

28 June 2018 | Visit Note

## Sunway Berhad

*Listing of healthcare division is a long-term catalyst*

### INVESTMENT HIGHLIGHTS

- **Listing of healthcare division is a long-term catalyst**
- **Sales target of RM1.3b maintained**
- **Townhouse launch in Sunway Iskandar**
- **Maintain Neutral with an unchanged TP of RM1.60**

We recently met up with Sunway Berhad (SUNWAY) management and came away feeling neutral on the prospect of Sunway Bhd. The key takeaways from the meeting are as below:

**Listing of healthcare division is a long-term catalyst.** SUNWAY is expanding its healthcare division by having four medical centres in the pipeline. Construction of Sunway Medical Centre 3 (245 beds) was completed in end of 2017, with Sunway Medical Centre Velocity (240 beds) is expected to complete in 1Q2019. Subsequently, construction of Sunway Medical Centre Seberang Jaya (180 beds) and Sunway Medical Centre Damansara (250 beds) is expected to complete in 2020 and 2022 respectively. Construction of Sunway Medical Centre Ipoh (200 beds) is expected to complete in 2023. Listing of healthcare division is expected to take place beyond year 2023, as we understand that medical centres typically take more than one year to turn profitable.

**Sales target of RM1.3b maintained.** Management is maintaining its sales target of RM1.3b for FY18 as it plans to launch project with total GDV of RM2b in FY18. SUNWAY launched Rivercove Residences (GDV: RM485m) in Singapore recently and has registered take up rate of 98%. Meanwhile, launches of Sunway GEO Lake (GDV: RM550m) is expected to take place soon. Likewise, Sunway Velocity TWO (GDV: RM320m) and Sunway Wangsa Maju (GDV: RM220m) are expected to be launched in 4Q.

**Townhouse launch in Sunway Iskandar.** SUNWAY is planning to launch Sunway Citrine Lakehomes (GDV: RM80m) which consists of townhouse and cluster homes in Sunway Iskandar. Note that Citrine Lakehomes is located next to the 20-acre Emerald Lake Garden and Citrine Commercial Hub. Management anticipates townhouse concept to be well received by homebuyers due to the lower selling price per unit of townhouses.

**Maintain Neutral with an unchanged TP of RM1.60.** We maintain our earnings forecast for FY18/19. Our TP of RM1.60 is unchanged, based on Sum-of-Parts valuation. We maintain our Neutral recommendation on SUNWAY due to its neutral earnings outlook in the near term. Nevertheless, the potential listing of healthcare division is a long-term catalyst.

**Maintain NEUTRAL**

**Unchanged Target Price (TP): RM1.60**

RETURN STATS	
Price (27 June 2018)	RM1.55
Target Price	RM1.60
Expected Share Price Return	3.2%
Expected Dividend Yield	3.9%
<b>Expected Total Return</b>	<b>7.1%</b>

STOCK INFO	
KLCI	1,666.08
Bursa / Bloomberg	5211 / SWB MK
Board / Sector	Main / Trading & Services
Syariah Compliant	Yes
Issued shares (mil)	4865.8
Market cap. (RM'm)	7,542
Price over NA	0.94
52-wk price Range	RM1.44–RM1.95
Beta (against KLCI)	0.83
3-mth Avg Daily Vol	2.30m
3-mth Avg Daily Value	RM3.52m
Major Shareholders	
Sungei Way Corp	55.39%
KWAP	6.30%
Cheah Fook Ling	5.12%

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## 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	24.5%	7.8%	3.9%	3.9%	4.0%
Core PER	4.60	5.84	13.16	12.41	11.57
NTA/share (RM)	3.74	3.62	1.63	1.68	1.75
P/NTA	0.41	0.43	0.95	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
<b>Total SOP</b>					<b>7870.0</b>
Number of shares					4919.0
<b>Target Price (RM)</b>					<b>1.60</b>

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.