

28 November 2016 | 3QFY16 Results Review

## Sunway Berhad

*Earnings on track*


### INVESTMENT HIGHLIGHTS

- **9MFY16 earnings came in within expectations**
- **Cumulative earnings declined**
- **9MFY16 property sales at RM864m**
- **Maintain Neutral with an unchanged TP of RM3.25**

**9MFY16 earnings came in within expectations.** Sunway Berhad (SUNWAY) 9MFY16 core net income of RM385.6m was within expectation, making up 75% our and consensus full year estimates.

**Cumulative earnings declined.** On a sequential basis, 3QFY16 core net income of SUNWAY improved by 11%qoq mainly due to higher contribution from property development and property investment divisions, mitigating lower contribution from construction division. Property development division was mainly buoyed by increased contribution from Singapore project. On a yearly basis, 3QFY16 earnings were flattish yoy, bringing cumulative 9MFY16 earnings to RM385.6m (-7%yoy). The lower cumulative income was mainly owing to declining contribution from construction division, which offset higher earnings contribution from property development and property investment divisions. Note that EBIT from construction division declined 23%yoy following the listing of Sunway Construction Berhad and lower billings of its projects. Meanwhile, EBIT of property development division increased 32.5%yoy due to sales from Avant Parc project in Singapore and higher progress billings from local projects. Similarly, EBIT of property investment division climbed 3.9%yoy due to higher rental contribution from its investment properties. On a separate note, unbilled sales stood at RM1.8b as of Sept 16, providing 1.5years earnings visibility to property development division.

**9MFY16 sales at RM864m.** SUNWAY registered new sales of RM251m in 3QFY16, bringing total new sales to RM864m in 9MFY16. The new sales in 9MFY16 accounts for 78.5% of management revised full year sales target of RM1.1b. Recall that management revised its property sales target to RM1.1b from RM1.4b for FY16 recently due to revision in SUNWAY property launches for FY16 to RM800m from initial launches target of RM1.6b. For FY17, management plans to launch property with total GDV of RM2b, located in several regions namely South Quay, Kelana Jaya, Penang, Johor, and China.

**Maintain Neutral with an unchanged TP of RM3.25.** We maintain our earnings forecast for FY16/17. We also maintain our TP for Sunway at RM3.25, based on Sum-of-Parts valuation. We are keeping our neutral view on SUNWAY due to overall challenging property market outlook. 

**Maintain NEUTRAL**

**Unchanged Target Price (TP): RM3.25**

#### RETURN STATS

Price (25 Nov 2016)	RM3.00
Target Price	RM3.25
Expected Share Price Return	8.3 %
Expected Dividend Yield	3.7%
<b>Expected Total Return</b>	<b>12.0%</b>

#### STOCK INFO

KLCI	1,627.26
Bursa / Bloomberg	5211 / SWB MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	2,061.7
Par Value (RM)	1.00
Market cap. (RM'm)	6,093.01
Price over NA	0.84
52-wk price Range	RM2.87 - RM3.24
Beta (against KLCI)	0.46
3-mth Avg Daily Vol	1.08m
3-mth Avg Daily Value	RM3.32m
<b>Major Shareholders</b>	
Sungei Way Corp	56.31%
EPF	5.73%
Cheah Fook Ling	4.57%
Skim Amanah Saham	2.54%

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## INVESTMENT STATISTICS

FYE Dec (RM m)	FY13A	FY14A	FY15A	FY16F	FY17F
Revenue	4721.4	4558.1	4448.4	4504.0	4927.4
Core EBIT	824.5	609.8	546.6	580.4	656.9
Core PBT	915.4	810.1	788.7	742.4	824.2
Net Income	1490.4	734.0	732.4	515.6	557.6
Core Net Income	505.4	583.9	590.7	515.6	557.6
EPS (sen)	94.5	42.6	41.8	25.0	27.1
Core EPS (sen)	32.0	33.9	33.7	25.0	27.1
Net DPS (sen)	10.00	11.00	38.00	11.00	11.00
Net Dvd Yield	3.3%	3.7%	12.7%	3.7%	3.7%
Core PER	9.36	8.86	8.91	11.99	11.09
NTA/share (RM)	3.38	3.44	3.74	3.49	3.65
P/NTA	0.89	0.87	0.80	0.86	0.82
Core ROE	9.5%	9.8%	9.0%	7.2%	7.4%
Core ROA	4.6%	4.5%	3.7%	3.0%	3.1%
Net Gearing (x)	0.24	0.30	0.50	0.43	0.45

Source: Company, MIDF Research Estimates

## Sunway: 3QFY16 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	3QFY16	%YoY	%QoQ	FY16	%YoY	
Revenue	1137.5	20%	-2%	3,362.2	10%	
EBIT	164.3	38%	2%	475.4	11%	
Core PBT	213.0	15%	17%	573.9	6%	
Net Income	143.6	8%	-7%	400.1	-23%	
Core Net Income	148.1	1%	11%	385.6	-7%	Exclude mainly fair value gain at associate level (Sunway REIT).
EPS (sen)	7.02	-7%	-10%	7.0	-76%	
Core EPS (sen)	7.24	-13%	8%	7.2	-69%	
Net DPS (sen)	0.00	-100%	NA	5.00	0%	No dividend in 3Q as expected.
NTA/share (RM)	3.47	-6%	0%	3.47	-6%	
Net Gearing (x)	0.41	NA	NA	0.41	NA	
EBIT Margin	14.4%	NA	NA	14.1%	NA	
Core PBT Margin	18.7%	NA	NA	17.1%	NA	

Source: Company, MIDF Research Estimate

## Sum-of-Parts

Division	Methodology	PER (x)	Stake	Discount	Value (RM m)
Property Development	NPV of profits	n/a	100%	35%	1523.9
Property Investment	Net Book Value	n/a	100%	n/a	1490.0
Construction	13x FY17E PER - 10% discount to KL Construction Index PER	13	54%	n/a	1387.5
Sunway REIT	Target Price of RM1.86	n/a	35%	n/a	1889.9
Trading and manufacturing	8x FY17E PER - 20% discount to small cap PER of 10x	8	100%	n/a	125.3
Quarry	8x FY17E PER - 20% discount to small cap PER of 10x	8	100%	n/a	285.7
<b>Total SOP</b>					<b>6702.2</b>
Number of shares (m)					2061.7
<b>Target Price (RM)</b>					<b>3.25</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 >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.