

Malaysia Results Snapshot

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DBS Group Research . Equity

1 April 2021

Latest Results				
Company	Date	vs. Expect.	Results Highlights	Our Views & Catalysts
Property development				
Sunway Berhad	31-Dec-20	Below (4Q20)	<ul style="list-style-type: none"> Stripping out the RM47.2m fair value loss on investment properties, Sunway Berhad (SWB) reported 4Q20 core profit of RM240.3m (+192% q-o-q, +41% y-o-y). This takes FY20 core profit to RM411m (-37% y-o-y), making up 87% of our full-year projection. The weaker-than-expected results were mainly due to lower contribution from its property investment segment. The retail, hospitality and leisure businesses were severely affected by the reinstatement of the Conditional Movement Control Order (CMCO) during 4Q20. Property development contributed the bulk of its 4Q20 core pretax profit with a 78% share largely due to the lumpy profit recognition from its projects in China and Singapore amounting to RM183m pretax profit. Healthcare's 4Q20 results were impressive with a pretax profit of RM22.3m (+44% q-o-q, +97% y-o-y), its best quarterly performance since SWB started to disclose its healthcare segment's results in 2018. This is attributable to lower operating loss at Sunway Medical Centre Velocity. 4Q20 property sales came in at RM385m (+43% q-o-q, -22% y-o-y), taking FY20 property sales to RM1.3bn (-14% y-o-y). This exceeded the management's sales target of RM1.1bn. SWB's unbilled sales remained high at RM2.4bn in 4Q20 which will provide earnings visibility over the next two years. Balance sheet remained healthy with 51% net gearing as at end-December 2020. 	<ul style="list-style-type: none"> We believe that the worst is likely over for SWB. The COVID-19 outbreak has been largely contained in Malaysia with the declining trend of COVID-19 infections We believe its retail, hospitality and leisure businesses are set to pick up strongly in 2H21 as the national immunisation programme progresses. Its earnings visibility remains strong, anchored by the strong order books of the construction (RM5.1bn) and property development (RM2.4bn) divisions. 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) of RM2.00.



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

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

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*Share price appreciation + dividends

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Malaysia

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