

01 April 2021

# Sunway Berhad

## FY20 Within Expectations

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**4QFY20 CNP of RM244m brought FY20 CNP to RM355m – within our and consensus forecasts. Sales of RM1.3b also met our/management’s target of RM1.2b/1.1b. That said, the 1.5 sen dividend is subpar. With ongoing vaccination efforts, we anticipate their property investment division to see a gradual recovery ahead. Revise FY21E earnings lower (by 3%) post update for Suncon’s estimates. Keep MP on marginally higher SoP-TP of RM1.55 post housekeeping.**

**Within expectations.** Bumper 4QFY20 CNP of RM244m (+266% QoQ; +30% YoY) lifted FY20 CNP to RM355m (-44% YoY) – within our and consensus expectations at 98% each of full-year estimates. Note that the bumper profit this quarter was due to the lump sum recognition worth RM182.5m from Sunway Gardens Tianjin and River Cove Residence Singapore which were recognised upon completion. That said, the 1.5 sen dividend declared is below our 3.7 sen forecast.

**FY20A property sales of RM1.3b (effective RM1.0b)** met our RM1.2b target. Current unbilled sales of RM2.5b (effective RM1.9b) provide c.3x cover. For FY21, management is targeting sales of RM1.6b (effective RM1.4b) – the same as ours. This target is backed by launches worth RM2.8b (40% local: 60% overseas i.e. Singapore and China).

**Highlights. QoQ,** 4QFY20 CNP of RM244m surged 266% mainly due to the jump in JV contributions (+992%) attributable to the lump sum recognitions from its China and Singapore developments as explained above. FY20 CNP of RM355m plunged 44% YoY due to the Covid-19 pandemic which saw all their business divisions recording weaker bottom-line contributions (save for the bumper profit recognition for its property development division).

**Anticipating a recovery.** With vaccination efforts underway, we believe its worst hit division, the leisure and hospitality segment i.e. theme parks and hotel parked under its property investment division, should gradually improve from 2HFY21. Note that its property investment division has been contributing an average profit of RM230m/annum (from 2015- 2019) against a loss of RM31m seen in FY20.

**Revise FY21E earnings lower by 3%** after updating the lower earnings for Suncon. Meanwhile, we introduce FY22E earnings of RM554m backed by property sales of RM1.6b.

**Maintain MP with marginally higher SoP-derived TP of RM1.55** (from RM1.54) post year-end house-keeping. We note that its share price has rebounded well in the past two months and has recovered back to pre-Covid-19 levels. We opine that the next set of catalysts to bring the group to new levels hinges on the performance of its healthcare division and its subsequent listing.

## MARKET PERFORM ↔

**Price :** **RM1.70**  
**Target Price :** **RM1.55** ↑

### Share Price Performance



KLCI 1,573.51  
YTD KLCI chg -3.3%  
YTD stock price chg 5.6%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SWB MK EQUITY
Market Cap (RM m)	8,311.2
Shares Outstanding	4,888.9
52-week range (H)	1.74
52-week range (L)	1.22
3-mth avg daily vol:	2,531,836
Free Float	31%
Beta	0.8

### Major Shareholders

Sunway Holdings Sdn	54.6%
Sungei Way Corp Sdn	10.1%
Employees Provident	9.0%

### Summary Earnings Table

FYE Dec (RM m)	2020A	2021E	2021E
Turnover	3833	4945	5670
EBIT	251	605	690
PBT	509	749	844
<b>Net Profit</b>	<b>334</b>	<b>481</b>	<b>554</b>
<b>Core PATAMI</b>	<b>355</b>	<b>481</b>	<b>554</b>
Consensus (NP)	363	512	576
Earnings Revision	n.a.	-3%	NEW
Core EPS (sen)	7.2	9.8	11.3
Core EPS growth (%)	-44	34	15
*NDPS (sen)	1.5	3.9	4.5
NTA per Share (RM)	1.91	1.97	2.04
Price to NTA (x)	0.9	0.9	0.8
PER (x)	23.6	17.4	15.1
Net Gearing ratio (x)	0.4	0.3	0.3
Return on Asset (%)	1.5	2.0	2.2
Return on Equity (%)	3.7	4.8	5.4
Net Div. Yield (%)	2.2	2.3	2.7

\*Only cash dividend is reflected.

01 April 2021

## Result Highlight

FYE Dec (RM m)	4Q20	3Q20	QoQ	4Q19	YoY	FY20	FY19	YoY
Revenue	1,278.0	1,027.2	24%	1,353.2	-6%	3,833.3	4,780.4	-20%
Operating Expenses	-1,354.3	-973.1	39%	-1,337.7	1%	-3,857.4	-4,416.9	-13%
Other Operating Income	122.3	81.0	51%	90.5	35%	274.9	201.7	36%
<b>Operating Profit</b>	<b>46.0</b>	<b>135.1</b>	<b>-66%</b>	<b>106.0</b>	<b>-57%</b>	<b>250.8</b>	<b>565.2</b>	<b>-56%</b>
Finance Income	51.3	34.2	50%	104.9	-51%	169.7	321.3	-47%
Finance costs	-7.2	-38.5	-81%	-39.8	-82%	-141.2	-233.4	-40%
Associates	12.0	16.7	-28%	54.5	-78%	59.8	192.8	-69%
JV	149.6	13.7	992%	34.9	329%	170.2	68.5	149%
<b>PBT</b>	<b>251.7</b>	<b>161.2</b>	<b>56%</b>	<b>260.4</b>	<b>-3%</b>	<b>509.3</b>	<b>914.2</b>	<b>-44%</b>
Tax	-44.7	-25.0	79%	-41.3	8%	-102.2	-78.3	31%
<b>PAT</b>	<b>207.0</b>	<b>136.1</b>	<b>52%</b>	<b>219.1</b>	<b>-6%</b>	<b>407.0</b>	<b>835.9</b>	<b>-51%</b>
MI	13.9	13.5	3%	18.8	-26%	41.5	69.3	-40%
Perpetual Sukuk distribution	0.0	-10.0	-100%	-16.5	-100%	-31.7	-54.5	-42%
<b>PATAMI</b>	<b>193.1</b>	<b>112.7</b>	<b>71%</b>	<b>183.8</b>	<b>5%</b>	<b>333.8</b>	<b>712.1</b>	<b>-53%</b>
Exceptionals	50.6	-46.2	210%	4.1	1135%	21.0	-83.5	125%
<b>CNP</b>	<b>243.7</b>	<b>66.5</b>	<b>266%</b>	<b>187.9</b>	<b>30%</b>	<b>354.7</b>	<b>628.6</b>	<b>-44%</b>
DPS	1.5	0.0	n.a.	4.5	-67%	1.5	9.1	-84%
EBIT margin	4%	13%		8%		7%	12%	
Pretax margin	20%	16%		19%		13%	19%	
NP margin	16%	13%		16%		11%	17%	
CNP margin	19%	6%		14%		9%	13%	
Net gearing (x)	0.55	0.67		0.58		0.55	0.58	
Effective tax	18%	16%		16%		20%	9%	

Source: Company, Kenanga Research

## Segmental Breakdown

External Revenue	4Q20	3Q20	QoQ	4Q19	YoY	FY20	FY19	YoY
Property Development	184.3	103.4	78%	218.2	-16%	495.0	545.9	-9%
Property Investment	46.1	98.1	-53%	220.9	-79%	334.0	803.5	-58%
Construction	424.6	255.0	66%	318.0	34%	990.2	1,273.3	-22%
Trading and Manufacturing	245.8	231.0	6%	232.2	6%	812.1	959.8	-15%
Quarry	109.8	105.6	4%	136.4	-20%	321.4	348.1	-8%
Healthcare	178.0	168.0	6%	162.9	9%	620.3	584.8	6%
Investment Holdings	1.4	0.8	64%	2.6	-48%	4.7	5.2	-10%
Others	90.1	63.3	42%	61.9	46%	255.6	260.0	-2%
<b>Total Revenue</b>	<b>1,280.0</b>	<b>1,025.2</b>	<b>25%</b>	<b>1,353.2</b>	<b>-5%</b>	<b>3,833.3</b>	<b>4,780.4</b>	<b>-20%</b>
<b>PATAMI Segmentation</b>								
Property Development	201.7	18.5	992%	98.1	106%	267.1	198.1	35%
Property Investment	-85.9	63.2	-236%	76.7	-212%	-31.3	337.3	-109%
Construction	16.6	14.6	13%	15.6	6%	44.3	79.3	-44%
Trading and Manufacturing	7.4	4.7	57%	0.5	1345%	18.3	22.8	-20%
Quarry	4.2	6.2	-33%	5.9	-30%	11.6	14.0	-17%
Healthcare	22.0	15.3	44%	11.2	97%	17.0	61.2	-72%
Investment Holdings	-21.1	5.9	-459%	29.8	-171%	14.4	78.4	-82%
Others	10.3	4.5	129%	-37.5	128%	18.1	-24.5	174%
<b>Total PBT</b>	<b>155.2</b>	<b>132.8</b>	<b>17%</b>	<b>200.3</b>	<b>-23%</b>	<b>359.6</b>	<b>766.6</b>	<b>-53%</b>
<b>PATAMI margins</b>								
Property Development	109%	18%		45%		54%	36%	
Property Investment	-187%	64%		35%		-9%	42%	
Construction	4%	6%		5%		4%	6%	
Trading and Manufacturing	3%	2%		0%		2%	2%	
Quarry	4%	6%		4%		4%	4%	
Healthcare	12%	9%		7%		3%	10%	
Investment Holdings	-1544%	706%		1127%		308%	1511%	
Others	11%	7%		-61%		7%	-9%	
<b>Total</b>	<b>12%</b>	<b>13%</b>		<b>15%</b>		<b>9%</b>	<b>16%</b>	

Source: Company, Kenanga Research

01 April 2021

<b>Sum of Parts</b>		
<b>Segment</b>	<b>Value (RM m)</b>	<b>Valuation basis</b>
Property Development	2,012.4	P/BV of 0.77x (-1.5 SD below mean)
Property Investment (backed by 40.9%-owned Sunway REIT)	2,104.8	Kenanga's TP of RM1.10 for SREIT + NBV of investment prop ex-SREIT
Construction (via 54.4%-owned Sunway Construction)	1,473.0	Kenanga's TP of RM2.10 for SunCon
Trading & Manufacturing	338.4	P/E of 10x on FY21 earnings
Quarry	265.4	P/E of 12x on FY21 earnings
Healthcare	1,788.0	P/E of 35x on FY21 earnings
Investment Holdings & Others	467.1	P/E of 10x on FY21 earnings
Net cash / (debt) at holding company level	(862.3)	As at 31 Dec 2019
<b>Aggregate Valuation</b>	<b>7,586.7</b>	
No of shares (m)	4,901.4	
<b>RNAV per share (RM)</b>	<b>1.55</b>	

*Source: Company, Kenanga Research*

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01 April 2021

## Peer Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div Yld (%)	Target Price	Rating
					Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.			
<b><u>STOCKS UNDER COVERAGE</u></b>														
ECO WORLD DEVELOPMENT GROUP	0.620	1,825.5	Y	10/2021	7.8	7.8	6.9	0.4	0.4	5.1%	3.4%	0.660	MP	
IOI PROPERTIES GROUP BHD	1.43	7,873.8	Y	06/2021	12.8	11.5	11.3	0.4	0.4	3.7%	2.1%	1.32	MP	
MAH SING GROUP BHD	0.845	2,051.4	Y	12/2021	60.4	12.8	9.6	0.6	0.6	5.3%	3.6%	1.05	OP	
MALAYSIAN RESOURCES CORP BHD	0.460	2,029.5	Y	12/2021	N.A.	35.4	30.7	0.4	0.4	1.2%	2.2%	0.650	OP	
SIME DARBY PROPERTY BHD	0.650	4,420.5	Y	12/2021	N.A.	15.5	11.2	0.5	0.5	3.0%	2.0%	0.560	MP	
SP SETIA BHD	1.05	4,259.6	Y	12/2021	80.8	14.4	10.3	0.3	0.3	2.0%	2.1%	0.940	MP	
SUNWAY BHD	1.70	8,311.2	Y	12/2020	23.6	17.4	15.1	0.9	0.9	5.0%	2.2%	1.55	MP	
UEM SUNRISE BHD	0.435	2,200.4	Y	12/2021	N.A.	38.2	31.5	0.3	0.3	0.8%	0.0%	0.400	UP	
UOA DEVELOPMENT BHD	1.80	3,822.8	Y	12/2021	12.0	12.9	12.0	0.7	0.7	5.9%	7.2%	1.76	MP	
<b>Simple Average</b>					<b>32.9</b>	<b>18.4</b>	<b>15.4</b>	<b>0.5</b>	<b>0.5</b>	<b>3.6%</b>	<b>2.7%</b>			

Source: Bloomberg, Kenanga Research

01 April 2021

**Stock Ratings are defined as follows:****Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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