RM1.60. We maintain our earnings forecast for FY18/19 as contribution from the acquisition is expected to be minimal. Our TP is based on Sum-of-Parts valuation. We maintain our Neutral recommendation on SUNWAY due to its neutral earnings outlook for property development division. 

Maintain NEUTRAL

Unchanged Target Price (TP): RM1.60

RETURN STATS	
Price (25 May 2018)	RM1.50
Target Price	RM1.60
Expected Share Price Return	6.7%
Expected Dividend Yield	4.1%
Expected Total Return	10.8%

STOCK INFO	
KLCI	1,797.40
Bursa / Bloomberg	5211 / SWB MK
Board / Sector	Main / Trading & Services
Syariah Compliant	Yes
Issued shares (mil)	4918
Market cap. (RM'm)	7,380
Price over NA	0.94
52-wk price Range	RM1.32–RM1.95
Beta (against KLCI)	0.98
3-mth Avg Daily Vol	3.1m
3-mth Avg Daily Value	RM4.8m
Major Shareholders	
Sungei Way Corp	55.31%
EPF	6.09%
Cheah Fook Ling	5.11%

Figure 1: Residensi Infiniti



Source: Residensi Infiniti website

Figure 2: Location map of Residensi Infiniti



Source: Residensi Infiniti website

INVESTMENT STATISTICS

FYE Dec (RM m)	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	4448.4	4725.9	5374.8	5439.6	5865.2
Core EBIT	546.6	726.9	613.4	720.6	782.7
Core PBT	788.7	820.5	809.0	904.9	981.4
Net Income	732.4	585.9	639.5	605.8	650.0
Core Net Income	590.7	547.4	566.3	605.8	650.0
EPS (sen)	41.8	28.4	13.29	12.5	13.4
Core EPS (sen)	33.7	26.6	11.77	12.5	13.4
Net DPS (sen)	38.00	12.14	6.00	6.12	6.16
Net Dvd Yield	25.3%	8.1%	4.0%	4.1%	4.1%
Core PER	4.45	5.65	12.73	12.01	11.20
NTA/share (RM)	3.74	3.62	1.63	1.68	1.75
P/NTA	0.40	0.41	0.92	0.89	0.86
Core ROE	9.0%	7.3%	7.2%	7.4%	7.6%
Core ROA	3.7%	2.9%	2.8%	3.0%	3.1%
Net Gearing (x)	0.50	0.45	0.49	0.46	0.49

Source: Company, MIDF Research Estimates

Sum-of-Parts

Division	Methodology	PER (x)	Stake	Discount	Value (RM m)
Property Development	NPV of profits	n/a	100%	20%	2321.2
Property Investment	Net Book Value	n/a	100%	n/a	1490.0
Construction	13x FY18E PER - KL Construction Index PER	13	54%	n/a	1603.3
Sunway REIT	Target Price of RM1.90	n/a	35%	n/a	1930.5
Trading and manufacturing	10x FY18E PER - In line with small cap PER of 10x	10	100%	n/a	149.6
Quarry	10x FY18E PER - In line with small cap PER of 10x	10	100%	n/a	376.4
Total SOP					7870.0
Number of shares					4919.0
Target Price (RM)					1.60

Source: MIDF Research Estimates

DAILY PRICE CHART



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Source: Bloomberg

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.