

Sunway Berhad

(5211 | SWB MK) Industrial Products & Services | Diversified Industrials

New sales target maintained at RM1.3b

KEY INVESTMENT HIGHLIGHTS

- **9MFY19 earnings within expectations**
- **Higher earnings in 9MFY19**
- **9MFY19 new sales at RM1.1b**
- **New sales target maintained at RM1.3b**
- **Earnings estimates maintained**
- **Maintain NEUTRAL with a revised TP of RM1.72**

9MFY19 earnings within expectations. Sunway Berhad (SUNWAY) 9MFY19 core net income of RM485m came in within expectations, meeting 77% and 78% of our and consensus full year estimates respectively.

Higher earnings in 9MFY19. 3QFY19 core net income is higher at RM183.4m (+26.2%yoy), bringing cumulative core net earnings to RM485m (+19%yoy) in 9MFY19. The higher earnings were mainly contributed by healthcare and property investment division. Operating profit of healthcare division grew 33.1%yoy due to higher occupancy rate and higher outpatient treatments. Similarly, operating profit of property investment division climbed by 12.8%yoy due to higher contribution from its hospitality properties. Meanwhile, operating profit of property development division fell by 10.7%yoy mainly due to lower progress billings from local development projects.

9MFY19 new sales at RM1.1b. SUNWAY recorded new property sales of RM365m in 3QFY19, lower than new property sales of RM472m achieved in the previous quarter. That brought cumulative new property sales to RM1.1b in 9MFY19. Meanwhile, management is maintaining its new sales target of RM1.3b for FY19. On the other hand, unbilled sales increased marginally to RM2.8b in 3QFY19 from RM2.7b in 2QFY19, providing 3 years earnings visibility to the property development division.

Maintain NEUTRAL with a revised TP of RM1.72. We make no changes to our earnings forecasts for FY19/20F. We revise our TP to RM1.72 from RM1.56 as we rollover our valuation to FY20. Our TP is based on sum-of-parts. We maintain our Neutral call on Sunway Berhad due to limited upside. 

Maintain NEUTRAL

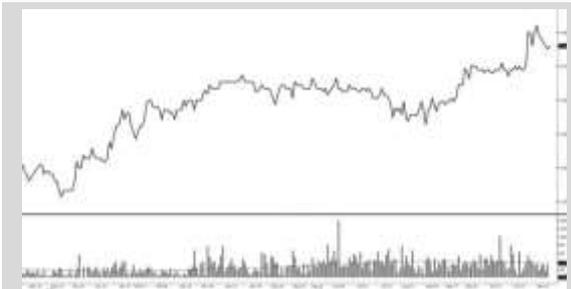
Revised Target Price: RM1.72

(Previously RM1.56)

RETURN STATISTICS

Price @ 21 November 2019 (RM)	1.77
Expected share price return (%)	-2.8
Expected dividend yield (%)	4.1
Expected total return (%)	1.3

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	2.9	1.0
3 months	3.3	11.2
12 months	21.3	29.7

KEY STATISTICS

FBM KLCI	1,597.22
Syariah compliant	Yes
Issue shares (m)	4973.65
Estimated free float (%)	24.92
Market Capitalisation (RM'm)	8,638.82
52-wk price range (RM)	RM1.33 - RM1.84
Beta vs FBM KLCI (x)	0.77
Monthly velocity (%)	11.02
Monthly volatility (%)	12.15
3-mth average daily volume (m)	3.56
3-mth average daily value (RM'm)	5.95
Top Shareholders (%)	
Sungei Way Corp Sdn Bhd	56.69
Employees Provident Fund Board	7.17

Analyst(s)

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INVESTMENT STATISTICS

FYE Dec	FY16A	FY17A	FY18F	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	6.9%	3.4%	4.0%	4.1%	4.3%
Core PER	6.66	15.44	14.74	13.59	12.94
NTA/share (RM)	3.62	1.54	1.66	1.81	1.87
P/NTA	0.49	1.15	1.07	0.98	0.95
Core ROE	7.3%	7.1%	7.0%	7.2%	7.3%
Core ROA	2.9%	2.9%	2.8%	3.0%	3.0%

Source: MIDF Research

SUNWAY BERHAD: 3QFY19 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY19	%YoY	%QoQ	FY19	%YoY
Revenue	1226.5	-15.1%	13.9%	3,427.3	-15.2%
EBIT	174.2	9.1%	4.1%	459.2	0.8%
Core PBT	223.3	15.1%	29.9%	572.5	6.4%
Net Income	183.4	26.2%	-25.6%	566.3	21.4%
Core Net Income	183.4	26.2%	11.0%	485.0	19.0%
EPS (sen)	3.76	26.3%	-25.6%	11.6	20.0%
Core EPS (sen)	3.76	26.3%	11.0%	9.9	17.7%
Net DPS (sen)	0.00	NA	NA	4.6	31.4%
NTA/share (RM)	1.65	2%	2%	1.65	1.9%
Net Gearing (x)	0.38	NA	NA	0.4	NA
EBIT Margin	14.2%	NA	NA	13.4%	NA
Core PBT Margin	18.2%	NA	NA	16.7%	NA

Source: Company, MIDF Research

Sum-of-Parts

Division	Methodology	PER (x)	Stake	Discount	Value (RM m)
Property Development	NPV of profits	n/a	100%	20%	2653.1
Property Investment	Net Book Value	n/a	100%	n/a	1490.0
Construction	20x FY20E PER - KL Construction Index PER	20	54%	n/a	1738.3
Sunway REIT	Target Price of RM2.02	n/a	35%	n/a	2052.4
Trading and manufacturing	10x FY20E PER - In line with small cap PER of 10x	10	100%	n/a	129.8
Quarry	10x FY20E PER - In line with small cap PER of 10x	10	100%	n/a	414.4
Total SOP					8478.1
Number of shares					4918.0
Target Price (RM)					1.72

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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.