

27 June 2018 | Corporate Update

Sunway Berhad

Disposing 30% equity stake in Singapore JV

INVESTMENT HIGHLIGHTS


- **Disposing 30% equity stake in Hoi Hup Sunway Novena Pte Ltd**
- **Neutral on the disposal**
- **Lower net gearing**
- **Earnings estimates maintained**
- **Maintain Neutral with an unchanged TP of RM1.60**

Disposing 30% equity stake in Hoi Hup Sunway Novena Pte Ltd.

Sunway Berhad (SUNWAY) announced that its wholly-owned subsidiary had on 26th June 2018 had entered into a Sale and Purchase Agreement with Hoi Hup Realty Pte Ltd (Hoi Hup) for the purpose of disposing its entire 30% equity stake in Hoi Hup Sunway Novena Pte Ltd (HHSN), for a cash consideration of SGD39.88m (equivalent to approximately RM118.2m). The proposed disposal is expected to be completed by 30th June 2018.

Neutral on the disposal. HHSN was incorporated in December 2012 to undertake the development of land awarded by the Urban Redevelopment Authority of Singapore. The project developed by HHSN was named Royal Square at Novena, comprising a hotel, medical and retail units. The project was completed in July 2017. Hotel was kept as investment property while 70% of the medical and retail units have been sold. The proposed disposal will enable SUNWAY to monetise its investment in HHSN. Nevertheless, SUNWAY is expected to record estimated disposal loss of SGD0.1m after taking into consideration of the latest net book value as at 31 March 2018.

Lower net gearing. The proceeds from the disposal is expected to reduce SUNWAY's net gearing to 0.4x from 0.42x as of 1QFY18. The proceeds from the disposal is expected to be used for working capital and new land bank acquisitions. Meanwhile, earnings impact from the disposal is limited as the disposal loss of SGD0.1m is less than 1% of our FY18 earnings forecast of RM605.8m. Hence, we make no changes to our earnings forecast.

Maintain Neutral with an unchanged TP of RM1.60. We maintain our Neutral call on SUNWAY with unchanged TP of RM1.60, based on Sum-of-Parts valuation. New property sales outlook for SUNWAY remains stable as management is targeting to chalk up new sales of RM1.3b in FY18 (FY17 new sales: RM1.2b) on the back of target launch with GDV of RM2b. 

Maintain NEUTRAL

Unchanged Target Price (TP): RM1.60

RETURN STATS	
Price (26 June 2018)	RM1.54
Target Price	RM1.60
Expected Share Price Return	3.9%
Expected Dividend Yield	4.0%
Expected Total Return	7.9%

STOCK INFO	
KLCI	1,675.86
Bursa / Bloomberg	5211 / SWB MK
Board / Sector	Main / Trading & Services
Syariah Compliant	Yes
Issued shares (mil)	4866.53
Market cap. (RM'm)	7,494
Price over NA	0.93
52-wk price Range	RM1.44–RM1.95
Beta (against KLCI)	0.83
3-mth Avg Daily Vol	2.29m
3-mth Avg Daily Value	RM3.51m
Major Shareholders	
Sungei Way Corp	50.81%
EPF	6.92%

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	24.7%	7.9%	3.9%	4.0%	4.0%
Core PER	4.57	5.80	13.07	12.33	11.50
NTA/share (RM)	3.74	3.62	1.63	1.68	1.75
P/NTA	0.41	0.43	0.94	0.92	0.88
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

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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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.