

# Sunway Berhad

(5211 | SWB MK) Industrial Products & Services | Diversified Industrials

## Earnings recovery on track

### KEY INVESTMENT HIGHLIGHTS

- **1QFY22 earnings within expectations**
- **Earnings recovery on track**
- **1QFY22 new property sales at RM447m**
- **Earnings forecast maintained**
- **Maintain NEUTRAL with an unchanged TP of RM1.71**

**1QFY22 earnings within expectations.** Sunway Berhad (SUNWAY) 1QFY22 core net income of RM120m came in within expectations, making up 25% of our and consensus full year estimates.

**Earnings recovery on track.** Sequentially, 1QFY22 core net income was lower at RM120m (-41.5%qoq) mainly due to lower contribution from property development division which offset the higher contribution from property investment division. Property development division recorded lower EBIT (-59.4%qoq) due to lower progress billing. On yearly basis, core net income was higher (+176.4%yoy) mainly due to higher contribution most business segments following the easing of Covid-19 movement restrictions. EBIT of property development division (+31.6%yoy) was supported by higher progress billing and higher sales while earnings of property investment division was underpinned by better performance of its theme park and higher contribution from Sunway REIT.

**1QFY22 new property sales at RM447m.** SUNWAY recorded new property sales of RM447m in 1QFY22, flattish against recorded new property sales of RM440m in 4QFY21. New property sales in 1QFY22 is within management expectations as it made up 21% of management new sales target of RM2.2b for FY22. On the other hand, unbilled sales increased to RM4.18b in 1QFY22 from RM RM3.96b in 4QFY21.

**Maintain NEUTRAL with an unchanged TP of RM1.71.** We make no changes to our earnings forecast for FY22/23F. Our TP is unchanged at RM1.71, based on sum-of- parts valuation. While we think that outlook for business divisions of SUNWAY is improving due to the relaxation of Covid-19 SOP, we opine that the positives have been largely priced in. Hence, we maintain our **NEUTRAL** call on SUNWAY.



## Maintain NEUTRAL

**Unchanged Target Price: RM1.71**

### RETURN STATISTICS

Price @ 26 May 2022 (RM)	1.74
Expected share price return (%)	-1.7
Expected dividend yield (%)	1.7
<b>Expected total return (%)</b>	<b>0.0</b>

### SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-4.4	-1.0
3 months	-1.1	6.7
12 months	4.2	7.1

### KEY STATISTICS

FBM KLCI	1,541.15
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆
Issue shares (m)	4,888.93
Estimated free float (%)	25.50
Market Capitalisation (RM'm)	8,585
52-wk price range (RM)	RM1.53 - RM1.85
Beta vs FBM KLCI (x)	0.56
Monthly velocity (%)	1.98
Monthly volatility (%)	5.86
3-mth average daily volume (m)	1.90
3-mth average daily value (RM'm)	3.31
Top Shareholders (%)	
Sungei Way Corp Sdn Bhd	56.91
Employees Provident Fund Board	8.45

### Analyst(s)

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## INVESTMENT STATISTICS

FYE Dec	FY19A	FY20A	FY21A	FY22F	FY23F
Revenue	4780.4	3829.1	3714.2	5628.0	5334.1
Core EBIT	565.2	250.8	538.8	529.6	504.9
Core PBT	801.2	487.8	538.8	709.3	708.1
Net Income	709.2	359.6	2665.4	471.0	476.2
Core Net Income	597.6	338.1	452.4	471.0	476.2
EPS (sen)	14.5	7.4	45.4	8.0	8.1
Core EPS (sen)	12.3	7.0	7.7	8.0	8.1
Net DPS (sen)	9.10	1.50	2.50	3.00	3.50
Net Dvd Yield	5.2%	0.9%	1.4%	1.7%	2.0%
Core PER	14.19	24.97	22.56	21.67	21.43
NTA/share (RM)	1.66	1.86	1.99	2.08	2.12
P/NTA	1.05	0.94	0.88	0.84	0.82
Core ROE	7.1%	3.5%	3.8%	3.9%	3.8%
Core ROA	2.8%	1.6%	1.8%	1.8%	1.8%

Source: MIDF Research

## SUNWAY BERHAD: 1QFY22 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY22	%YoY	%QoQ	FY22	%YoY
Revenue	1112.5	31.5%	-10.6%	1,112.5	31.5%
EBIT	72.1	125.8%	-69.6%	72.1	125.8%
Core PBT	167.0	132.0%	-42.9%	167.0	132.0%
Net Income	140.1	213.8%	-94.3%	140.1	213.8%
Core Net Income	120.0	176.4%	-41.5%	120.0	176.4%
EPS (sen)	2.39	99.8%	-94.3%	2.4	99.8%
Core EPS (sen)	2.05	74.7%	-41.5%	2.0	74.7%
Net DPS (sen)	0.00	NA	NA	0.0	NA
NTA/share (RM)	2.02	6%	1%	2.0	6.2%
Net Gearing (x)	0.51	NA	NA	0.51	NA
EBIT Margin	6.5%	NA	NA	6.5%	NA
Core PBT Margin	15.0%	NA	NA	15.0%	NA

Source: Company, MIDF Research

## Sum-of-Parts

Division	Methodology	PER (x)	Stake	Discount	Value (RM m)
Property Development	NPV of profits	n/a	100%	18%	2719.5
Property Investment	Net Book Value	n/a	100%	n/a	1490.0
Construction	18x FY22E PER	18	54%	n/a	1068.6
Sunway REIT	Target Price of RM1.45	n/a	35%	n/a	1473.3
Healthcare	23x FY22 PER	23	84%	n/a	965.9
Trading and manufacturing	12x FY22E PER	12	100%	n/a	134.9
Quarry	12x FY22E PER	12	100%	n/a	548.0
<b>Total SOP</b>					<b>8400.1</b>
Number of shares					4918.0
<b>Target Price (RM)</b>					<b>1.71</b>

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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.

#### ESG RECOMMENDATIONS\* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

\* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology