

# Sunway Berhad

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

## Earnings lifted by overseas projects

### KEY INVESTMENT HIGHLIGHTS

- **FY20 earnings below expectations**
- **Property development division boosted by overseas projects**
- **FY21 new sales target at RM1.6b**
- **Earnings forecast revised downwards**
- **Maintain NEUTRAL with a revised TP of RM1.55**

**FY20 earnings below expectations.** Sunway Berhad (SUNWAY) FY20 core net income of RM338.1m came in below expectations, making up 83% and 93% of our and consensus full year estimates respectively. The negative deviation could be attributed to lower than expected progress billing in 4QFY20. SUNWAY announced a first interim dividend of 1.5sen per share.

**Property development division boosted by overseas projects.** Sequentially, 4QFY20 core net income surged to RM202.5m (+124.6%qoq) mainly due to higher contribution from property development division as earnings of the division were boosted by bumper earnings recognition of Rivercove Residences project in Singapore and Sunway Gardens project in China. On yearly basis, FY20 core net income was lower at RM338.1m (-43.4%yoy). The lower earnings were mainly dragged by lower contribution from all business divisions as a result of Covid-19 pandemic and MCO. Notably, operating profit of property development division fell by -48%yoy due to lower progress billing from local development projects.

**FY21 new sales target at RM1.6b.** SUNWAY recorded new sales of RM357m in 4QFY20, higher than new sales of RM270m in 3QFY20. That brought total new sales to RM1.3b in FY20. This was lower than the new sales of RM1.55b achieved in FY19, mainly due to low property sales during MCO period. Looking ahead, the management is targeting to achieve new sales of RM1.6b in FY21 on the back of planned property launches in Malaysia, China and Singapore with total GDV of RM2.8b. On the other hand, unbilled sales eased marginally to RM2.4b in 4QFY20 from RM3.1b in 3QFY20.

**Maintain Neutral with a revised TP of RM1.55.** We revise our FY21 earnings forecast by -11.6% to reflect the lower progress billing. We also introduce our earnings forecast for FY22. Our TP for SUNWAY is revised to RM1.55 from RM1.42 as we rollover our valuation to FY22 and reduce RNAV discount for property division in view of the stable new sales outlook. Our TP is based on sum-of-parts valuation. We maintain **NEUTRAL** on SUNWAY as we see limited catalysts to SUNWAY in the near-term.

## Maintain NEUTRAL

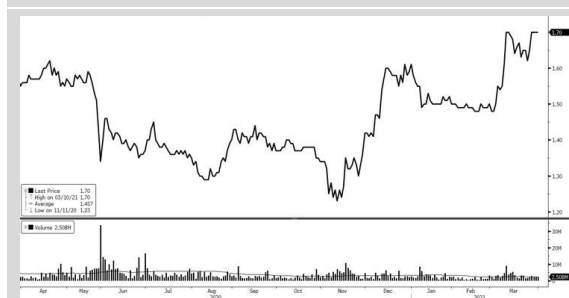
**Revised Target Price: RM1.55**

Previously RM1.42

### RETURN STATISTICS

|                                  |             |
|----------------------------------|-------------|
| Price @ 31 March 2021 (RM)       | 1.70        |
| Expected share price return (%)  | -8.8        |
| Expected dividend yield (%)      | 0.9         |
| <b>Expected total return (%)</b> | <b>-7.9</b> |

### SHARE PRICE CHART



| Share price performance (%) | Absolute | Relative |
|-----------------------------|----------|----------|
| 1 month                     | 13.3     | 13.6     |
| 3 months                    | 5.6      | 9.2      |
| 12 months                   | 9.7      | -5.8     |

### KEY STATISTICS

|                                  |                 |
|----------------------------------|-----------------|
| FBM KLCI                         | 1,573.51        |
| Syariah compliant                | Yes             |
| F4BGM Index                      | Yes             |
| ESG Grading Band (Star rating)   | ☆☆☆             |
| Issue shares (m)                 | 4,933.93        |
| Estimated free float (%)         | 31.21           |
| Market Capitalisation (RM'm)     | 8,311.18        |
| 52-wk price range (RM)           | RM1.22 - RM1.74 |
| Beta vs FBM KLCI (x)             | 0.78            |
| Monthly velocity (%)             | 1.98            |
| Monthly volatility (%)           | 5.86            |
| 3-mth average daily volume (m)   | 2.53            |
| 3-mth average daily value (RM'm) | 3.96            |
| Top Shareholders (%)             |                 |
| Sungei Way Corp Sdn Bhd          | 51.36           |
| Employees Provident Fund Board   | 9.65            |

### Analyst(s)

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## INVESTMENT STATISTICS

| FYE Dec         | FY18A   | FY19A   | FY20A   | FY21F   | FY22F   |
|-----------------|---------|---------|---------|---------|---------|
| Revenue         | 5,410.3 | 4,780.4 | 3,833.3 | 4,783.4 | 4,835.2 |
| Core EBIT       | 559.9   | 565.2   | 250.8   | 495.4   | 645.2   |
| Core PBT        | 782.8   | 801.2   | 487.8   | 720.6   | 873.7   |
| Net Income      | 659.0   | 709.2   | 359.6   | 497.2   | 592.2   |
| Core Net Income | 591.2   | 597.6   | 338.1   | 497.2   | 592.2   |
| EPS (sen)       | 13.4    | 14.5    | 7.4     | 10.2    | 12.2    |
| Core EPS (sen)  | 12.0    | 12.3    | 7.0     | 10.2    | 12.2    |
| Net DPS (sen)   | 7.12    | 9.10    | 1.50    | 6.15    | 7.32    |
| Net Dvd Yield   | 4.2%    | 5.4%    | 0.9%    | 3.6%    | 4.3%    |
| Core PER        | 14.16   | 13.87   | 24.40   | 16.59   | 13.93   |
| NTA/share (RM)  | 1.66    | 1.66    | 1.86    | 1.80    | 1.85    |
| P/NTA           | 1.03    | 1.03    | 0.92    | 0.94    | 0.92    |
| Core ROE        | 7.0%    | 7.1%    | 4.0%    | 5.7%    | 6.6%    |
| Core ROA        | 2.8%    | 2.8%    | 1.6%    | 2.2%    | 2.5%    |

Source: MIDF Research

## SUNWAY BERHAD: 4QFY20 RESULTS SUMMARY

| FYE Dec (RM'm, unless otherwise stated) | Quarterly Results |        |        | Cumulative |        |
|---|-------------------|--------|--------|------------|--------|
|   | 4QFY20            | %YoY   | %QoQ   | FY20       | %YoY   |
| Revenue                                 | 1278.0            | -5.6%  | 24.4%  | 3,833.3    | -19.8% |
| EBIT                                    | 46.0              | -56.6% | -65.9% | 250.8      | -55.6% |
| Core PBT                                | 261.1             | 13.5%  | 103.0% | 487.8      | -39.1% |
| Net Income                              | 193.1             | 5.2%   | 45.4%  | 359.6      | -49.3% |
| Core Net Income                         | 202.5             | 32.2%  | 124.6% | 338.1      | -43.4% |
| EPS (sen)                               | 3.89              | 3.3%   | 43.5%  | 8.1        | -48.7% |
| Core EPS (sen)                          | 4.08              | 29.8%  | 121.8% | 6.81       | -49.1% |
| Net DPS (sen)                           | 1.50              | NA     | NA     | 1.5        | NA     |
| NTA/share (RM)                          | 1.86              | 12%    | 13%    | 1.9        | 11.9%  |
| Net Gearing (x)                         | 0.23              | NA     | NA     | 0.2        | NA     |
| EBIT Margin                             | 3.6%              | NA     | NA     | 6.5%       | NA     |
| Core PBT Margin                         | 20.4%             | NA     | NA     | 12.7%      | 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      | 1105.8        |
| Sunway REIT               | Target Price of RM1.61 | n/a     | 35%   | n/a      | 1635.8        |
| 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>7634.0</b> |
| Number of shares          |                        |         |       |          | 4918.0        |
| <b>Target Price (RM)</b>  |                        |         |       |          | <b>1.55</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.  |
| HOLD         | 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