

Sunway Berhad

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

Maintain NEUTRAL

Earnings recovered in FY21

Unchanged Target Price: RM1.71

KEY INVESTMENT HIGHLIGHTS

- **FY21 earnings above expectations**
- **Earnings recovered in FY21**
- **New property sales of RM2.61b in FY21**
- **Earnings forecast revised upwards**
- **Maintain NEUTRAL with an unchanged TP of RM1.71**

FY21 earnings above expectations. Sunway Berhad (SUNWAY) FY21 core net income of RM452.4m came in above expectations, making up 133% and 147% of our and consensus full year estimates respectively. The positive deviation could be attributed to the higher than expected earnings from property investment division and lower than expected finance cost. Meanwhile, SUNWAY announced second interim dividend of 1.5sen per share.

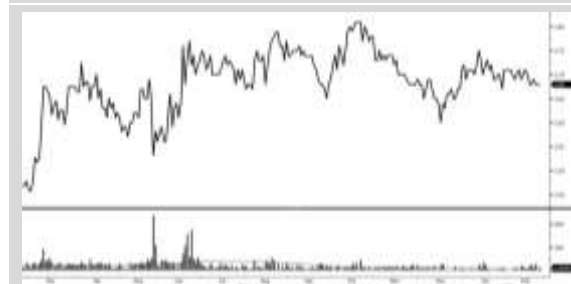
Earnings recovered in FY21. Sequentially, 4QFY21 core net income surged to RM205m (+144.1%qoq), mainly driven by higher contribution from property investment division as theme parks and hospitality businesses were allowed to operate during the quarter. Besides, improved earnings were also supported by higher contribution from construction segment due to full resumption of construction activities. That brought cumulative core net income in FY21 to RM452.4m (+33.8%yoy). The improved earnings were underpinned by the higher contribution from property investment division, construction division and healthcare division which offset the lower contribution from property development division. Note that profit before tax of property development division fell by 47.7%yoy as earnings in FY20 were supported by earnings recognition of Singapore projects. Besides, the earnings growth in FY21 was also partly aided by lower finance cost (-25%yoy).

New property sales of RM2.61b in FY21. SUNWAY recorded new property sales of RM440m in 4QFY21, lower than new sales of RM530m in 3QFY21. That brings total new sales to RM2.61b in FY21, higher than new sales of RM1.3b in FY20. Looking ahead, management is targeting to achieve new property sales of RM2.2b in FY22 on the back of planned launches with total GDV of RM2.3b. On the other hand, unbilled sales increased to RM3.96b in 4QFY21 from RM3.83b in 3QFY21.

RETURN STATISTICS

Price @ 25 Feb 2022 (RM)	1.68
Expected share price return (%)	1.8
Expected dividend yield (%)	1.8
Expected total return (%)	3.6

SHARE PRICE CHART




Share price performance (%)	Absolute	Relative
1 month	-0.6	-3.9
3 months	-2.3	-3.3
12 months	12.8	11.6

KEY STATISTICS

FBM KLCI	1,591.72
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆
Issue shares (m)	4,888.93
Estimated free float (%)	25.33
Market Capitalisation (RM'm)	8,289
52-wk price range (RM)	RM1.47 - RM1.82
Beta vs FBM KLCI (x)	0.74
Monthly velocity (%)	1.98
Monthly volatility (%)	5.86
3-mth average daily volume (m)	0.98
3-mth average daily value (RM'm)	1.64
Top Shareholders (%)	
Sungei Way Corp Sdn Bhd	56.91
Employees Provident Fund Board	8.62

Analyst(s)

Jessica Low Jze Tieng
 Jessica.low @midf.com.my
 03-21738391

Maintain Neutral with an unchanged TP of RM1.71. We revise our FY22F earnings forecast by +3.7% to factor in the better contribution from property investment division and lower finance cost. We also introduce our earnings forecast for FY23. Our **TP** is unchanged at **RM1.71**, based on sum-of- parts valuation. We maintain our **NEUTRAL** call on SUNWAY as we think the positives of better earnings have been largely priced in. 

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	5.4%	0.9%	1.5%	1.8%	2.1%
Core PER	13.70	24.11	21.79	20.93	20.70
NTA/share (RM)	1.66	1.86	1.99	2.08	2.12
P/NTA	1.01	0.91	0.85	0.81	0.79
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: 4QFY21 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY21	%YoY	%QoQ	FY21	%YoY
Revenue	1243.8	13.5%	16.8%	3,714.2	15.8%
EBIT	237.1	789.5%	184.5%	327.1	40.6%
Core PBT	292.4	19.4%	150.5%	538.8	15.0%
Net Income	2455.4	1132.2%	2927.7%	2,665.4	646.1%
Core Net Income	205.0	-1.4%	144.1%	452.4	33.8%
EPS (sen)	41.85	942.4%	2927.7%	45.6	456.8%
Core EPS (sen)	3.49	-16.6%	144.1%	7.4	8.7%
Net DPS (sen)	1.50	NA	NA	2.5	NA
NTA/share (RM)	1.99	7%	26%	2.0	7.1%
Net Gearing (x)	0.49	NA	NA	0.49	NA
EBIT Margin	19.1%	NA	NA	8.8%	NA
Core PBT Margin	23.5%	NA	NA	14.5%	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
Total SOP					8400.1
Number of shares					4918.0
Target Price (RM)					1.71

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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