

01 March 2018 | 4QFY17 Results Review

## Sunway Berhad

*Flattish earnings*


### INVESTMENT HIGHLIGHTS

- **FY17 earnings within expectations**
- **Flattish earnings**
- **FY17 new sales at RM1.2b**
- **Maintain Neutral with a revised TP of RM1.77**

**FY17 earnings within expectations.** Sunway Berhad (SUNWAY) FY17 core net income of RM566.3m came in within expectations, at 104% and 101% of our and consensus full year estimates respectively. Dividend of 3.0 sen was announced.

**Flattish earnings.** SUNWAY FY17 core net income of RM566.3 grew by a marginal 3%yoy, as higher contribution from property investment and construction divisions cushioned the lower contribution from property development division. Operating profit of property development division dropped 27.1%yoy due to lower earnings recognition from local development projects. Meanwhile, property investment division recorded better performance due to contribution from Sunway Velocity Mall (opened in December 2016) and Sunway Pyramid Hotel. On the other hand, unbilled sales stood at RM976m (declined slightly from unbilled sales of RM991m in September 2017), providing less than one-year earnings visibility to property development division.

**FY17 new sales at RM1.2b.** Sunway recorded new sales of RM617m in 4QFY17, higher than new sales of RM207m in 3QFY17. That brings total new sales in FY17 to RM1.2b, flattish against new sales of RM1.2b in FY16. The total new sales of RM1.2b are ahead of our target of RM880m as sales were stronger than expected in 4QFY17. Meanwhile, new sales in FY17 is slightly ahead of management sales target of RM1.1b. Looking ahead, management is targeting to achieve new sales of RM1.3b in FY18 on the back of launch target with GDV of RM2.0b (55% in Klang Valley, 24% in Singapore, 10% in China and 11% in other region)

**Maintain Neutral with a revised TP of RM1.77.** We are revising our FY18 earnings forecast upwards by 2.6% after inputting the latest new property sales. Correspondingly, our Sum of Parts-derived TP is revised to RM1.76 from RM1.77. We maintain our Neutral recommendation on SUNWAY due to its neutral earnings outlook for property development division. 

**Maintain NEUTRAL**

**Revised Target Price (TP): RM1.77**  
(Previously: RM1.76)

RETURN STATS	
Price (28 Feb 2017)	RM1.65
Target Price	RM1.77
Expected Share Price Return	7.3%
Expected Dividend Yield	3.7%
<b>Expected Total Return</b>	<b>11.0%</b>

STOCK INFO	
KLCI	1,856.20
Bursa / Bloomberg	5211 / SWB MK
Board / Sector	Main / Trading & Services
Syariah Compliant	Yes
Issued shares (mil)	4918
Market cap. (RM'm)	8,077.98
Price over NA	0.46
52-wk price Range	RM1.32–RM1.95
Beta (against KLCI)	0.93
3-mth Avg Daily Vol	4.04m
3-mth Avg Daily Value	RM6.78m
Major Shareholders	
Sungei Way Corp	55.23%
EPF	5.15%
Cheah Fook Ling	5.10%

## INVESTMENT STATISTICS

FYE Dec (RM m)	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	4448.4	4725.9	5374.8	5439.6	5865.2
Core EBIT	546.6	726.9	613.4	720.6	782.7
Core PBT	788.7	820.5	809.0	904.9	981.4
Net Income	732.4	585.9	639.5	605.8	650.0
Core Net Income	590.7	547.4	566.3	605.8	650.0
EPS (sen)	41.8	28.4	13.29	12.5	13.4
Core EPS (sen)	33.7	26.6	11.77	12.5	13.4
Net DPS (sen)	38.00	12.14	6.00	6.12	6.16
Net Dvd Yield	23.0%	7.4%	3.6%	3.7%	3.7%
Core PER	4.90	6.21	14.01	13.22	12.32
NTA/share (RM)	3.74	3.62	1.63	1.68	1.75
P/NTA	0.44	0.46	1.01	0.98	0.94
Core ROE	9.0%	7.3%	7.2%	7.4%	7.6%
Core ROA	3.7%	2.9%	2.8%	3.0%	3.1%
Net Gearing (x)	0.50	0.45	427.25	0.46	0.49

Source: Company, MIDF Research Estimates

## Sunway: 4QFY17 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY17	%YoY	%QoQ	FY17	%YoY
Revenue	1722.9	26%	31%	5,374.8	14%
EBIT	222.4	-12%	45%	686.6	-6%
Core PBT	244.5	-1%	24%	809.0	-1%
Net Income	183.8	-1%	22%	639.5	9%
Core Net Income	167.4	3%	11%	566.3	3%
EPS (sen)	3.82	NA	NA	13.29	NA
Core EPS (sen)	3.48	NA	NA	11.77	NA
Net DPS (sen)	3.00	-2%	NA	6.0	15%
NTA/share (RM)	1.57	NA	NA	1.6	NA
Net Gearing (x)	0.49	NA	NA	0.49	NA
EBIT Margin	12.9%	NA	NA	12.8%	NA
Core PBT Margin	14.2%	NA	NA	15.1%	NA

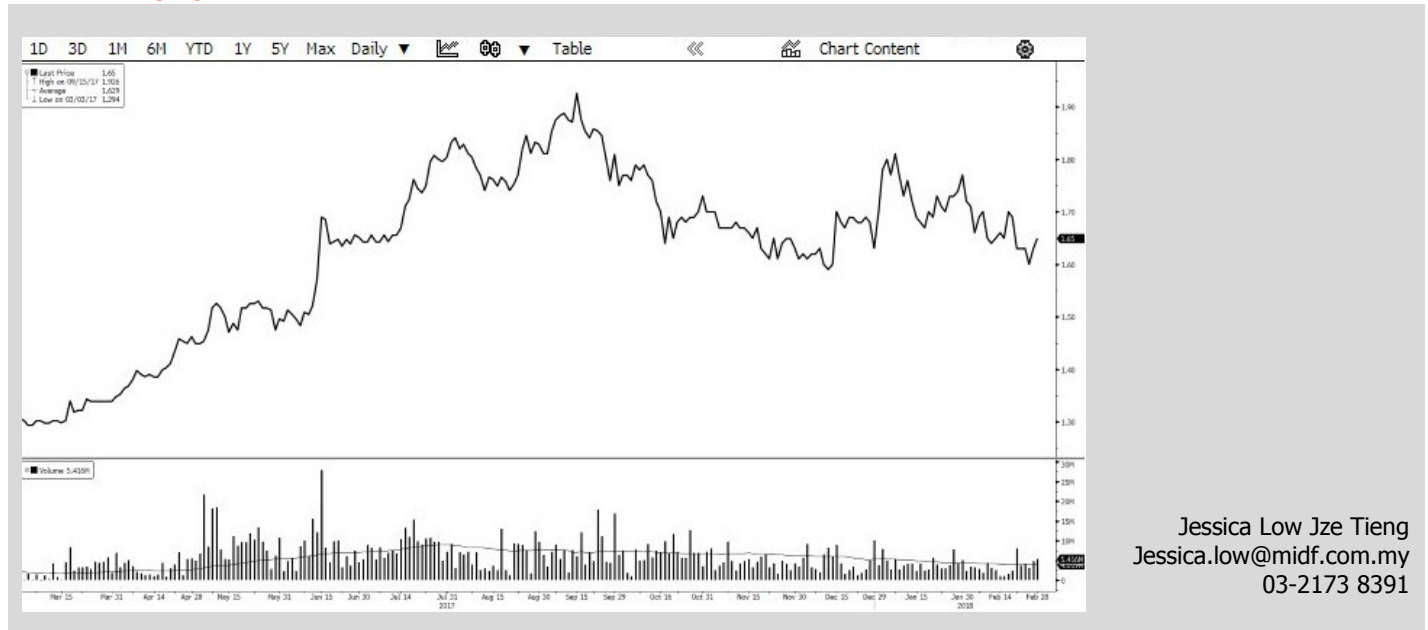
Source: Company

## Sum-of-Parts

Division	Methodology	PER (x)	Stake	Discount	Value (RM m)
Property Development	NPV of profits	n/a	100%	18%	2437.6
Property Investment	Net Book Value	n/a	100%	n/a	1490.0
Construction	17x FY18E PER - KL Construction Index PER	17	54%	n/a	2279.0
Sunway REIT	Target Price of RM1.93	n/a	35%	n/a	1961.0
Trading and manufacturing	10x FY18E PER - In line with small cap PER of 10x	10	100%	n/a	149.6
Quarry	10x FY18E PER - In line with small cap PER of 10x	10	100%	n/a	376.4
<b>Total SOP</b>					<b>8693.6</b>
Number of shares					4918.0
<b>Target Price (RM)</b>					<b>1.77</b>

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 >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.