

Malaysia Results Snapshot



Refer to important disclosures at the end of this report

AllianceDBS Research, Malaysia Equity

27 May 2021

Latest Results				
Company	Date	vs. Expect.	Results Highlight	Our View & Catalysts
Property Development				
Sunway	27-May-21	Below (1Q21)	<ul style="list-style-type: none"> – Sunway Berhad (SWB) reported weak 1Q21 profit of RM58.5m (-76% q-o-q, -6% y-o-y), accounting for only 10% of our initial FY21 projection. – The weaker-than-expected 1Q21 was largely due to the fledgling economic recovery, exacerbated by the resurgence of COVID-19 daily infections which resulted in a new round of lockdown measures. – Property investment segment which includes retail, hospitality and leisure businesses incurred RM17m pretax loss in 1Q21 due to the lockdown measures. – Collectively, construction, property development and healthcare segments accounted for 71% of 1Q21 pretax profit of RM87.2m. – 1Q21 property sales was impressive at RM1.16bn, thanks to the overwhelming response for its Parc Central Residences project in Singapore which accounted for 75% of 1Q21 property sales. This may propel the group to exceed its FY21 sales target of RM1.6bn. – SWB's unbilled sales reached a record high of RM3.3bn in 1Q21 which will provide strong earnings visibility over the next three years. – Balance sheet remained healthy with 53% net gearing as at end-1Q21. 	<ul style="list-style-type: none"> – While the severe COVID-19 condition in Malaysia may further delay the long overdue recovery, we believe SWB will remain resilient in the face of adversity. – We believe its retail, hospitality and leisure businesses will pick up strongly once the national immunisation programme takes place extensively. – Its earnings visibility remains strong, anchored by its strong order book for the construction (RM5bn) and property development (RM3.3bn) divisions. – We cut our FY21-22 earnings by 44%/42% to RM317m/RM391m respectively due to the prolonged COVID-19 pandemic in Malaysia, delaying the anticipated earnings recovery in 2H21. – Nevertheless, we continue to like SWB for its underlying strength as an all-round integrated real estate player with strong brand equity which will ensure its long-term earnings sustainability. – We maintain our BUY rating and sum-of-parts (SOP)-derived target price (TP) at RM2.00. <p style="text-align: right;">Analyst QUAH He Wei, CFA +603 2604 3966 hewei@alliancedbs.com</p>

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DISCLOSURE

Stock rating definitions

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 > -10% over the next 12 months
SELL	-	negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame

Commonly used abbreviations

Adex = advertising expenditure
bn = billion
BV = book value
CF = cash flow
CAGR = compounded annual growth rate
Capex = capital expenditure
CY = calendar year
Div yld = dividend yield
DCF = discounted cash flow
DDM = dividend discount model
DPS = dividend per share
EBIT = earnings before interest & tax
EBITDA = EBIT before depreciation and amortisation

EPS = earnings per share
EV = enterprise value
FCF = free cash flow
FV = fair value
FY = financial year
m = million
M-o-m = month-on-month
NAV = net assets value
NM = not meaningful
NTA = net tangible assets
NR = not rated
p.a. = per annum
PAT = profit after tax

PBT = profit before tax
P/B = price / book ratio
P/E = price / earnings ratio
PEG = P/E ratio to growth ratio
q-o-q = quarter-on-quarter
RM = Ringgit
ROA = return on assets
ROE = return on equity
TP = target price
trn = trillion
WACC = weighted average cost of capital
y-o-y = year-on-year

YTD = year-to-date

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