

Malaysia Flash Note

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DBS Group Research . Equity

1 Mar 2019

Sunway (SWB MK) : HOLD

Mkt. Cap: US\$1,933m | 3m Avg. Daily Val: US\$0.66m

Last Traded Price (28 Feb 2019): RM1.62

Price Target 12-mth: RM1.60 (1% downside) (Prev RM1.60)

Analyst

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Strong FY18 property sales

- 4Q18 met expectations
- RM1.9bn property sales in FY18 supported by China/Singapore projects; FY19 sales target of RM1.3bn
- Declared 2 sen cash DPS and 0.01 treasury share distribution
- Maintain HOLD with SOP-based RM1.60 TP

Forecasts and Valuation

FY Dec (RMm)	2017A	2018A	2019F	2020F
Revenue	5,239	5,410	5,941	6,202
EBITDA	919	864	1,011	1,095
Pre-tax Profit	872	851	797	900
Net Profit	621	659	610	688
Net Pft (Pre Ex.)	547	591	610	688
Net Pft Gth (Pre-ex) (%)	0.0	8.0	3.2	12.7
EPS (sen)	12.6	13.4	12.4	14.0
EPS Pre Ex. (sen)	11.1	12.0	12.4	14.0
EPS Gth Pre Ex (%)	(6)	8	3	13
Diluted EPS (sen)	12.6	13.4	12.4	14.0
Net DPS (sen)	5.99	7.01	6.82	7.69
BV Per Share (sen)	159	166	171	178
PE (X)	12.8	12.1	13.1	11.6
PE Pre Ex. (X)	14.6	13.5	13.1	11.6
P/Cash Flow (X)	10.2	9.0	63.6	11.8
EV/EBITDA (X)	13.5	14.4	13.1	12.3
Net Div Yield (%)	3.7	4.3	4.2	4.7
P/Book Value (X)	1.0	1.0	0.9	0.9
Net Debt/Equity (X)	0.5	0.4	0.5	0.5
ROAE (%)	8.1	8.2	7.4	8.0

Source of all data on this page: Company, AllianceDBS, Bloomberg Finance L.P.

Company Guide



Summary of our point of view, and highlights the relevant data points, which are actively tracked

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What's New

In-line 4Q18 earnings: Sunway (SWB) reported a 4Q18 core profit of RM184m (+26% q-o-q, +18% y-o-y), after stripping out one-off gains of RM8.6m. Its FY18 core profit of RM591.2m reached 102% of our full-year projection.

Property development. In 4Q18, SWB's property segment EBIT dipped 34% q-o-q to RM22.5m, in tandem with the 19% q-o-q decline in the segment's revenue. As a result, segment EBIT from the property division was 22% of total EBIT for the quarter.

Strong property sales in FY18. SWB's 4Q18 property sales came in at RM260m, taking FY18 property sales to RM1.88bn, of which 60% was from its projects in China and Singapore. This also exceeded management's revised target of RM1.7bn (from RM1.3bn). Nevertheless, its FY19 sales target is conservative at RM1.3bn in view of the challenging property market.

RM2.1bn unbilled sales. Unbilled sales grew to RM2.1bn, its highest since 2015. However, in accordance with the adoption of the Malaysian Financial Reporting Standard 15 (MFRS 15), profit contribution from SWB's Singapore and China projects which account for 50% of its unbilled sales will only be recognised upon completion of the projects.

Investment properties. The property investment segment continued to deliver strong EBIT of RM40.8m, contributing 39% of the group's EBIT. Segment EBIT margin increased to



Flash Note

29%, its highest in recent years. This indicates that SWB's quality investment property assets are continuing to mature in the thriving Sunway township.

Construction. SWB's construction arm continued to deliver a commendable performance with EBIT of RM48.3m. This makes it the largest EBIT contributor with a 46% share. Earnings visibility for its construction division remains positive, with a strong order book of RM6bn.

Dividends. Sunway declared a second interim cash dividend of 2 sen and a share distribution of 1 treasury share for every 100 shares held, which is equivalent to 1.6 sen. This takes its full-year cash dividend to 5.5 sen.

Maintain HOLD. We reiterate our HOLD recommendation on SWB given the lack of catalysts, although we like its superior and unrivalled 'build-own-operate' integrated business model.

Flash Note
Quarterly Income Statement (RMm)

FY Dec	4Q2017	3Q2018	4Q2018	% chg yoy	% chg qoq
Revenue	1,627	1,445	1,370	(15.8)	(5.1)
Cost of Goods Sold	(1,522)	(1,308)	(1,400)	(8.1)	7.0
Gross Profit	105	136	(29.5)	nm	nm
Other Oper. (Exp)/Inc	78.0	23.5	125	60.4	431.6
Operating Profit	183	160	95.5	(47.7)	(40.2)
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	nm	nm
Associates & JV Inc	11.3	37.7	64.0	468.7	69.9
Net Interest (Exp)/Inc	51.3	(3.4)	85.5	66.5	nm
Exceptional Gain/(Loss)	16.4	0.0	8.60	(47.6)	nm
Pre-tax Profit	262	194	254	(3.0)	30.7
Tax	(56.6)	(27.1)	(44.7)	(21.0)	65.3
Minority Interest	(32.3)	(21.6)	(16.5)	48.7	(23.4)
Net Profit	173	145	192	11.4	32.4
Net profit bef Except.	156	145	184	17.6	26.4
EBITDA	229	237	189	(17.6)	(20.5)
Margins (%)					
Gross Margins	6.4	9.4	(2.2)		
Opg Profit Margins	11.2	11.1	7.0		
Net Profit Margins	10.6	10.1	14.0		

Source of all data: Company, AllianceDBS

Target Price & Ratings History


S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	01 Mar 18	1.62	1.70	HOLD
2:	22 May 18	1.52	1.60	HOLD
3:	12 Jun 18	1.59	1.60	HOLD
4:	11 Jul 18	1.50	1.65	HOLD
5:	23 Aug 18	1.58	1.65	HOLD
6:	13 Sep 18	1.53	1.65	HOLD
7:	18 Sep 18	1.51	1.65	HOLD
8:	22 Nov 18	1.48	1.60	HOLD
9:	04 Jan 19	1.50	1.60	HOLD
10:	24 Jan 19	1.57	1.60	HOLD
11:	29 Jan 19	1.62	1.60	HOLD

Note: Share price and Target price are adjusted for corporate actions.

Source: AllianceDBS

Analyst: QUAH He Wei, CFA

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AllianceDBS recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

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