

30 August 2017 | 2QFY17 Results Review

Sunway Berhad

Earnings driven by property investment division

INVESTMENT HIGHLIGHTS

- **1HFY17 earnings within expectations**
- **Earnings driven by property investment division**
- **1HFY17 new sales at RM376m**
- **Maintain Neutral with unchanged TP of RM4.26**

1HFY17 earnings within expectations. Sunway Berhad (SUNWAY) 1HFY17 core net income of RM248.1m came in within expectations, at 45% of ours and consensus' full year estimates. Dividend of 7sen per share was also announced.

Earnings driven by property investment division. SUNWAY 1HFY17 earnings climbed 5%yoy to RM248.1m, mainly driven by higher contribution from property investment which offset the lower contribution from property development division. Operating profit of property investment division climbed 42%yoy mainly due to rental contribution from Sunway Velocity Mall which was opened in December and also due to reopening of Sunway Pyramid Hotel following a refurbishment exercise in 2016. Meanwhile, operating profit of property development division declined 32%yoy due to lower sales and progress billings from local development projects. On the other hand, unbilled sales stood at RM1.2b as of June 2017 (decline from unbilled sales of RM1.4b in March 2017), providing 1year earnings visibility to property development division.

1HFY17 new sales at RM376m. SUNWAY recorded new sales of RM234m in 2QFY17, higher than new sales of RM142m in 1QFY17 but lower than new sales of RM350m in 2QFY16. That brought total new sales in 1HFY to RM376m, lower than new sales of RM613m in 1HFY16. The total new sales in 1HFY17 make up 34% of our and management sales target of RM1.1b. Nevertheless, we are keeping our sales target at RM1.1b as SUNWAY will be launching more property projects in South Quay, Kelana Jaya, Penang, Johor, and China for 2HFY17.

Maintain Neutral with unchanged TP of RM4.26. We maintain our earnings forecast for FY17/18. Our TP is unchanged at RM4.26, based on Sum-of-Parts valuation. We maintain our Neutral recommendation on SUNWAY due to its flattish new sales outlook.



Maintain NEUTRAL

Unchanged Target Price (TP): RM4.26

RETURN STATS	
Price (29 Aug 2017)	RM4.35
Target Price	RM4.26
Expected Share Price Return	-2.1%
Expected Dividend Yield	2.9%
Expected Total Return	0.8%

STOCK INFO	
KLCI	1,761.14
Bursa / Bloomberg	5211 / SWB MK
Board / Sector	Main / Trading & Services
Syariah Compliant	Yes
Issued shares (mil)	2,061.7
Market cap. (RM'm)	8,975
Price over NA	1.18
52-wk price Range	RM2.89 – RM4.4
Beta (against KLCI)	0.46
3-mth Avg Daily Vol	3.18m
3-mth Avg Daily Value	RM12.7m
Major Shareholders	
Sungei Way Corp	56.26%
EPF	5.44%
Cheah Fook Ling	4.57%

INVESTMENT STATISTICS

FYE Dec (RM m)	FY14A	FY15A	FY16A	FY17F	FY18F
Revenue	4558.1	4448.4	4725.9	4907.4	5379.6
Core EBIT	609.8	546.6	726.9	653.7	717.1
Core PBT	810.1	788.7	820.5	821.0	901.3
Net Income	734.0	732.4	585.9	555.6	603.6
Core Net Income	583.9	590.7	547.4	555.6	603.6
EPS (sen)	42.6	41.8	28.4	27.0	29.3
Core EPS (sen)	33.9	33.7	26.6	27.0	29.3
Net DPS (sen)	11.00	38.00	12.14	12.40	13.47
Net Dvd Yield	2.5%	8.7%	2.8%	2.9%	3.1%
Core PER	12.85	12.91	16.38	16.14	14.85
NTA/share (RM)	3.44	3.74	3.62	3.76	3.92
P/NTA	1.26	1.16	1.20	1.16	1.11
Core ROE	9.8%	9.0%	7.3%	7.2%	7.5%
Core ROA	4.5%	3.7%	2.9%	2.9%	3.1%
Net Gearing (x)	0.30	0.50	0.45	0.44	0.46

Source: Company, MIDF Research Estimates

Sunway: 2QFY17 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY17	%YoY	%QoQ	FY17	%YoY
Revenue	1241.0	7%	14%	2,332.3	5%
EBIT	193.9	20%	66%	310.7	0%
Core PBT	214.6	18%	40%	367.8	2%
Net Income	196.9	28%	83%	304.9	19%
Core Net Income	140.1	5%	30%	248.1	5%
EPS (sen)	9.61	23%	82%	9.6	23%
Core EPS (sen)	6.84	2%	30%	6.8	2%
Net DPS (sen)	7.00	40%	NA	7.0	40%
NTA/share (RM)	3.63	4%	2%	3.6	4%
Net Gearing (x)	0.32	NA	NA	0.3	NA
EBIT Margin	15.6%	NA	NA	13.3%	NA
Core PBT Margin	17.3%	NA	NA	15.8%	NA

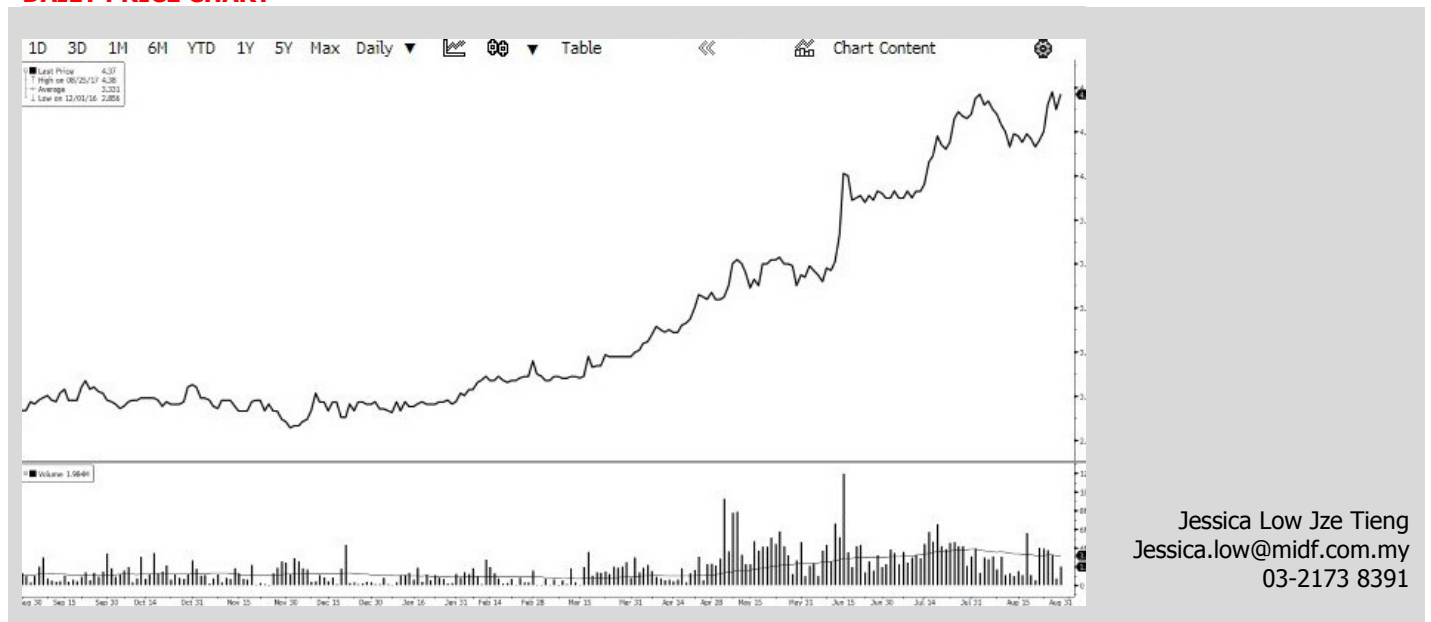
Source: Company

Sum-of-Parts

Division	Methodology	PER (x)	Stake	Discount	Value (RM m)
Property Development	NPV of profits	n/a	100%	10%	2575.4
Property Investment	Net Book Value	n/a	100%	n/a	1490.0
Construction	17x FY18E PER - KL Construction Index PER	17	54%	n/a	2279.0
Sunway REIT	Target Price of RM1.88	n/a	35%	n/a	1910.2
Trading and manufacturing	10x FY18E PER - In line with small cap PER of 10x	10	100%	n/a	149.6
Quarry	10x FY18E PER - In line with small cap PER of 10x	10	100%	n/a	376.4
Total SOP					8780.6
Number of shares					2061.7
Target Price (RM)					4.26

Source: MIDF Research Estimates

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 >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% 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.