

28 November 2017 | 3QFY17 Results Review

Sunway Berhad

Marginal earnings growth


INVESTMENT HIGHLIGHTS

- **9MFY17 earnings within expectations**
- **Marginal earnings growth**
- **9MFY17 new sales at RM583m**
- **Maintain Neutral with a revised TP of RM1.75**

9MFY17 earnings within expectations. Sunway Berhad (SUNWAY) 9MFY17 core net income of RM398.9m came in within expectations, at 72% of our and consensus full year estimates.

Marginal earnings growth. SUNWAY 9MFY17 earnings 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 fell 38.6%yoy due to lower sales and progress billings from local development projects. Meanwhile, operating profit of property investment division increased 33.3%yoy due to contribution from Sunway Velocity Mall (opened in December 2016) and Sunway Pyramid Hotel. Note that Sunway Pyramid Hotel was reopened progressively in 2017 following a refurbishment exercise. On the other hand, unbilled sales stood at RM991m (decline from unbilled sales of RM1.2b in June 2017), providing less than 1 year earnings visibility to property development division.

9MFY17 new sales at RM583m. SUNWAY recorded new sales of RM207m in 3QFY17, lower than new sales of RM234m in 2QFY17 and new sales of RM251m in 3QFY16. That brought total new sales in 9MFY17 to RM583m, lower than new sales of RM864m in 9MFY16. The total new sales in 9MFY17 is below expectations, making up only 53% of our and management sales target of RM1.1b. Meanwhile, SUNWAY revised its indicative launches for 2017 from RM2b to RM1.1b as SUNWAY held back some launches in Penang and Johor. Hence, we are revising downwards our sales target to RM880m due to change in launches plan.

Maintain Neutral with a revised TP of RM1.75. We are revising our earnings forecast downwards by 2%/2.1% for FY17/18 after inputting lower new property sales target. Our Sum of Parts-derived TP has also been revised downwards to RM1.75 (previously RM1.84) as we widened discount of property division from 10% to 20% in view of the slower property launches. We maintain our Neutral recommendation on SUNWAY due to its unexciting new sales outlook. 

Maintain NEUTRAL

Revised Target Price (TP): RM1.75
(Previously RM1.84)

RETURN STATS	
Price (27 Nov 2017)	RM1.64
Target Price	RM1.75
Expected Share Price Return	6.7%
Expected Dividend Yield	3.1%
Expected Total Return	9.8%

STOCK INFO	
KLCI	1,719.86
Bursa / Bloomberg	5211 / SWB MK
Board / Sector	Main / Trading & Services
Syariah Compliant	Yes
Issued shares (mil)	4918
Market cap. (RM'm)	8002.85
Price over NA	0.45
52-wk price Range	RM1.23–RM1.95
Beta (against KLCI)	0.75
3-mth Avg Daily Vol	6.45m
3-mth Avg Daily Value	RM11.4m
Major Shareholders	
Sungei Way Corp	55.23%
EPF	5.15%
Cheah Fook Ling	5.10%

INVESTMENT STATISTICS

FYE Dec (RM m)	FY14A	FY15A	FY16A	FY17F	FY18F
Revenue	4558.1	4448.4	4725.9	4831.4	5283.6
Core EBIT	609.8	546.6	726.9	636.2	696.5
Core PBT	810.1	788.7	820.5	803.5	880.7
Net Income	734.0	732.4	585.9	544.7	590.7
Core Net Income	583.9	590.7	547.4	544.7	590.7
EPS (sen)	42.6	41.8	28.4	11.2	12.2
Core EPS (sen)	33.9	33.7	26.6	11.2	12.2
Net DPS (sen)	11.00	38.00	12.14	5.16	5.60
Net Dvd Yield	6.7%	23.2%	7.4%	3.1%	3.4%
Core PER	4.84	4.87	6.18	14.61	13.47
NTA/share (RM)	3.44	3.74	3.62	1.60	1.66
P/NTA	0.48	0.44	0.45	1.03	0.99
Core ROE	9.8%	9.0%	7.3%	7.0%	7.3%
Core ROA	4.5%	3.7%	2.9%	2.9%	3.0%
Net Gearing (x)	0.30	0.50	0.45	0.44	0.46

Source: Company, MIDF Research Estimates

Sunway: 3QFY17 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY17	%YoY	%QoQ	FY17	%YoY
Revenue	1319.6	16%	6%	3,651.9	9%
EBIT	153.6	-7%	-21%	464.2	-2%
Core PBT	196.7	-8%	-8%	564.5	-2%
Net Income	150.9	-19%	-23%	455.7	14%
Core Net Income	150.9	-21%	8%	398.9	3%
EPS (sen)	7.38	-19%	-23%	7.4	-19%
Core EPS (sen)	7.38	-21%	8%	7.4	-21%
Net DPS (sen)	7.00	NA	NA	7.0	40%
NTA/share (RM)	3.75	8%	4%	3.8	8%
Net Gearing (x)	0.37	NA	NA	0.4	NA
EBIT Margin	11.6%	NA	NA	12.7%	NA
Core PBT Margin	14.9%	NA	NA	15.5%	NA

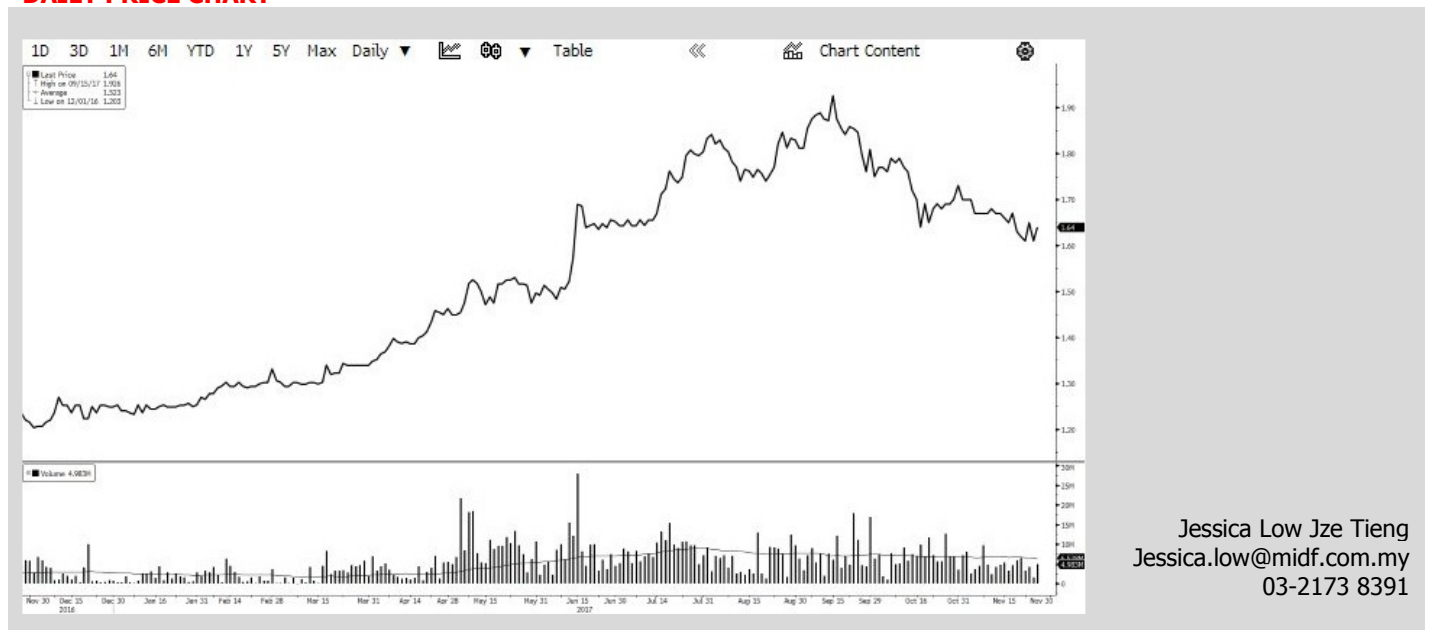
Source: Company

Sum-of-Parts

Division	Methodology	PER (x)	Stake	Discount	Value (RM m)
Property Development	NPV of profits	n/a	100%	20%	2348.4
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
Total SOP					8604.4
Number of shares					4918.0
Target Price (RM)					1.75

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 >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.