

30 May 2017 | 1QFY17 Results Review

Sunway Berhad

Earnings on track


INVESTMENT HIGHLIGHTS

- 1QFY17 earnings within expectations
- Weaker earnings from property division
- 1QFY17 new sales at RM142m
- Maintain Neutral with a revised TP of RM3.46

1QFY17 earnings within expectations. Sunway Berhad (SUNWAY) 1QFY17 core net income of RM107.9m was within expectations, at 20% of our and consensus full year estimates.

Weaker earnings from property division. On sequential basis, core net income fell 33%qoq as 1Q earnings were traditionally weaker than 4Q. Besides, lower sales from Sunway Velocity, Sunway Rymba Hills and Sunway Nexis in 1QFY17 also contributed to the weaker sequential earnings. Meanwhile, 1QFY17 core net income climbed by a marginal 3%yoy, mainly due to higher contribution from property investment division which driven by the steady income from its investment properties. Meanwhile, property division recorded weaker contribution due to lower profit recognition from local project and absence of sales from Avant Parc project in Singapore in 1QFY17 as the project was fully sold in 2QFY16. On the other hand, unbilled sales stood at RM1.4b as of March 2017 (decline from unbilled sales of RM1.5b in Dec 2016), providing 1.2years earnings visibility to property development division.

1QFY17 new sales at RM142m. SUNWAY registered new sales of RM142m in 1QFY17, lower than new property sales of RM263m in 1QFY16 and new sales of RM336m in 4QFY16. The new sales in 1QFY16 make up 13% of management and our sales target of RM1.1b. Nevertheless, we maintain our sales target at RM1.1b as SUNWAY will be launching property projects located in South Quay, Kelana Jaya, Penang, Johor, and China with total GDV of RM2b in FY17

Maintain Neutral a revised TP of RM3.46. We maintain our earnings forecast for FY17/18. We revise our TP to RM3.46 (from RM3.27) as we rolled over our Sum-of-Parts valuation to FY18. We maintain our Neutral recommendation on SUNWAY due to its tepid sales outlook. 

Maintain NEUTRAL

Revised Target Price (TP): RM3.46
(Previously: RM3.27)

RETURN STATS	
Price (29 May 2017)	RM3.59
Target Price	RM3.46
Expected Share Price Return	-3.6%
Expected Dividend Yield	3.5%
Expected Total Return	-0.1%

STOCK INFO	
KLCI	1,764.89
Bursa / Bloomberg	5211 / SWB MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	2,061.7
Market cap. (RM'm)	7,308.54
Price over NA	0.98
52-wk price Range	RM2.84 - RM3.68
Beta (against KLCI)	0.47
3-mth Avg Daily Vol	2.19m
3-mth Avg Daily Value	RM7.54m
Major Shareholders	
Sungei Way Corp	56.76%
EPF	5.63%
Cheah Fook Ling	4.61%

INVESTMENT STATISTICS

FYE Dec (RM m)	FY14A	FY15A	FY16F	FY17F	FY18F
Revenue	4558.1	4448.4	4725.9	4907.4	5379.6
Core EBIT	609.8	546.6	726.9	653.7	717.1
Core PBT	810.1	788.7	820.5	821.0	901.3
Net Income	734.0	732.4	585.9	555.6	603.6
Core Net Income	583.9	590.7	547.4	555.6	603.6
EPS (sen)	42.6	41.8	28.4	27.0	29.3
Core EPS (sen)	33.9	33.7	26.6	27.0	29.3
Net DPS (sen)	11.00	38.00	12.14	12.40	13.47
Net Dvd Yield	3.1%	10.6%	3.4%	3.5%	3.8%
Core PER	10.61	10.66	13.52	13.32	12.26
NTA/share (RM)	3.44	3.74	3.62	3.76	3.92
P/NTA	1.04	0.96	0.99	0.95	0.92
Core ROE	9.8%	9.0%	7.3%	7.2%	7.5%
Core ROA	4.5%	3.7%	2.9%	2.9%	3.1%
Net Gearing (x)	0.30	0.50	0.45	0.44	0.46

Source: Company, MIDF Research Estimates

Sunway: 1QFY17 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY17	%YoY	%QoQ	FY17	%YoY
Revenue	1091.3	2%	-20%	1,091.3	2%
EBIT	116.8	-22%	-54%	116.8	-22%
Core PBT	153.1	-14%	-38%	153.1	-14%
Net Income	107.9	6%	-42%	107.9	6%
Core Net Income	107.9	3%	-33%	107.9	3%
EPS (sen)	5.27	-8%	-42%	5.3	-8%
Core EPS (sen)	5.27	-10%	-33%	5.3	-10%
Net DPS (sen)	7.14	NA	NA	7.1	NA
NTA/share (RM)	3.57	-5%	2%	3.6	-5%
Net Gearing (x)	0.47	NA	NA	0.5	NA
EBIT Margin	10.7%	NA	NA	10.7%	NA
Core PBT Margin	14.0%	NA	NA	14.0%	NA

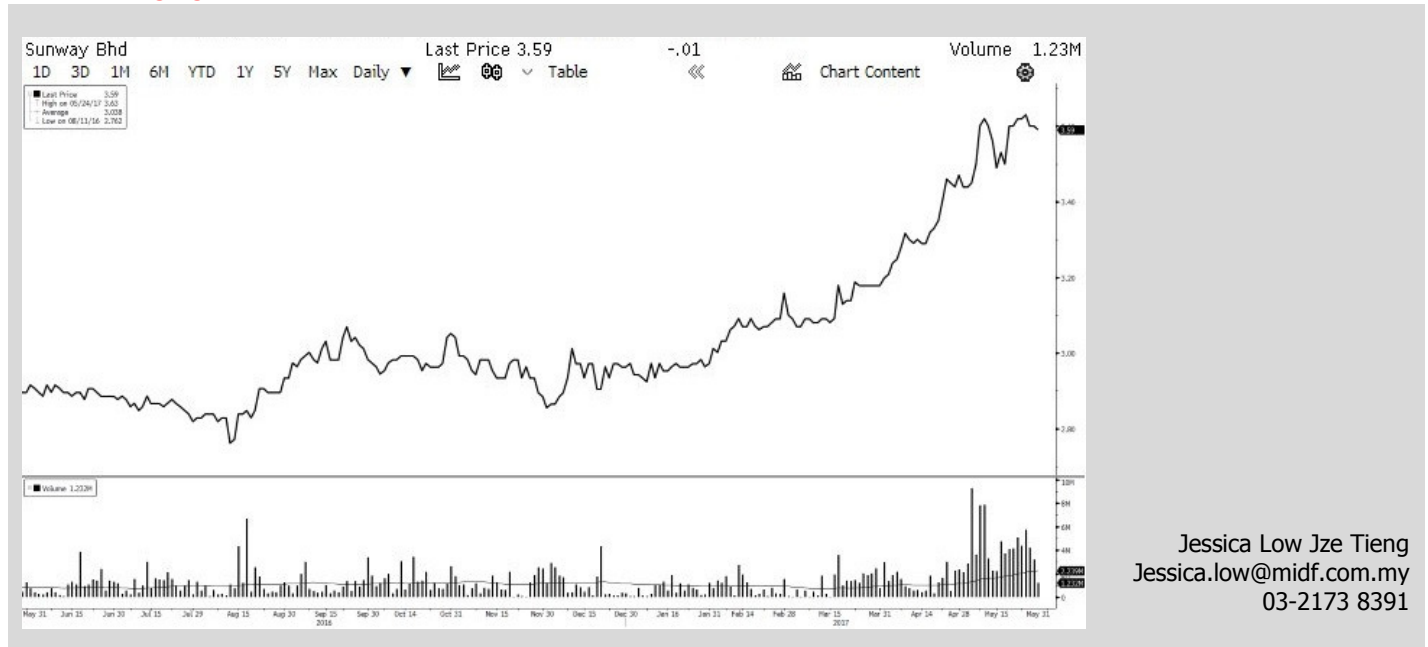
Source: Company

Sum-of-Parts

Division	Methodology	PER (x)	Stake	Discount	Value (RM m)
Property Development	NPV of profits	n/a	100%	35%	1575.2
Property Investment	Net Book Value	n/a	100%	n/a	1490.0
Construction	13x FY18E PER - 10% discount to KL Construction Index PER	13	54%	n/a	1742.8
Sunway REIT	Target Price of RM1.88	n/a	35%	n/a	1910.2
Trading and manufacturing	8x FY18E PER - 20% discount to small cap PER of 10x	8	100%	n/a	119.7
Quarry	8x FY18E PER - 20% discount to small cap PER of 10x	8	100%	n/a	301.1
Total SOP					7139.0
Number of shares					2061.7
Target Price (RM)					3.46

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 >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% 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.