

22 November 2018 | 3QFY18 Results Review

## Sunway Berhad

**New sales target at RM1.7b**

### INVESTMENT HIGHLIGHTS

- **9MFY18 earnings slightly below expectations**
- **Marginally higher earnings in 9MFY18**
- **New sales target at RM1.7b (previously RM1.8b)**
- **Earnings forecast revised downwards**
- **Maintain Neutral with a revised TP of RM1.50**

**9MFY18 earnings slightly below expectations.** Sunway Berhad (SUNWAY) 9MFY18 core net income of RM407.5m came in slightly below expectations, making up 69% of our and consensus full year estimates. The negative deviation could be attributed to the slower-than-expected progress billing from local property projects.

**Marginally higher earnings in 9MFY18.** SUNWAY 3QFY18 core net income inched up by a marginal 0.2%yoy to RM145.3m, bringing cumulative earnings in 9MFY18 to RM407.5m (+4.2%yoy). The marginally higher earnings in 9MFY18 were mainly driven by higher contribution from property investment and construction divisions which mitigated lower earnings from property development division. Operating profit of property investment division climbed 8.3%yoy due to additional contribution from new investment properties (Sunway Velocity Hotel and Sunway Geo). Meanwhile, operating profit of property development division eased by 17.7%yoy, mainly due to lower progress billings from local development projects. Besides, adoption of MFRS 15 has also dragged earnings of the property development division as SUNWAY can only recognise the development profits from projects in Singapore and China upon its completion.


**New sales target at RM1.7b (previously RM1.8b).** SUNWAY achieved new sales of RM760m in 3QFY18, bringing 9MFY18 cumulative total new sales to RM1.6b. Oversea projects in Singapore and China contributed 67% of new sales while the remaining 33% contributed by local projects. Meanwhile, new sales momentum in 4QFY18 is expected to be weaker as SUNWAY set its new sales target at RM1.7b for FY18. The new sales target is below our expectation, as it is lower than our new sales target of RM1.8b. As such, we are revising downwards our new sales target to RM1.7b, to be in line with management sales target. Meanwhile, unbilled sales climbed to RM2.1b in 3QFY18 from RM1.5b in 2QFY18, providing 2 years earnings visibility to property development division.

**Maintain NEUTRAL**

**Revised Target Price (TP): RM1.50  
(Previously RM1.60)**

RETURN STATS	
Price (21 Aug 2018)	RM1.45
Target Price	RM1.50
Expected Share Price Return	3.4%
Expected Dividend Yield	3.9%
<b>Expected Total Return</b>	<b>7.3%</b>

STOCK INFO	
KLCI	1,695.37
Bursa / Bloomberg	5211 / SWB MK
Board / Sector	Main / Trading & Services
Syariah Compliant	Yes
Issued shares (mil)	4918
Market cap. (RM'm)	7,140
Price over NA	0.87
52-wk price Range	RM1.35–RM1.82
Beta (against KLCI)	0.91
3-mth Avg Daily Vol	2.11m
3-mth Avg Daily Value	RM3.11m
Major Shareholders	
Sungei Way Corp	56.20%
EPF	7.06%
Cheah Fook Ling	5.13%

**Maintain Neutral with a revised TP of RM1.50.** We revise downwards our earnings forecast for FY18/19 by 5.1%/1.6% to factor in the lower new sales assumption and lower progress billing of local development projects. Subsequently, we revise our TP to RM1.50 from RM1.60 as we widen discount to 25% from 20% for property division in our Sum-of-Parts valuation. We maintain our Neutral call on SUNWAY as we see its new sales outlook and earnings outlook to be tepid. 

## INVESTMENT STATISTICS

FYE Dec (RM m)	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	4448.4	4725.9	5374.8	4960.6	5579.2
Core EBIT	546.6	726.9	613.4	646.4	736.9
Core PBT	788.7	820.5	809.0	830.6	935.6
Net Income	732.4	585.9	639.5	559.4	621.4
Core Net Income	590.7	547.4	566.3	559.4	621.4
EPS (sen)	41.8	28.4	13.29	11.5	12.8
Core EPS (sen)	33.7	26.6	11.77	11.5	12.8
Net DPS (sen)	38.00	12.14	6.00	5.65	5.89
Net Dvd Yield	26.2%	8.4%	4.1%	3.9%	4.1%
Core PER	4.30	5.46	12.31	12.58	11.32
NTA/share (RM)	3.74	3.62	1.63	1.67	1.74
P/NTA	0.39	0.40	0.89	0.87	0.83
Core ROE	9.0%	7.3%	7.2%	6.9%	7.3%
Core ROA	3.7%	2.9%	2.8%	2.8%	2.9%
Net Gearing (x)	0.50	0.45	0.49	0.46	0.49

Source: Company, MIDF Research Estimates

## Sunway: 3QFY18 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY18	%YoY	%QoQ	FY18	%YoY
Revenue	1444.6	12.6%	12.2%	4,040.1	11.8%
EBIT	159.7	9.4%	-3.8%	455.8	0.4%
Core PBT	194.0	2.7%	6.0%	537.9	-2.9%
Net Income	145.3	0.2%	-27.1%	466.7	4.2%
Core Net Income	145.3	0.2%	3.6%	407.5	4.2%
EPS (sen)	2.98	1.1%	-27.2%	9.7	6.0%
Core EPS (sen)	2.98	1.1%	3.5%	8.4	5.3%
Net DPS (sen)	0.00	NA	NA	3.5	16.7%
NTA/share (RM)	1.62	6%	2%	1.6	6.2%
Net Gearing (x)	0.46	NA	NA	0.5	NA
EBIT Margin	11.1%	NA	NA	11.3%	NA
Core PBT Margin	13.4%	NA	NA	13.3%	NA

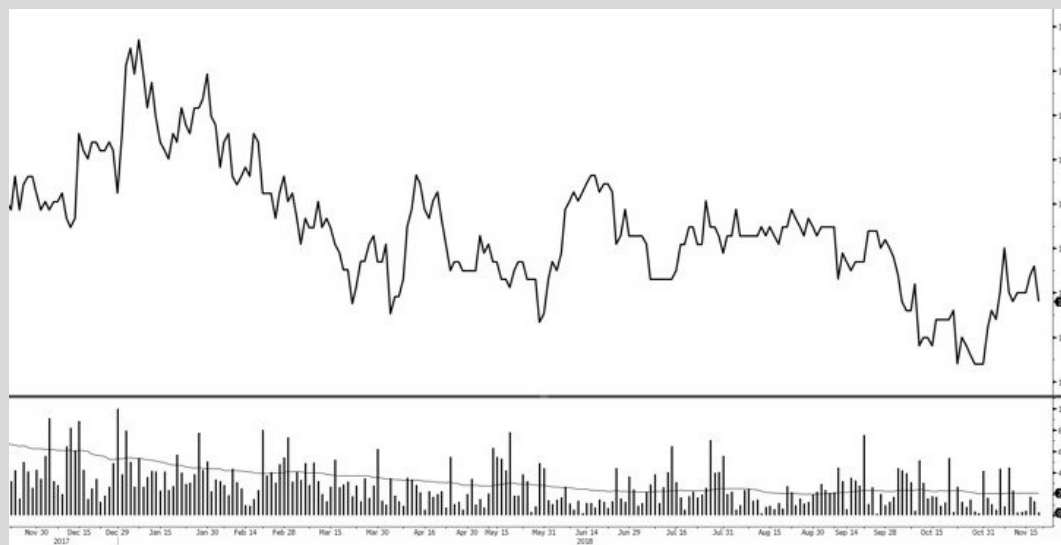
Source: Company

## Sum-of-Parts

Division	Methodology	PER (x)	Stake	Discount	Value (RM m)
Property Development	NPV of profits	n/a	100%	25%	2229.5
Property Investment	Net Book Value	n/a	100%	n/a	1490.0
Construction	13x FY19E PER - KL Construction Index PER	13	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
<b>Total SOP</b>					<b>7370.5</b>
Number of shares					4918.0
<b>Target Price (RM)</b>					<b>1.50</b>

Source: MIDF Research Estimates

## DAILY PRICE CHART



Jessica Low Jze Tieng  
 Jessica.low@midf.com.my  
 03-2173 8391

Source: Bloomberg

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).

(Bank Pelaburan)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

## DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

### 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.