

01 March 2019 | 4QFY18 Results Review

## Sunway Berhad

*New sales target set at RM1.3b for FY19*


### INVESTMENT HIGHLIGHTS

- **FY18 earnings within expectations**
- **Higher earnings in FY18**
- **Achieved new sales at RM1.88b for FY18**
- **New sales target set at RM1.3b for FY19**
- **Earnings forecast revised higher**
- **Maintain Neutral with a revised TP of RM1.55**

**FY18 earnings within expectations.** Sunway Berhad (SUNWAY) FY18 core net income of RM591.2m came in within expectations, making up 105% of our and consensus full year estimates. Dividend of 3.62sen per share was announced, bringing total dividend to 7.12sen in FY18. This translates into dividend yield of 4.4%.

**Higher earnings in FY18.** SUNWAY 4QFY18 core net income was higher at RM183.7m (+17.6%yoy), bringing cumulative earnings in FY18 to RM591.2m (+4.9%yoy). The higher FY18 earnings were due to higher contribution from property investment and construction division, which cushioned the lower contribution from property development division. Operating profit of property development division eased 39.3%yoy due to lower progress billing from local development projects. Meanwhile, unbilled sales unchanged at RM2.1b in 4QFY18, providing 3 years earnings visibility to property development division.

**Achieved new sales at RM1.88b for FY18.** SUNWAY recorded new property sales of RM280m in 4QFY18, lower than new sales of RM760m in 3QFY18. That brought total new sales to RM1.88b in FY18, which is ahead of management sales target of RM1.7b. The new sales achieved in FY18 were higher than new sales of RM1.2b achieved in FY17. Looking ahead, management set lower new sales target of RM1.3b for FY19 on the back of launches with total GDV of RM2b.

**Maintain Neutral with a revised TP of RM1.55.** We revise our earnings forecast for FY19 by +2% to factor in the higher new property sales in FY18. We also introduce our earnings forecast for FY20. Correspondingly, we revise our TP to RM1.55 from RM1.50 as we narrow discount to 20% from 28% for property division in our Sum-of-Parts valuation. We maintain our Neutral call on SUNWAY due to limited upside and lack of fresh catalyst. 

**Maintain NEUTRAL**

**Revised Target Price (TP): RM1.55**  
**(Previously RM1.50)**

RETURN STATS	
Price (28 Feb 2019)	RM1.62
Target Price	RM1.55
Expected Share Price Return	-4.3%
Expected Dividend Yield	4.5%
<b>Expected Total Return</b>	<b>0.2%</b>

STOCK INFO	
KLCI	1,707.73
Bursa / Bloomberg	5211 / SWB MK
Board / Sector	Main / Trading & Services
Syariah Compliant	Yes
Issued shares (mil)	4918
Market cap. (RM'm)	7,978
Price over NA	0.98
52-wk price Range	RM1.35–RM1.69
Beta (against KLCI)	0.97
3-mth Avg Daily Vol	1.64m
3-mth Avg Daily Value	RM2.52m
Major Shareholders	
Sungei Way Corp	56.24%
EPF	7.22%
Cheah Fook Ling	5.14%

## 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	7.5%	3.7%	4.4%	4.5%	4.7%
Core PER	6.10	14.13	13.49	12.44	11.85
NTA/share (RM)	3.62	1.54	1.66	1.81	1.87
P/NTA	0.45	1.05	0.98	0.90	0.87
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, MIDF Research Estimates

## Sunway: 4QFY18 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY18	%YoY	%QoQ	FY18	%YoY
Revenue	1370.2	-15.8%	-5.1%	5,410.3	3.3%
EBIT	104.1	-47.7%	-34.8%	559.9	-14.3%
Core PBT	245.0	-0.1%	26.3%	782.8	-2.0%
Net Income	192.3	11.4%	32.4%	659.0	6.2%
Core Net Income	183.7	17.6%	26.4%	591.2	4.9%
EPS (sen)	3.91	11.3%	31.0%	13.6	7.5%
Core EPS (sen)	3.73	17.4%	25.2%	12.2	8.8%
Net DPS (sen)	3.62	20.7%	NA	7.1	18.7%
NTA/share (RM)	1.66	8%	2%	1.7	7.6%
Net Gearing (x)	0.44	NA	NA	0.4	NA
EBIT Margin	7.6%	NA	NA	10.3%	NA
Core PBT Margin	17.9%	NA	NA	14.5%	NA

Source: Company

## 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
<b>Total SOP</b>					<b>7639.4</b>
Number of shares					4918.0
<b>Target Price (RM)</b>					<b>1.55</b>

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 >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.