

# Sunway Berhad

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

**Maintain NEUTRAL**

## Stable earnings

**Unchanged Target Price: RM1.72**

### KEY INVESTMENT HIGHLIGHTS

- **FY19 earnings within expectations**
- **Earnings improved in FY19**
- **FY19 new sales at RM1.55b**
- **New sales target at RM2b for FY20**
- **Earnings estimates revised upwards**
- **Maintain NEUTRAL with an unchanged TP of RM1.72**

**FY19 earnings within expectations.** Sunway Berhad (SUNWAY) FY19 core net income of RM655m came in within our and consensus expectations, making up 104% and 101% of our and consensus full year estimates respectively. Dividend of 4.5sen per share was announced, bringing total dividend to 9.1sen in FY19. This translates into dividend yield of 5.1%.

**Earnings improved in FY19.** SUNWAY recorded flattish core net income of RM170m (-1.5%yoy) in 4QFY19, bringing cumulative earnings to RM655m (+13.4%yoy) in FY19. The improved earnings in FY19 were mainly underpinned by higher contribution from property development division and healthcare division. Operating profit of property development division climbed 38%yoy, thanks to higher progressive profit recognition from local development projects and partial earnings recognition of its projects in China. Meanwhile, operating profit of healthcare division improved by 13.6%yoy due to higher outpatient treatments and strong performance from Sunway Medical Centre.

**FY19 new sales at RM1.55b.** SUNWAY registered new property sales of RM450m in 4QFY19, higher than new sales of RM365m in 3QFY19. That brought total new sales to RM1.55b in FY19 which is ahead of management sales target of RM1.3b. Looking ahead, management set a higher new sales target of RM2b for FY20 on the back of planned launches with total GDV of RM3.5b in FY20. On another hand, unbilled sales declined marginally to RM2.7b in 4QFY19 from RM2.8b in 3QFY19, providing 5 years earnings visibility to the property development division.

**Maintain NEUTRAL with an unchanged TP of RM1.72.** We revise upwards our FY20F earnings forecast by 1.8% as we factor in higher sales achieved in FY19. We also introduce our earnings forecast for FY21F. We maintain our TP at RM1.72, based on sum-of-parts valuation. While we see stable earnings outlook for SUNWAY, we think that the positives have been priced in. Hence, we maintain our Neutral call on SUNWAY.

### RETURN STATISTICS

Price @ 25 February 2020 (RM)	1.78
Expected share price return (%)	-3.4
Expected dividend yield (%)	4.7
<b>Expected total return (%)</b>	<b>1.3</b>

### SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-1.7	3.2
3 months	-1.7	6.2
12 months	8.8	25.2

### KEY STATISTICS

FBM KLCI	1,500.88
Syariah compliant	Yes
Issue shares (m)	4973.65
Estimated free float (%)	28.81
Market Capitalisation (RM'm)	8,782
52-wk price range (RM)	RM1.53 - RM1.87
Beta vs FBM KLCI (x)	0.69
Monthly velocity (%)	11.02
Monthly volatility (%)	12.15
3-mth average daily volume (m)	3.05
3-mth average daily value (RM'm)	5.52
Top Shareholders (%)	
Sungei Way Corp Sdn Bhd	56.75
Employees Provident Fund Board	7.35

### Analyst(s)

Jessica Low Jze Tieng  
 Jessica.low @midf.com.my  
 03-21738391

**INVESTMENT STATISTICS**

FYE Dec	FY17A	FY18A	FY19A	FY20F	FY21F
Revenue	5239.3	5410.3	4780.4	5898.1	6145.3
Core EBIT	653.0	559.9	565.2	799.0	839.9
Core PBT	799.0	782.8	802.6	1013.2	1065.1
Net Income	620.6	659.0	766.6	675.4	718.2
Core Net Income	563.8	591.2	655.0	675.4	718.2
EPS (sen)	12.6	13.4	15.7	13.9	14.8
Core EPS (sen)	11.5	12.0	13.4	13.9	14.8
Net DPS (sen)	6.00	7.12	9.10	8.35	8.88
Net Dvd Yield	3.4%	4.0%	5.1%	4.7%	5.0%
Core PER	15.53	14.83	13.25	12.79	12.03
NTA/share (RM)	1.54	1.66	1.66	1.79	1.84
P/NTA	1.16	1.08	1.07	1.00	0.97
Core ROE	7.1%	7.0%	7.8%	7.8%	8.0%
Core ROA	2.9%	2.8%	3.1%	3.1%	3.1%

Source: MIDF Research

**SUNWAY BERHAD: 4QFY19 RESULTS SUMMARY**

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY19	%YoY	%QoQ	FY19	%YoY
Revenue	1353.2	-6.8%	10.3%	4,780.4	-11.6%
EBIT	106.0	-29.8%	-39.2%	565.2	-5.0%
Core PBT	230.1	-5.6%	3.0%	802.6	4.4%
Net Income	200.3	10.5%	9.2%	766.6	18.8%
Core Net Income	170.0	-1.5%	-7.3%	655.0	13.4%
EPS (sen)	4.11	11.7%	9.2%	15.7	15.8%
Core EPS (sen)	3.49	-0.5%	-7.3%	13.4	10.3%
Net DPS (sen)	4.50	NA	NA	9.1	27.8%
NTA/share (RM)	1.66	0%	0%	1.66	0.1%
Net Gearing (x)	0.44	NA	NA	0.4	NA
EBIT Margin	7.8%	NA	NA	11.8%	NA
Core PBT Margin	17.0%	NA	NA	16.8%	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%	20%	2653.1
Property Investment	Net Book Value	n/a	100%	n/a	1490.0
Construction	20x FY20E PER - KL Construction Index PER	20	54%	n/a	1738.3
Sunway REIT	Target Price of RM2.02	n/a	35%	n/a	2052.4
Trading and manufacturing	10x FY20E PER - In line with small cap PER of 10x	10	100%	n/a	129.8
Quarry	10x FY20E PER - In line with small cap PER of 10x	10	100%	n/a	414.4
<b>Total SOP</b>					<b>8478.1</b>
Number of shares					4918.0
<b>Target Price (RM)</b>					<b>1.72</b>

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad 197501002077 (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 197501002077 (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

<b>BUY</b>	Total return is expected to be >10% over the next 12 months.
<b>TRADING BUY</b>	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.
<b>NEUTRAL</b>	Total return is expected to be between -10% and +10% over the next 12 months.
<b>SELL</b>	Total return is expected to be <10% over the next 12 months.
<b>TRADING SELL</b>	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

<b>POSITIVE</b>	The sector is expected to outperform the overall market over the next 12 months.
<b>NEUTRAL</b>	The sector is to perform in line with the overall market over the next 12 months.
<b>NEGATIVE</b>	The sector is expected to underperform the overall market over the next 12 months.