

Malaysia Flash Note

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DBS Group Research . Equity

28 Nov 2017

Sunway (SWB MK) : HOLD

Mkt. Cap: US\$1,935m | 3m Avg. Daily Val: US\$2.8m

Last Traded Price (27 Nov 2017): RM1.64

Price Target 12-mth: RM1.70 (4% upside) (Prev RM1.70)

Analyst

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In need of catalysts

- 3Q17 results met expectations
- Resilient earnings underpinned by diversified business exposure
- Property sales replenishment remains challenging
- Maintain HOLD and RM1.70 TP

Forecasts and Valuation

FY Dec (RMm)	2016A	2017F	2018F	2019F
Revenue	4,726	4,867	5,037	5,154
EBITDA	994	964	1,017	1,008
Pre-tax Profit	859	773	798	807
Net Profit	586	544	576	618
Net Pft (Pre Ex.)	547	544	576	618
Net Pft Gth (Pre-ex) (%)	(7.3)	(0.7)	5.9	7.3
EPS (sen)	12.6	11.1	11.7	12.6
EPS Pre Ex. (sen)	11.8	11.1	11.7	12.6
EPS Gth Pre Ex (%)	(17)	(6)	6	7
Diluted EPS (sen)	12.6	11.1	11.7	12.6
Net DPS (sen)	5.39	3.32	3.51	3.77
BV Per Share (sen)	160	159	168	176
PE (X)	13.0	14.8	14.0	13.0
PE Pre Ex. (X)	13.9	14.8	14.0	13.0
P/Cash Flow (X)	14.2	35.8	13.0	12.1
EV/EBITDA (X)	11.8	13.1	12.4	12.5
Net Div Yield (%)	3.3	2.0	2.1	2.3
P/Book Value (X)	1.0	1.0	1.0	0.9
Net Debt/Equity (X)	0.4	0.4	0.4	0.4
ROAE (%)	8.4	7.1	7.2	7.3

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 3Q17 performance: Sunway reported a 3Q17 profit of RM150.9m, representing an increase of 8% q-o-q and 2% y-o-y. This takes 9M17 core profit to RM399m, comprising 73% of our full-year projection.

Weak property contribution: 3Q17 property segmental pretax profit dropped 53% q-o-q and 43% y-o-y to RM35.5m due to lower sales and progress billing from local development projects. Therefore, pretax profit contribution from the property development segment only stood at 18% compared to 27% in 3Q16 and 35% in 2Q17.

Slow property sales. Sunway's 3Q17 property sales came in at RM207m (-12% q-o-q, -18% y-o-y), taking 9M17 sales to RM583m (-33% y-o-y), of which 59% came from Singapore. Given the persistently subdued property market conditions in Malaysia, Sunway may not achieve its FY17 sales target of RM1.1bn. Note that we have assumed RM970m new sales in FY17.

Unbilled sales hit by weaker property sales. Unbilled sales have been on a declining trend, coming in at RM991m, compared to RM1.8bn in 3Q16. This is also the first time Sunway's unbilled sales have dipped below RM1bn over the past five years as sales replenishment remains a challenge. While this will still underpin its earnings visibility for the property development division over the next two years, continued weakness in sales replenishment could result in

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less inspiring earnings for the group as property development is traditionally its largest earnings contributor.

Rising profits from investment properties. The property investment segment maintained its strong performance with high visitorship and occupancy for its portfolio, leading to a stellar pretax profit of RM50m (+81% q-o-q, -28% y-o-y). This segment accounted for 25% of the group's 3Q17 pretax profit, making it the largest contributor.

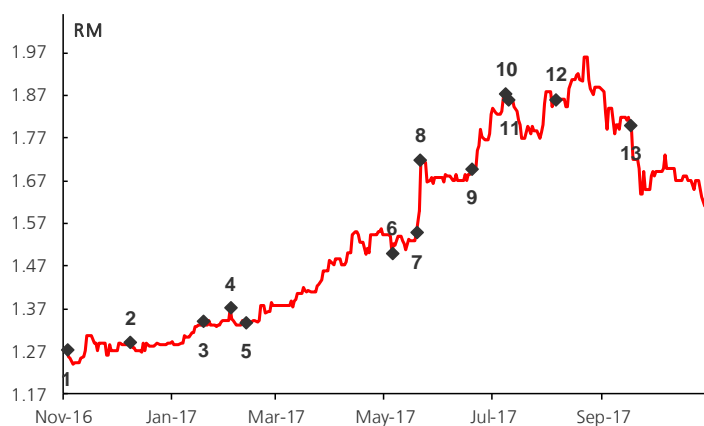
Construction continues to deliver. Its construction arm continued with its steady performance as pretax profit came in at RM41m (-3% q-o-q, +27% y-o-y). This makes it the second largest earnings contributor with a 21% share. Earnings visibility for its construction division remains positive with its record high order book of RM6.8bn.

Quarterly / Interim Income Statement (RMm)

FY Dec	3Q2016	2Q2017	3Q2017	% chg yoy	% chg qoq
Revenue	1,137	1,241	1,320	16.0	6.3
Cost of Goods Sold	(1,015)	(1,072)	(1,192)	17.5	11.2
Gross Profit	123	169	128	4.1	(24.6)
Other Oper. (Exp)/Inc	46.3	24.5	25.9	(44.0)	5.7
Operating Profit	169	194	154	(9.1)	(20.8)
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	nm	nm
Associates & JV Inc	46.7	39.5	49.5	5.9	25.3
Net Interest (Exp)/Inc	(2.6)	(18.7)	(6.3)	(144.0)	66.4
Exceptional Gain/(Loss)	(4.5)	56.8	0.0	nm	(100.0)
Pre-tax Profit	209	271	197	(5.7)	(27.5)
Tax	(37.7)	(38.2)	(29.0)	(23.2)	(24.1)
Minority Interest	(27.2)	(36.4)	(16.9)	37.8	(53.4)
Net Profit	144	197	151	5.0	(23.4)
Net profit bef Except.	148	140	151	1.8	7.6
EBITDA	255	267	239	(6.3)	(10.4)
Margins (%)					
Gross Margins	10.8	13.6	9.7		
Opg Profit Margins	14.9	15.6	11.6		
Net Profit Margins	12.6	15.9	11.4		

Source of all data: Company, AllianceDBS

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	28 Nov 16	1.27	2.87	HOLD
2:	03 Jan 17	1.29	2.87	HOLD
3:	13 Feb 17	1.34	2.87	HOLD
4:	28 Feb 17	1.37	2.97	HOLD
5:	09 Mar 17	1.34	2.97	HOLD
6:	30 May 17	1.50	3.30	HOLD
7:	13 Jun 17	1.55	3.30	HOLD
8:	15 Jun 17	1.72	3.80	HOLD
9:	14 Jul 17	1.70	3.80	HOLD
10:	02 Aug 17	1.87	3.80	HOLD
11:	04 Aug 17	1.86	3.80	HOLD
12:	30 Aug 17	1.86	4.05	HOLD
13:	11 Oct 17	1.80	1.70	HOLD

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

Source: AllianceDBS

Analyst: QUAH He Wei, CFA

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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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Sources for all charts and tables are AllianceDBS unless otherwise specified.

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