

13 September 2018 | Corporate Update

## Sunway Berhad

### *Awarded Executive Condominium land in Singapore*

#### INVESTMENT HIGHLIGHTS

- **Awarded Executive Condominium land in Singapore**
- **Neutral on the land award**
- **Marginally higher net gearing**
- **Earnings forecast maintained**
- **Maintain Neutral with a revised TP of RM1.61**

**Awarded Executive Condominium land in Singapore.** Sunway Berhad (SUNWAY) announced that the Housing and Development Board of Singapore has awarded a land parcel measuring approximately 4.46 acres at Canberra Link, Sembawang, Singapore for a 99-year lease term Executive Condominium Housing Development at S\$271m (RM817.2m) to Hoi Hup Realty Pte Ltd and Sunway Developments Pte Ltd. The Land will be acquired by a proposed new joint venture (JV) in which Hoi Hup Realty will hold 65% equity interest while Sunway will have equity interest of 35%.

**Neutral on the land award.** We are neutral on the land award as the earnings impact from the land award would be minimal in the near term. Project on the land is expected to launch in 2020 while development profits from the project will only be recognized upon its completion. Note that proposed development on the land is 500 units of Executive Condominium Housing Development with indicative GDV of more than SGD500m. Development period for the land is within 60 months from the award of land.

**Marginally higher net gearing.** The land award is expected to marginally impact balance sheet of SUNWAY. Net gearing of SUNWAY is expected to climb to 0.51x from 0.48x as of June 2018. Meanwhile, we maintain our earnings forecast for FY18/19 as the project will only be launched in 2020.

**Maintain Neutral with a revised TP of RM1.61.** We revise our TP for SUNWAY to RM1.61 from RM1.60 after factoring in the RNAV contribution from the land award. Our TP is based on Sum-of-Parts valuation. We maintain our Neutral call on SUNWAY due to neutral earnings outlook for property development division.



**Maintain NEUTRAL**

**Revised Target Price (TP): RM1.61**  
**(Previously RM1.60)**

RETURN STATS	
Price (12 Sept 2018)	RM1.50
Target Price	RM1.61
Expected Share Price Return	7.3%
Expected Dividend Yield	4.0%
<b>Expected Total Return</b>	<b>11.3%</b>

STOCK INFO	
KLCI	1,785.25
Bursa / Bloomberg	5211 / SWB MK
Board / Sector	Main / Trading & Services
Syariah Compliant	Yes
Issued shares (mil)	4864.27
Market cap. (RM'm)	7,296.41
Price over NA	0.95
52-wk price Range	RM1.44–RM1.96
Beta (against KLCI)	0.87
3-mth Avg Daily Vol	2.10m
3-mth Avg Daily Value	RM3.25m
Major Shareholders	
Sungei Way Corp	55.93%
EPF	6.66%
Cheah Fook Ling	5.12%

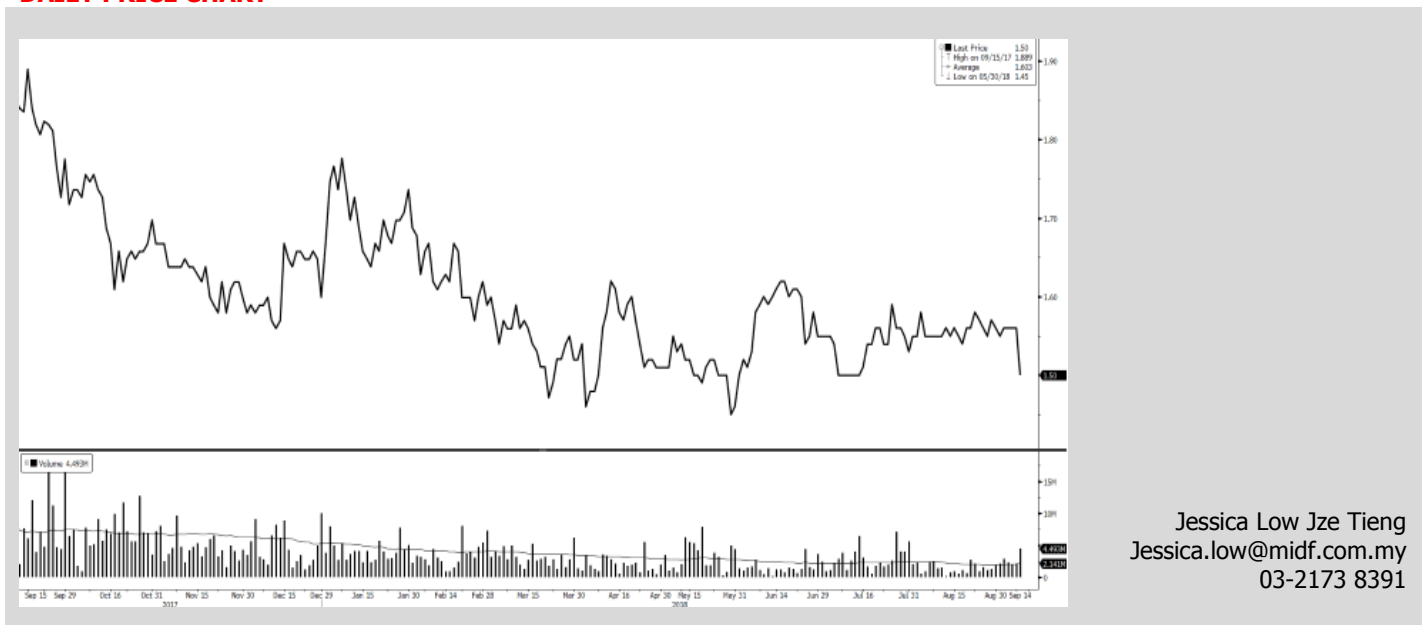


## Sum-of-Parts

Division	Methodology	PER (x)	Stake	Discount	Value (RM m)
Property Development	NPV of profits	n/a	100%	20%	2378.2
Property Investment	Net Book Value	n/a	100%	n/a	1490.0
Construction	17x FY18E PER - KL Construction Index PER	13	54%	n/a	1603.3
Sunway REIT	Target Price of RM1.93	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
<b>Total SOP</b>					<b>7928.0</b>
Number of shares					4918.0
<b>Target Price (RM)</b>					<b>1.61</b>

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.