

# Sunway Berhad

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

## Unexciting earnings

### KEY INVESTMENT HIGHLIGHTS

- **1QFY21 earnings below expectations**
- **Unexciting earnings**
- **Strong sales of RM1.16b in 1QFY21**
- **Earnings forecast revised downwards**
- **Maintain NEUTRAL with unchanged TP of RM1.55**

**1QFY21 earnings below expectations.** Sunway Berhad (SUNWAY) 1QFY21 core net income of RM57.2m came in below expectations, making up 12% of our and consensus full year estimates. The earnings miss could be attributed to the lower than expected contribution from property development and property investment divisions.

**Unexciting earnings.** Sequentially, 1QFY21 core net income was lower at RM57.2m (-72.6%qoq) as earnings in 4QFY20 were boosted by bumper earnings recognition of Rivercove Residences project in Singapore and Sunway Gardens project in China. On yearly basis, 1QFY21 core net income was lower at RM57.2m (-30.1%yoy), mainly owing to weaker contribution from property development and property investment divisions. Operating profit of property development division was lower (-56.9%yoy) as earnings in 1QFY20 were supported by completion and handover of a local development project. Meanwhile, property investment division recorded operating loss of RM14.3m as imposition of MCO2.0 impacted its leisure and hospitality businesses. Nevertheless, earnings from healthcare division was solid after recording operating profit of RM17.1m in 1QFY21 against operating loss of RM0.9m in 1QFY20 due to strong recovery in hospital activities.

**Strong sales of RM1.16b in 1QFY21.** SUNWAY recorded decent property sales of RM1.16b in 1QFY21, higher than new sales of RM357m in 4QFY20. The exciting sales were mainly driven by project in Singapore. The strong sales in 1QFY21 means that full year sales are on track to be above management full year sales target of RM1.6b. While management is maintaining its new sales target at the moment, we reckon that management may revise sales target upwards. On the other hand, unbilled sales increased to RM3.3b in 1QFY21 from RM2.4b in 4QFY20.

**Maintain Neutral with an unchanged TP of RM1.55.** We revise our FY21/22F earnings forecast by -28.5%/-20.4% to reflect the lower contribution from property development and property investment divisions. We maintain our **TP** for SUNWAY at **RM1.55**, based on sum-of-parts valuation. We also maintain our **NEUTRAL** call on SUNWAY as we see lack of immediate catalyst in the near-term.

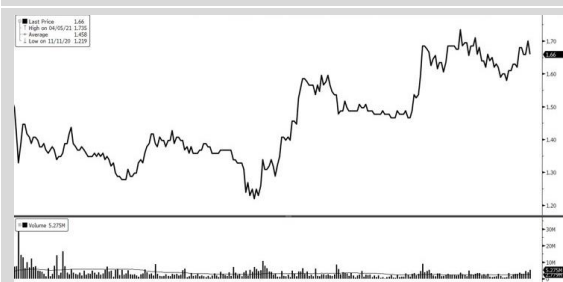
## Maintain NEUTRAL

**Unchanged Target Price: RM1.55**

### RETURN STATISTICS

Price @ 25 May 2021 (RM)	1.66
Expected share price return (%)	-6.6
Expected dividend yield (%)	2.6
<b>Expected total return (%)</b>	<b>-4.0</b>

### SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	0.6	3.5
3 months	-2.4	10.7
12 months	8.5	-1.2

### KEY STATISTICS

FBM KLCI	1,577.82
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆
Issue shares (m)	4,888.93
Estimated free float (%)	31.67
Market Capitalisation (RM'm)	8,115.62
52-wk price range (RM)	RM1.22 - RM1.76
Beta vs FBM KLCI (x)	0.79
Monthly velocity (%)	1.98
Monthly volatility (%)	5.86
3-mth average daily volume (m)	2.75
3-mth average daily value (RM'm)	4.54
Top Shareholders (%)	
Sungei Way Corp Sdn Bhd	51.36
Employees Provident Fund Board	9.20

#### Analyst(s)

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

## INVESTMENT STATISTICS

FYE Dec	FY18A	FY19A	FY20A	FY21F	FY22F
Revenue	5410.3	4780.4	3829.1	4783.4	4809.2
Core EBIT	559.9	565.2	250.8	333.5	515.0
Core PBT	782.8	801.2	487.8	524.7	709.4
Net Income	659.0	709.2	359.6	355.5	471.4
Core Net Income	591.2	597.6	338.1	355.5	471.4
EPS (sen)	13.4	14.5	7.4	7.3	9.7
Core EPS (sen)	12.0	12.3	7.0	7.3	9.7
Net DPS (sen)	7.12	9.10	1.50	4.40	5.83
Net Dvd Yield	4.3%	5.5%	0.9%	2.6%	3.5%
Core PER	13.83	13.54	23.82	22.66	17.09
NTA/share (RM)	1.66	1.66	1.86	1.79	1.83
P/NTA	1.00	1.00	0.89	0.93	0.91
Core ROE	7.0%	7.1%	4.0%	4.1%	5.3%
Core ROA	2.8%	2.8%	1.6%	1.6%	2.0%

Source: MIDF Research

## SUNWAY BERHAD: 1QFY21 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY21	%YoY	%QoQ	FY21	%YoY
Revenue	1016.7	4.7%	-20.2%	1,016.7	4.7%
EBIT	49.1	9.7%	-2.3%	49.1	9.7%
Core PBT	85.9	-22.8%	-67.9%	85.9	-22.8%
Net Income	58.5	-25.3%	-70.7%	58.5	-25.3%
Core Net Income	57.2	-30.1%	-72.6%	57.2	-30.1%
EPS (sen)	1.20	-25.1%	-70.3%	1.2	-25.1%
Core EPS (sen)	1.17	-29.9%	-72.2%	1.2	-29.9%
Net DPS (sen)	0.00	NA	NA	0.0	NA
NTA/share (RM)	1.90	14%	2%	1.9	14.2%
Net Gearing (x)	0.57	NA	NA	0.57	NA
EBIT Margin	4.8%	NA	NA	4.8%	NA
Core PBT Margin	8.5%	NA	NA	8.5%	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	1105.8
Sunway REIT	Target Price of RM1.61	n/a	35%	n/a	1635.8
Trading and manufacturing	12x FY22E PER	12	100%	n/a	134.9
Quarry	12x FY22E PER	12	100%	n/a	548.0
<b>Total SOP</b>					<b>7634.0</b>
Number of shares					4918.0
<b>Target Price (RM)</b>					<b>1.55</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)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

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 MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment 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. MIDF Investment and its affiliates and related companies and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loss, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such companies mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

### 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.
HOLD	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