

14 October 2016 | Corporate Update

Sunway Berhad

Management revises sales target to RM1.1b for FY16

INVESTMENT HIGHLIGHTS

- Sales target revised to **RM1.1b for FY16**
- Change in property launch plan
- **9MFY16 sales at RM805m**
- Earnings forecasts revised downwards marginally
- **Maintain NEUTRAL with an unchanged TP of RM3.25**

Sales target revised to RM1.1b for FY16. Sunway Berhad (SUNWAY) revised its property sales target to RM1.1b from RM1.4b for FY16. The reduction in property sales target is due to revision in SUNWAY property launches for FY16 to RM800m from initial launches target of RM1.6b. Recall that SUNWAY launched projects with total GDV of RM1.4b in FY15 and achieved new sales of RM1.2b in FY15.

Change in property launch plan. SUNWAY made changes to its property launch plan for FY16. The launch of Sunway Geo Residences 3 (GDV: RM400m) has been delayed to 1HFY17 mainly due to changes in project plan where additional walkway is planned in between Sunway Geo Residences 1 & 3 to improve accessibility between the residential and commercial precincts of Sunway South Quay. Besides, SUNWAY changed the property project launch in Sunway Iskandar to retail and offices from landed residential in 4QFY16. Meanwhile, the launch of Velocity Offices (GDV: RM200m) was held back as SUNWAY plans to convert Velocity Offices into a property investment asset after seeing greater value of keeping the property for long-term investment.

9MFY16 sales at RM805m. SUNWAY registered new sales of RM192m in 3QFY16, bringing total new sales to RM805m in 9MFY16. The total new sales in 9MFY16 accounts for 73% of management's revised full year sales target of RM1.1b. Year-to-date, SUNWAY has launched properties with total GDV of RM555m. In 4QFY16, it will launch properties with total GDV of RM245m in 4QFY16, namely Sunway Iskandar retail/office (GDV: RM100m), Tianjin Eco-City condominium (GDV: RM95m), and others (GDV: RM50m). Looking ahead, its management plans to launch properties with massive total GDV of RM2b in FY17 as bulk of the delayed launches in FY16 will be rescheduled to FY17. The property projects to be launched in FY17 are located in several regions, namely South Quay, Kelana Jaya, Penang, Johor, and China.


Maintain NEUTRAL

Unchanged Target Price (TP): RM3.25

RETURN STATS	
Price (13 Oct 2016)	RM3.06
Target Price	RM3.25
Expected Share Price Return	6.2%
Expected Dividend Yield	3.6%
Expected Total Return	+9.8%

STOCK INFO	
KLCI	1,665.02
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)	6,226.10
Price over NA	0.86
52-wk price Range	RM2.87 - RM3.24
Beta (against KLCI)	0.53
3-mth Avg Daily Vol	1.22m
3-mth Avg Daily Value	RM3.68m
Major Shareholders	
Sungei Way Corp	56.21%
EPF	5.27%
Cheah Fook Ling Skim	4.26%
Amanah Saham	2.54%

Earnings forecasts revised downwards marginally. We revised downwards our new property sales assumption to RM1.1b from RM1.3b, to be in line with management expectation. Correspondingly, our earnings forecasts for FY16/17 were trimmed by -1%/-1.2%. Earnings impact is minimal as bulk of the delayed launches were delayed for less than one year and as our initial new sales assumption was more conservative at RM1.3b as compared to management's earlier expectation of RM1.4b.

Maintain Neutral with an unchanged TP of RM3.25. We maintain our TP for Sunway at RM3.25 as the impact of revision in timeline of property launches on RNAV of property division is insignificant. Our TP of RM3.25 is based on Sum-of-Parts valuation. We maintain our neutral view on SUNWAY due to overall challenging property market outlook. 

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%	3.6%	12.4%	3.6%	3.6%
Core PER	9.55	9.04	9.08	12.23	11.31
NTA/share (RM)	3.38	3.44	3.74	3.49	3.65
P/NTA	0.91	0.89	0.82	0.88	0.84
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

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
Total SOP					6702.2
Number of shares (m)					2061.7
Target Price (RM)					3.25

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.