

28 February 2017 | 4QFY16 Results Review

Sunway Berhad

Met sales target in FY16


INVESTMENT HIGHLIGHTS

- **FY16 earnings broadly within expectations**
- **Marginally lower full year earnings**
- **FY16 new sales surpassed target of RM1.1b**
- **Maintain Neutral with an unchanged TP of RM3.27**

FY16 earnings broadly within expectations. Sunway Berhad (SUNWAY) FY16 core net income of RM547.4m was broadly within expectations, at 107% and 106% of our and consensus full year estimates. SUNWAY declared dividend of 7.14sen per share (cash dividend of 4 sen per share and share dividend of 3.14sen per share). That lifts total dividend in FY16 to 12.14sen per share, translating into dividend yield of 3.8%.

Marginally lower full year earnings. On sequential basis, core net income dropped by 15%qoq mainly due to pre-opening expenses incurred for Sunway Velocity Mall and provisions made for the termination of Sunway International Vacation Club and the impairment for BRT Park N’Ride facilities, with combined value of RM40m. Meanwhile, FY16 core net income of RM547.4m fell 7%yoy mainly due to lower earnings contribution from construction division (EBIT -18%yoy) following the listing of Sunway Construction Berhad. Meanwhile, EBIT of property investment division climbed 24%yoy mainly due to higher profit recognition from local projects. Unbilled sales stood at RM1.5b as of Dec 2016 (decline from unbilled sales of RM1.6b in Sept 2016), providing 1.2years earnings visibility to property development division.

FY16 new sales surpassed target of RM1.1b. SUNWAY registered new sales of RM336m in 4QFY16. That brought total new sales in FY16 to RM1.2b, unchanged from its new sales of RM1.2b achieved in FY15. The new sales in FY16 are slightly ahead of management sales target of RM1.1b. Looking ahead, management has set sales target at RM1.1b for FY17 on the back of property launches worth RM2b in FY17. The properties launches in FY17 are located in several regions namely South Quay, Kelana Jaya, Penang, Johor, and China.

Maintain Neutral with an unchanged TP of RM3.27. We maintain our earnings forecast for FY17/18. We are forecasting marginal earnings growth of 1.5% for FY17, which will mainly underpin by its property investment division. We also maintain our TP for Sunway at RM3.27, based on Sum-of-Parts valuation. We maintain our Neutral recommendation on SUNWAY due to the lukewarm earnings outlook for SUNWAY. 

Maintain NEUTRAL

Unchanged Target Price (TP): RM3.27

RETURN STATS	
Price (27 Feb 2017)	RM3.16
Target Price	RM3.27
Expected Share Price Return	3.5%
Expected Dividend Yield	3.9%
Expected Total Return	7.4%

STOCK INFO	
KLCI	1,693.84
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)	6,399.27
Price over NA	0.86
52-wk price Range	RM2.87 - RM3.24
Beta (against KLCI)	0.48
3-mth Avg Daily Vol	0.95m
3-mth Avg Daily Value	RM2.89m
Major Shareholders	
Sungei Way Corp	56.47%
EPF	6.31%
Cheah Fook Ling	4.58%
Skim Amanah Saham	2.55%

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	3.5%	12.0%	3.8%	3.9%	4.3%
Core PER	9.33	9.38	11.90	11.72	10.79
NTA/share (RM)	3.44	3.74	3.62	3.76	3.92
P/NTA	0.92	0.84	0.87	0.84	0.81
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	0.45	0.46

Source: Company, MIDF Research Estimates

Sunway: 4QFY16 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	4QFY16	%YoY	%QoQ	FY16	%YoY	
Revenue	1363.7	-3%	20%	4,725.9	6%	
EBIT	251.4	-2%	53%	726.9	6%	
Core PBT	246.6	-1%	16%	820.5	4%	
Net Income	185.8	-13%	0%	585.9	-20%	Reduced earnings contribution from construction division.
Core Net Income	161.8	-10%	-15%	547.4	-7%	Exclude mainly fair value gain.
EPS (sen)	9.08	-25%	0%	28.63	-31%	
Core EPS (sen)	7.91	-22%	-15%	26.75	-21%	
Net DPS (sen)	7.14	19%	NA	12.14	-67%	
NTA/share (RM)	3.49	0%	1%	3.49	-2%	
Net Gearing (x)	0.45	NA	NA	0.45	NA	
EBIT Margin	18.4%	NA	NA	15.4%	NA	
Core PBT Margin	18.1%	NA	NA	17.4%	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%	1575.2
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 RM1.83	n/a	35%	n/a	1869.5
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					6733.3
Number of shares					2061.7
Target Price (RM)					3.27

Source: MIDF Research Estimates

DAILY PRICE CHART



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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.