

28 August 2019 | 2QFY19 Results Review

Sunway Berhad

Achieved news sales of RM735m to-date

Maintain NEUTRAL

Unchanged Target Price (TP): RM1.55

INVESTMENT HIGHLIGHTS

- **1HFY19 earnings were in-line**
- **Cumulative CNI increased by 15.0%yoy to RM301.6m**
- **New sales of RM472m recorded in 2QFY19**
- **Maintain Neutral with an unchanged TP of RM1.55**

1HFY19 earnings were in-line. Sunway Berhad (SUNWAY) 1HFY19 core net income (CNI) of RM301.6m came in within ours and consensus' expectations at 48% and 49% of full year estimates respectively. We have excluded the disposal gain of Sunway University assets amounting to RM37.7m and revaluation gains from our CNI. An interim dividend of 3.0 sen cash dividend and share dividend distribution of one treasury share for every 100 existing ordinary shares held (equivalent to c.1.57 sen) was announced.

Cumulative CNI increased by 15.0%yoy to RM301.6m due to better margins. Revenue, however, fell by 15.2%yoy to RM2.2b due to weaker performance of the hospitality segment and loss of income from its education assets post-disposal. The better earnings for the period can be attribute to improvement in pre-tax profit (PBT) for property investment (+11%), healthcare (+60%) and others (+167%) due to higher net interest income. Meanwhile, property development PBT declined by 9.6% to RM70.1m on revenue that fell by 8.8% to RM201.4m. This is mainly due to lower progress billings from local development projects as well as the adoption of MFRS 15, which only allows the group to recognise its Singapore and China projects upon completion. Progressive profits from these two projects totalled at RM66.3m as of June 2019.

Earnings advanced by 17.8%yoy to RM165.2m in 2QFY19 driven by higher PBT in property investment (+16.9%), healthcare (+75.7%) and others (+141.5%). On the other hand, property development division PBT fell by 25.6%yoy to RM37.3m due to the adoption of MFRS 15 as the previous corresponding quarter had benefitted from foreign exchange gains from the group's Singapore projects. Nonetheless, property revenue for the quarter jumped 28%yoy to RM113.6m due to higher sales and progress billings from local projects such as Velocity TWO, Avila and South Quay.

New sales of RM472m recorded in 2QFY19 compared to new sales of RM263m in 1QFY19. Cumulative new sales of RM735m are within expectations as it makes up 56.5% of management new sales target of RM1.3b for FY19. Meanwhile, unbilled sales increased to RM2.7b in 2QFY19 from RM2.2b in 1QFY19, providing 3 years earnings visibility to the property development division.

RETURN STATS	
Price (27 August 2019)	RM1.57
Target Price	RM1.55
Expected Share Price Return	-1.3%
Expected Dividend Yield	4.6%
Expected Total Return	3.3%

STOCK INFO	
KLCI	1,590.84
Bursa / Bloomberg	5211 / SWB MK
Board / Sector	Main / Trading & Services
Syariah Compliant	Yes
Issued shares (mil)	4,876.54
Market cap. (RM'm)	7,656.16
Price over NA	1.00
52-wk price Range	RM1.34–RM1.72
Beta (against KLCI)	0.83
3-mth Avg Daily Vol	3.93m
3-mth Avg Daily Value	RM6.51m
Major Shareholders	
Sungei Way Corp	56.49%
EPF	7.25%
Cheah Fook Ling	4.13%

Maintain Neutral with an unchanged TP of RM1.55. We make no changes to our earnings forecast for FY19F/FY20F as ytd earnings are within expectation. Therefore, we maintain our TP for SUNWAY at RM1.55, based on Sum-of-Parts valuation. We keep our NEUTRAL recommendation on SUNWAY due to limited upside in the near-term. 

INVESTMENT STATISTICS

FYE Dec (RM m)	FY16A	FY17A	FY18A	FY19F	FY20F
Revenue	4725.9	5239.3	5410.3	5608.0	5783.1
Core EBIT	726.9	653.0	559.9	753.6	780.0
Core PBT	820.5	799.0	782.8	952.3	994.3
Net Income	585.9	620.6	659.0	631.8	663.5
Core Net Income	547.4	563.8	591.2	631.8	663.5
EPS (sen)	28.4	12.6	13.4	13.0	13.7
Core EPS (sen)	26.6	11.5	12.0	13.0	13.7
Net DPS (sen)	12.14	6.00	7.12	7.29	7.66
Net Dvd Yield	7.7%	3.8%	4.5%	4.6%	4.9%
Core PER	5.91	13.70	13.08	12.06	11.48
NTA/share (RM)	3.62	1.54	1.66	1.81	1.87
P/NTA	0.43	1.02	0.95	0.87	0.84
Core ROE	7.3%	7.1%	7.0%	7.2%	7.3%
Core ROA	2.9%	2.9%	2.8%	3.0%	3.0%
Net Gearing (x)	0.45	0.43	0.44	0.47	0.51

Source: Company, MIDFR

Sunway: 2QFY19 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY19	%YoY	%QoQ	6MFY19	%YoY
Revenue	1,077.2	-16.3%	-4.1%	2,200.8	-15.2%
EBIT	167.3	0.8%	42.0%	285.0	-3.7%
Core PBT	171.9	-6.1%	-3.0%	349.2	1.5%
Net Income	246.5	23.6%	80.7%	382.9	19.2%
Core Net Income	165.2	17.8%	21.1%	301.6	15.0%
EPS (sen)	5.00	22.2%	80.6%	7.77	16.4%
Core EPS (sen)	3.35	16.5%	21.0%	6.12	12.4%
Net DPS (sen)	4.57	30.6%	NA	4.57	30.6%
NTA/share (RM)	1.61	1%	1%	1.61	-0.6%
Net Gearing (x)	0.34	NA	NA	0.34	NA
EBIT Margin	15.5%	NA	NA	13.0%	NA
Core PBT Margin	16.0%	NA	NA	15.9%	NA

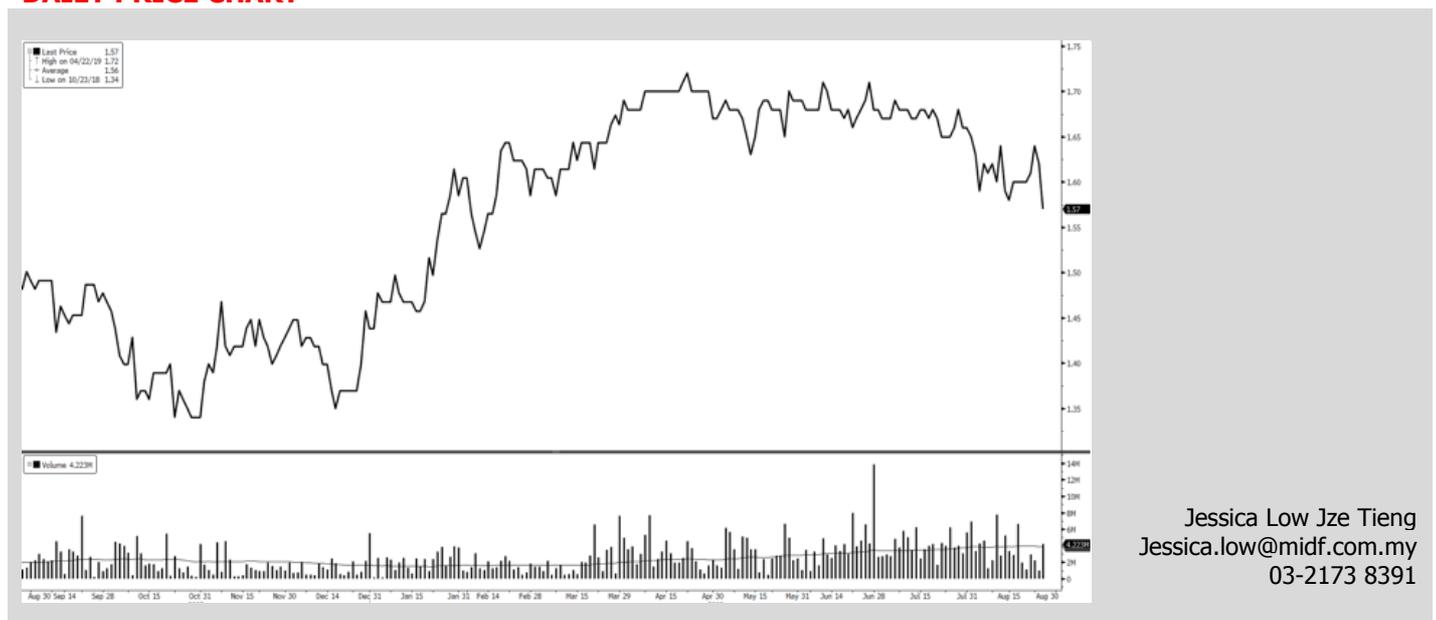
Source: Company, MIDFR

Sum-of-Parts

Division	Methodology	PER (x)	Stake	Discount	Value (RM m)
Property Development	NPV of profits	n/a	100%	20%	2498.5
Property Investment	Net Book Value	n/a	100%	n/a	1490.0
Construction	13x FY19E PER - KL Construction Index PER	13.5	54%	n/a	1187.8
Sunway REIT	Target Price of RM1.93	n/a	35%	n/a	1930.5
Trading and manufacturing	10x FY19E PER - In line with small cap PER of 10x	10	100%	n/a	138.2
Quarry	10x FY19E PER - In line with small cap PER of 10x	10	100%	n/a	394.4
Total SOP					7639.4
Number of shares					4918.0
Target Price (RM)					1.55

Source: MIDFR

DAILY PRICE CHART



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Source: Bloomberg

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.