

23 May 2019 | 1QFY19 Results Review

Sunway Berhad

New sales within expectations


INVESTMENT HIGHLIGHTS

- 1QFY19 earnings within expectations
- Earnings improved in 1QFY19
- Achieved new sales of RM263m in 1QFY19
- Earnings forecasts maintained
- Maintain Neutral with an unchanged TP of RM1.55

1QFY19 earnings within expectations. Sunway Berhad (SUNWAY) 1QFY19 core net income of RM136.4m came in within expectations, making up 22% of both our and consensus full year estimates.

Earnings improved in 1QFY19. SUNWAY 1QFY19 core net income is higher at RM136.4m (+13.8%yoy), driven by higher earnings from most of the core business divisions. Profit before tax (PBT) of property development division climbed 19.6%yoy due to reversal of provisions made previously. Similarly, PBT of property investment division inched up by a marginal 0.5%yoy due to higher contribution from Sunway Geo and theme parks. Meanwhile, PBT of healthcare division improved by 43.4%yoy, underpinned by higher occupancy from increased number of new beds and higher outpatient treatments.

Achieved new sales of RM263m in 1QFY19. SUNWAY recorded new property sales of RM263m in 1QFY19m, slightly lower than new sales of RM280m in 4QFY18. New sales in 1QFY19 is deemed within expectation as it makes up 20% of management new sales target of RM1.3b for FY19. Meanwhile, unbilled sales increased marginally to RM2.2b in 1QFY19 from RM2.1b in 4QFY18, providing 3 years earnings visibility to property development division.

Maintain Neutral with an unchanged TP of RM1.55. We make no changes to our earnings forecasts for FY19/20. We also maintain our TP for SUNWAY at RM1.55, based on Sum-of-Parts valuation. We maintain our Neutral call on SUNWAY due to limited upside. 

Maintain NEUTRAL

Unchanged Target Price (TP): RM1.55

RETURN STATS

Price (21 st May 2019)	RM1.69
Target Price	RM1.55
Expected Share Price Return	-8.3%
Expected Dividend Yield	4.3%
Expected Total Return	-4.0%

STOCK INFO

KLCI	1,603.74
Bursa / Bloomberg	5211 / SWB MK
Board / Sector	Main / Trading & Services
Syariah Compliant	Yes
Issued shares (mil)	4918
Market cap. (RM'm)	8,258.11
Price over NA	1.03
52-wk price Range	RM1.33–RM1.72
Beta (against KLCI)	0.91
3-mth Avg Daily Vol	2.57m
3-mth Avg Daily Value	RM4.29m
Major Shareholders	
Sungei Way Corp	56.38%
EPF	7.15%
Cheah Fook Ling	5.15%

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	7.2%	3.6%	4.2%	4.3%	4.5%
Core PER	6.36	14.74	14.08	12.98	12.36
NTA/share (RM)	3.62	1.54	1.66	1.81	1.87
P/NTA	0.47	1.10	1.02	0.94	0.91
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: 1QFY19 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY19	%YoY	%QoQ	FY19	%YoY
Revenue	1123.6	-12.3%	-18.0%	1,123.6	-12.3%
EBIT	117.8	-8.4%	13.1%	117.8	-8.4%
Core PBT	177.3	11.4%	-27.6%	177.3	11.4%
Net Income	136.4	13.8%	-29.1%	136.4	13.8%
Core Net Income	136.4	13.8%	-25.8%	136.4	13.8%
EPS (sen)	2.77	11.1%	-29.1%	2.8	11.1%
Core EPS (sen)	2.77	11.1%	-25.8%	2.8	11.1%
Net DPS (sen)	0.00	0%	NA	0.0	0%
NTA/share (RM)	1.59	0%	-4%	1.59	-0.2%
Net Gearing (x)	0.43	NA	NA	0.4	NA
EBIT Margin	10.5%	NA	NA	10.5%	NA
Core PBT Margin	15.8%	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%	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
Total SOP					7639.4
Number of shares					4918.0
Target Price (RM)					1.55

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.