

22 May 2018 | 1QFY18 Results Review

Sunway Berhad

Driven by property investment division


INVESTMENT HIGHLIGHTS

- 1QFY18 earnings broadly within expectations
- Driven by property investment division
- 1QFY18 new sales at RM166m
- Maintain Neutral with a revised TP of RM1.60

1QFY18 earnings broadly within expectations. Sunway Berhad (SUNWAY) 1QFY18 core net income of RM121.9m came in broadly within expectations, making up 20% of our and consensus full year estimates. As expected, no dividend was announced for the quarter.

Driven by property investment division. SUNWAY 1QFY18 core net income grew 14%yoy to RM121.9m, mainly contributed by higher earnings from property investment division. Operating profit of property investment division climbed 21.1%yoy due to contribution from Sunway Pyramid Hotel and Sunway Velocity Mall. Meanwhile, operating profit of property development division was marginally lower by 1%yoy, mainly due to lower profit recognition from overseas projects. On the other hand, unbilled sales declined marginally to RM947m in 1QFY18 from RM976m in FY17, providing less than one-year earnings visibility to property development division.

1QFY18 new sales at RM166m. Sunway recorded new property sales of RM166m in 1QFY18, lower than new sales of RM617m in 4QFY17. New sales in 1QFY18 is deemed within expectation despite it only makes up 12.8% of our and management sales target of RM1.3b in FY18 as we expect sales to pick up in the coming quarters. Planned launch in FY18 includes projects in Klang Valley, Singapore and China with total GDV of RM2.0b.

Maintain Neutral with a revised TP of RM1.60. We maintain our earnings forecast for FY18/19. We revised our TP to RM1.60 from RM1.77 as we fine-tune our Sum-of-Parts valuation to reflect latest valuation of Sunway REITs and construction division (lower PER). We maintain our Neutral call on SUNWAY as we see neutral earnings outlook for property development division. 

Maintain NEUTRAL

Revised Target Price (TP): RM1.60
(Previously: RM1.77)

RETURN STATS	
Price (21 May 2017)	RM1.51
Target Price	RM1.60
Expected Share Price Return	6.0%
Expected Dividend Yield	4.0%
Expected Total Return	10.0%

STOCK INFO	
KLCI	1,853.58
Bursa / Bloomberg	5211 / SWB MK
Board / Sector	Main / Trading & Services
Syariah Compliant	Yes
Issued shares (mil)	4918
Market cap. (RM'm)	7,357.51
Price over NA	0.94
52-wk price Range	RM1.46–RM1.95
Beta (against KLCI)	0.98
3-mth Avg Daily Vol	3.05m
3-mth Avg Daily Value	RM4.78m
Major Shareholders	
Sungei Way Corp	55.31%
EPF	6.09%
Cheah Fook Ling	5.11%

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	25.2%	8.0%	4.0%	4.1%	4.1%
Core PER	4.48	5.69	12.82	12.09	11.27
NTA/share (RM)	3.74	3.62	1.63	1.68	1.75
P/NTA	0.40	0.42	0.93	0.90	0.86
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	0.49	0.46	0.49

Source: Company, MIDF Research Estimates

Sunway: 1QFY18 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY18	%YoY	%QoQ	FY18	%YoY
Revenue	1308.4	20.2%	-24.4%	1,308.4	20.18%
EBIT	130.0	12.8%	-41.6%	130.0	12.83%
Core PBT	160.9	6.1%	-34.1%	160.9	6.13%
Net Income	121.9	14.1%	-33.6%	121.9	14.06%
Core Net Income	121.9	14.1%	-27.0%	121.9	14.06%
EPS (sen)	2.48	14.0%	-35.2%	2.48	14.05%
Core EPS (sen)	2.48	14.0%	-28.8%	2.48	14.05%
Net DPS (sen)	0.00	NA	NA	0.0	NA
NTA/share (RM)	1.58	6.7%	1%	1.6	6.7%
Net Gearing (x)	0.42	NA	NA	0.4	NA
EBIT Margin	9.9%	NA	NA	9.9%	NA
Core PBT Margin	12.3%	NA	NA	12.3%	NA

Source: Company

Sum-of-Parts

Division	Methodology	PER (x)	Stake	Discount	Value (RM m)
Property Development	NPV of profits	n/a	100%	20%	2321.2
Property Investment	Net Book Value	n/a	100%	n/a	1490.0
Construction	13x FY18E PER - KL Construction Index PER	13	54%	n/a	1603.3
Sunway REIT	Target Price of RM1.90	n/a	35%	n/a	1930.5
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					7870.0
Number of shares					4919.0
Target Price (RM)					1.60

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.