

# Sunway Bhd

FY20 Sales Target Intact

**TP: RM1.58** (+16.2%)

Last Traded: RM1.36

**Buy**

Thiam Chiann Wen

Tel: +603-2167 9615

cwthiam@ta.com.my

www.taonline.com.my

### Review

- Sunway recorded normalised net profit of RM132.8mn in 3Q20 (-28% YoY, +1257% QoQ), bringing 9M20 normalised net profit to RM220.9mn (-55% YoY). Our normalised net profit was derived after excluding fair value loss from revaluation of Sunway REIT properties of RM16.5mn. Overall, 9M20 results accounted for 64% and 57% of ours and consensus' full-year forecasts respectively. We deem the results to be within our expectations but below consensus' as we expect the solid 3Q results to sustain into 4Q.
- Amid the COVID-19 pandemic, which disrupted economic activities worldwide, Sunway's 9M20 revenue and net profit plunged 25% YoY and 55% YoY to RM2.6bn and RM220.9mn. Net profit fell at a faster pace largely due to weaker operating margin (-1.0%-pts YoY), lower share of associates and JVs profits (collectively -60% YoY) and higher effective tax rate. The group's hospitality and leisure businesses under the property investment segment, which were worst hit by the impact of the Movement Control Order (MCO) only resumed operations in early July.
- QoQ, 3Q20 normalised net profit jumped 1257% to RM132.8mn on the back of 85% growth in revenue. The better performance was largely due to recovery of operations following the implementation of the less restrictive RMCO.
- Sunway secured RM268mn property sales in 3Q20 (-18% YoY, +185% QoQ), bringing 9M20 sales to RM943mn (-23% YoY). Weaker 9M20 sales were largely due to lack of new launches during the period under review.
- The group's 3Q20 unbilled sales stood stable at RM3.1bn (effective RM2.5bn).

### Impact

- Maintain earnings forecasts.

### Outlook

- We believe Sunway is likely to exceed our FY20 sales assumptions and management's sales target of RM1.1bn (maintained), supported by: 1) 9M20 sales of RM943mn (86% of target) and 2) RM1.7bn worth new launches in 4Q – see **Figure 2**. Even if there are delays in the planned new launches, management is confident in maintaining its sales target, as the group is the midst of converting some RM250mn worth of bookings into sales.
- The group's unbilled sales of RM3.1bn and outstanding construction order book of RM2.7bn (external jobs only) should provide earnings visibility for the next 2-3 years.

### Valuation

- We maintain our Buy recommendation on Sunway with an unchanged TP of RM1.58, based on a target CY21 P/B of 0.9x.

### Share Information

Bloomberg Code	SWB MK
Stock Code	5211
Listing	Main Market
Share Cap (mn)	4,888.9
Market Cap (RMmn)	6,648.9
52-wk Hi/Lo (RM)	1.87/1.22
12-mth Avg Daily Vol ('000 shrs)	4,081.9
Estimated Free Float (%)	31.0
Beta	0.6
<b>Major Shareholders (%)</b>	

Sungei Way Corp (51.4)

EPF (9.9)

### Forecast Revision

	FY20	FY21
Forecast Revision (%)	0.0	0.0
Net profit (RMmn)	344.4	512.7
Consensus	389.9	553.9
TA's / Consensus (%)	88.3	92.6
Previous Rating	Buy (Maintained)	

### Financial Indicators

	FY20	FY21
Net gearing (%)	40.6	38.4
CFPS (sen)	8.2	9.2
P/CFPS (x)	16.5	14.7
ROE (%)	4.1	6.0
ROA (%)	1.5	2.2
NTA/Share (RM)	1.7	1.7
Price/NTA (x)	0.8	0.8

### Scorecard

	% of FY	
vs TA	64.0	Within
vs Consensus	57.0	Below

### Share Performance (%)

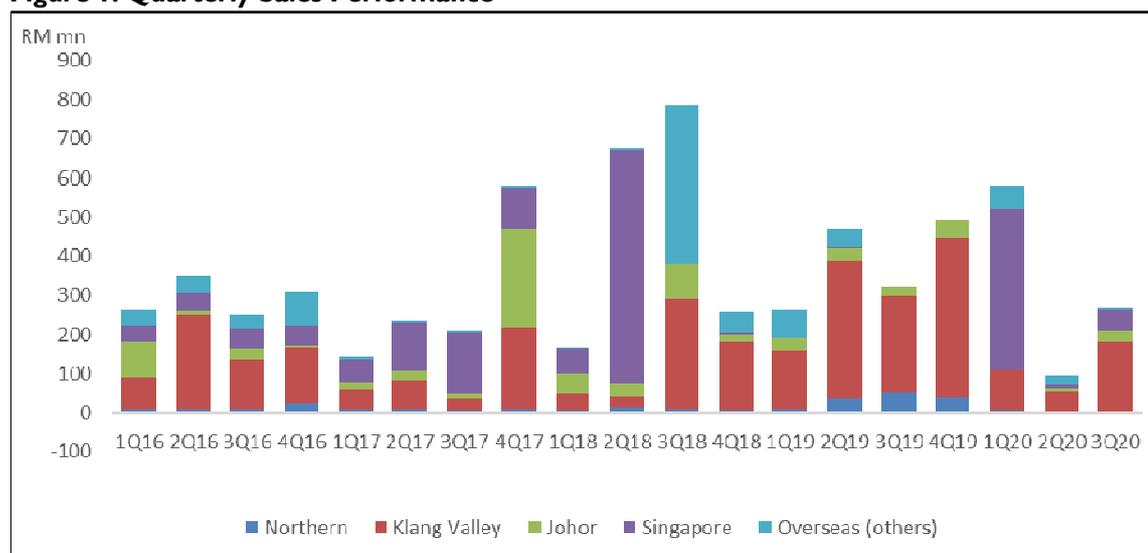
Price Change	SWB	FBM KLCI
1 mth	0.7	7.1
3 mth	(2.2)	3.4
6 mth	(9.9)	10.7
12 mth	(23.6)	1.3

### (12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

**Figure 1: Quarterly Sales Performance**



Source: Sunway

**Figure 2: New Launches for 2020**

Development	Location	Type	GDV (RM mn)	Status
Sunway Velocity Two (Tower C)	Jalan Peel, KL	Service Apartments	300	End Nov 20
Sunway Belfield	Jalan Belfield, KL	Service Apartments	360	Dec-20
Parc Canberra, Canberra	Singapore	Executive Condominium	560	Launched in Feb, 86% take up
Ki Residence, Clementi	Singapore	Private Condominium	1,000	Dec-20
<b>Total</b>			<b>2,220</b>	

Source: Sunway

**Earnings Summary (RM mn)**

YE Dec 31 (RM'mn)	2018	2019	2020F	2021F	2022F
Revenue	5,410.2	4,780.4	3,667.5	4,551.7	5,207.5
EBITDA	683.8	716.7	487.5	658.2	699.7
EBITDA margin (%)	12.6	15.0	13.3	14.5	13.4
Pretax profit	747.7	842.2	441.7	660.2	687.1
Net profit	645.5	766.6	344.4	512.7	526.4
Net profit -adj	577.7	694.6	344.4	512.7	526.4
Adj Net Profit Afer Distribution to Perps Holder	567.9	640.1	281.1	449.4	463.1
EPS (sen)	13.1	14.6	7.1	10.5	10.8
EPS - adj (sen)	11.5	13.1	7.1	10.5	10.8
EPS Growth (Core) (%)	2.7	13.9	-46.2	48.9	2.7
PER (x)	11.8	10.4	19.2	12.9	12.6
GDPS (sen)	7.1	9.1	4.5	7.5	7.5
Div Yield (%)	5.2	6.7	3.3	5.5	5.5
ROE (%)	7.3	8.5	4.1	6.0	6.0

### 3Q20 Results Analysis (RM mn)

YE 31 Dec (RM'mn)	3Q19	2Q20	3Q20	QoQ (%)	YoY (%)	9MFY19	9MFY20	YoY (%)	
<b>Revenue</b>	<b>1,226.5</b>	<b>556.6</b>	<b>1,027.2</b>	<b>84.5</b>	<b>(16.2)</b>	<b>3,427.3</b>	<b>2,555.3</b>	<b>(25.4)</b>	
Property Development	126.2	68.1	103.4	51.8	(18.1)	327.7	310.8	(5.2)	
Property Investment	209.7	55.5	98.1	76.7	(53.2)	582.5	287.9	(50.6)	
Construction	315.6	92.6	255.0	175.6	(19.2)	955.2	565.6	(40.8)	
Trading & Manufacturing	246.2	141.1	231.0	63.7	(6.2)	727.6	566.3	(22.2)	
Quarry	114.9	31.9	105.6	231.1	(8.1)	211.7	211.6	(0.0)	
Healthcare	154.4	125.1	168.0	34.2	8.8	422.0	442.3	4.8	
Others	59.5	42.3	66.1	56.4	11.1	200.6	170.8	(14.9)	
<b>EBIT</b>	<b>174.2</b>	<b>6.0</b>	<b>135.1</b>	<b>2,155.2</b>	<b>(22.4)</b>	<b>459.2</b>	<b>185.8</b>	<b>(59.5)</b>	
Gain on derivative	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Finance income	67.0	59.5	50.9	(14.3)	(24.0)	216.4	194.0	(10.3)	
Finance costs	(66.0)	(54.7)	(45.1)	(17.6)	(31.6)	(193.7)	(158.9)	(17.9)	
Associates	37.4	0.4	16.7	4,606.2	(55.4)	138.3	47.8	(65.5)	
JV	10.6	(1.0)	13.7	(1,469.9)	28.9	33.6	20.6	(38.6)	
EI	0.0	(16.5)	0.0	(100.0)	0.0	81.3	(16.5)	(120.3)	
PBT	223.3	10.1	171.3	1,596.9	(23.3)	653.8	289.3	(55.8)	
<b>Core PBT</b>	<b>223.3</b>	<b>26.6</b>	<b>171.3</b>	<b>544.2</b>	<b>(23.3)</b>	<b>572.5</b>	<b>305.8</b>	<b>(46.6)</b>	
Property Development	59.0	25.9	25.0	(3.6)	(57.7)	129.1	90.0	(30.3)	
Property Investment	67.0	(19.3)	46.5	(341.4)	(30.5)	165.4	59.2	(64.2)	
Construction	37.3	6.6	37.0	463.7	(1.0)	124.2	66.1	(46.8)	
Trading & Manufacturing	13.8	6.2	7.4	19.5	(46.5)	26.9	14.0	(47.9)	
Quarry	4.9	(1.4)	7.9	(651.6)	61.5	8.7	9.5	9.0	
Healthcare	15.8	(16.0)	15.5	(197.0)	(1.7)	50.5	(4.9)	(109.8)	
Others	29.8	24.7	15.7	(36.5)	(47.5)	72.0	55.3	(23.1)	
Tax	(21.1)	(14.7)	(25.0)	70.3	18.8	(37.0)	(57.2)	54.8	
MI	(18.8)	(2.1)	(13.5)	536.4	(28.4)	(50.5)	(27.6)	(45.3)	
Net profit	183.4	(6.7)	132.8	(2,078.7)	(27.6)	566.3	204.4	(63.9)	
Core net profit	183.4	9.8	132.8	1,257.2	(27.6)	485.0	220.9	(54.5)	
Reported EPS	(sen)	3.4	(0.3)	2.5	(838.2)	(26.8)	10.9	3.5	(67.6)
Adj EPS	(sen)	3.4	0.5	2.5	406.4	(26.8)	9.3	4.4	(53.1)
DPS	(sen)	0.0	0.0	0.0	0.0	0.0	4.6	0.0	(100.0)
EBIT margin	(%)	14.2	1.1	13.2	1,122.1	(1.0)	13.4	7.3	(6.1)
<b>PBT margin</b>	<b>(%)</b>	<b>18.2</b>	<b>4.8</b>	<b>16.7</b>	<b>249.1</b>	<b>(1.5)</b>	<b>16.7</b>	<b>12.0</b>	<b>(4.7)</b>
Property Development	(%)	46.7	38.0	24.1	(36.5)	(22.6)	39.4	29.0	(10.5)
Property Investment	(%)	31.9	(34.7)	47.4	(236.6)	15.5	28.4	20.6	(7.8)
Construction	(%)	11.8	7.1	14.5	104.6	2.7	13.0	11.7	(1.3)
Trading & Manufacturing	(%)	5.6	4.4	3.2	(27.0)	(2.4)	3.7	2.5	(1.2)
Quarry	(%)	4.2	(4.5)	7.4	(266.6)	3.2	4.1	4.5	0.4
Healthcare	(%)	10.2	(12.8)	9.2	(172.3)	(1.0)	12.0	(1.1)	(13.1)
Others	(%)	50.1	58.3	23.7	(59.4)	(26.4)	35.9	32.4	(3.5)
Net margin	(%)	15.0	1.8	12.9	635.5	(2.0)	14.2	8.6	(5.5)
Effective tax rate	(%)	9.4	55.2	14.6	(73.6)	5.2	6.5	18.7	12.3

^Restated

### Stock Recommendation Guideline

- BUY** : Total return within the next 12 months exceeds required rate of return by 5%-point.  
**HOLD** : Total return within the next 12 months exceeds required rate of return by between 0-5%-point.  
**SELL** : Total return is lower than the required rate of return.  
**Not Rated**: The company is not under coverage. The report is for information only.

**Total Return** is defined as expected share price appreciation plus gross dividend over the next 12 months. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

**Required Rate of Return** of 7% is defined as the yield for one-year Malaysian government treasury plus assumed equity risk premium.

### Disclaimer

The information in this report has been obtained from sources believed to be reliable. Its accuracy and/ or completeness is not guaranteed and opinions are subject to change without notice. This report is for information only and not to be construed as a solicitation for contracts. We accept no liability for any direct or indirect loss arising from the use of this document. We, our associates, directors, employees may have an interest in the securities and/or companies mentioned herein.

As of Monday, November 30, 2020, the analyst, Thiam Chiann Wen, who prepared this report, has interest in the following securities covered in this report:  
(a) nil

**Kaladher Govindan – Head of Research**

TA SECURITIES HOLDINGS BERHAD (14948-M)

A Participating Organisation of Bursa Malaysia Securities Berhad

Menara TA One | 22 Jalan P. Ramlee | 50250 Kuala Lumpur | Malaysia | Tel: 603 – 2072 1277 | Fax: 603 – 2032 5048  
www.ta.com.my