

Sunway Berhad

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

Earnings missed estimate

KEY INVESTMENT HIGHLIGHTS

- **9MFY21 earnings below expectation**
- **Earnings were lifted by most divisions**
- **New property sales of RM2.17b in 9MFY21**
- **Unbilled sales increased to RM3.83b**
- **Maintain NEUTRAL with an unchanged TP of RM1.71**

9MFY21 earnings below expectation. Sunway Berhad (Sunway) 9MFY21 core net income of RM224.4m came in below our expectation at 66% but within consensus expectation at 75% of full-year estimates. This deviation could be due to lower than expected contributions coming from the property investment and construction divisions.

Earnings were lifted by most divisions. Sequentially, 3QFY21 core net income was higher at RM90.6 (+18.2%qoq). On a yearly basis, 3QFY21 core net income of RM90.6m (+23.6%yoy) grew from RM73.3m due to higher contributions from the property development and healthcare divisions. This brings the cumulative earnings to RM224.4m (+54.2%yoy) for the 9-month period. The growth was mainly driven by higher contributions from most divisions save for property investment, construction, and quarry segments. The property development division registered PBT of RM88.2m (+26.5%yoy) due to higher sales and progress billings from local development projects coupled with the completion and handover of a local development project. Meanwhile, the healthcare division recorded PBT of RM80.0m from LBT of -RM5.1m as there were higher admissions and outpatient treatments at both Sunway Medical Centre and Sunway Medical Centre Velocity.

New property sales of RM2.17b in 9MFY21. Sunway recorded RM530.0m in new property sales, slightly higher than the new sales of RM480.0m in the previous quarter. This brings the total new sales for 9MFY21 at RM2.17b, which has almost reached the management's target of RM2.2b at 99%. On the other hand, unbilled sales increased to RM3.83b from RM3.60b in 2QFY21.

Maintain NEUTRAL. We maintain our FY21 earnings estimate at this juncture as we expect the underperforming divisions will record stronger growth in the 4th quarter. Our TP of **RM1.71** which was derived by using sum-of-parts valuation remains unchanged. We maintain our **NEUTRAL** call on Sunway with expected total return of 4.1%.

Maintain NEUTRAL

Unchanged Target Price: RM1.71

RETURN STATISTICS

Price @ 25 Nov 2021 (RM)	1.68
Expected share price return (%)	+1.8
Expected dividend yield (%)	+2.3
Expected total return (%)	+4.1

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-6.1	-2.0
3 months	-0.6	-0.8
12 months	26.3	34.2

KEY STATISTICS

FBM KLCI	1,517.60
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆
Issue shares (m)	4,888.93
Estimated free float (%)	25.71
Market Capitalisation (RM'm)	8,213.64
52-wk price range (RM)	RM1.30 - RM1.82
Beta vs FBM KLCI (x)	0.73
Monthly velocity (%)	0.00
Monthly volatility (%)	5.86
3-mth average daily volume (m)	1.39
3-mth average daily value (RM'm)	2.43
Top Shareholders (%)	
Sungei Way Corp Sdn Bhd	56.91
Employees Provident Fund Board	8.43

INVESTMENT STATISTICS

FYE Dec	FY18A	FY19A	FY20A	FY21F	FY22F
Revenue	5410.3	4780.4	3829.1	4325.0	5100.5
Core EBIT	559.9	565.2	250.8	300.9	482.1
Core PBT	782.8	801.2	487.8	492.0	676.6
Net Income	659.0	709.2	359.6	339.0	454.3
Core Net Income	591.2	597.6	338.1	339.0	454.3
EPS (sen)	13.4	14.5	7.4	7.0	9.4
Core EPS (sen)	12.0	12.3	7.0	7.0	9.4
Net DPS (sen)	7.12	9.10	1.50	4.19	5.62
Net Dvd Yield	4.0%	5.1%	0.8%	2.3%	3.1%
Core PER	14.99	14.68	25.83	25.77	19.23
NTA/share (RM)	1.66	1.66	1.86	1.79	1.82
P/NTA	1.09	1.09	0.97	1.01	0.99
Core ROE	7.0%	7.1%	4.0%	3.9%	5.1%
Core ROA	2.8%	2.8%	1.6%	1.5%	1.9%

Source: MIDF Research

SUNWAY BERHAD: 3QFY21 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY21	%QoQ	%YoY	FY21	%YoY
Revenue	1,065.02	10.0%	3.7%	3,049.7	19.3%
EBIT	83.3	128.4%	-38.8%	168.9	-20.5%
Core PBT	123.3	44.9%	8.5%	294.4	24.5%
Net Income	81.1	15.0%	-30.1%	210.1	33.0%
Core Net Income	90.6	18.2%	23.6%	224.4	54.2%
EPS (sen)	1.38	15.0%	-41.6%	3.58	11.1%
Core EPS (sen)	1.54	18.2%	3.3%	3.83	28.8%
Net DPS (sen)	0.00	NA	NA	1.00	NA
NTA/share (RM)	1.58	-0.5%	-4.0%	1.58	-4.0%
Net Gearing (x)	0.60	NA	NA	0.60	NA
EBIT Margin	7.8%	NA	NA	5.5%	NA
Core PBT Margin	11.6%	NA	NA	9.7%	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%	18%	2719.5
Property Investment	Net Book Value	n/a	100%	n/a	1490.0
Construction	18x FY22E PER	18	54%	n/a	1068.6
Sunway REIT	Target Price of RM1.45	n/a	35%	n/a	1473.3
Healthcare	23x FY22 PER	23	84%	n/a	965.9
Trading and manufacturing	12x FY22E PER	12	100%	n/a	134.9
Quarry	12x FY22E PER	12	100%	n/a	548.0
Total SOP					8400.1
Number of shares					4918.0
Target Price (RM)					1.71

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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.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology