

Sunway Bhd

No Surprises

TP: RM1.75 (+6.7%)

Last Traded: RM1.64

HOLD

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Review

- Excluding fair value gains of RM73.2mn, Sunway's FY17 normalised net profit of RM566.3mn came in within expectations, accounting for 102% and 101% of ours and consensus' full-year forecasts respectively.
- For this quarter, the board has declared a second interim dividend of 3.0sen/share, bringing the full year dividend to 6sen/share. For comparison, last year's dividend of 12.1sen is equivalent to 5.2sen after we adjusted it for the 3 for 4 bonus completed in FY17.
- YoY, Sunway's FY17 revenue and normalised net profit grew 15.4% and 3.5% to RM5.4bn and RM566.3mn respectively. The improvement was largely due to higher contribution from all business segments, except property development and quarry division. Property development division revenue decreased 17.7% YoY, mainly due to lower sales and progress billings from local development projects. Meanwhile, FY17 revenue for quarry division declined 2.6% YoY was largely due to lower sales volume and selling prices.
- QoQ, 4Q17 normalised net profit increased 11.0% to RM167.4mn, on the back of 30.6% growth in revenue. The improved performance in 4Q17 was mainly contributed by the property development and construction segments.
- Underpinned by new launches such as Sunway Serene (GDV: RM450mn, 40% take up), The Grid, Sunway Iskandar (GDV: RM360mn, 60% take up) and Sunway Citrine Lakehomes (GDV: RM100mn, 99% take up), Sunway's new sales has picked up significantly in 4Q17. 4Q17 sales surged 180% QoQ and 87% on YoY to RM579mn. This brought the FY17 full year sales to RM1.2bn (flat YoY). Unbilled sales eased to RM976mn (effective RM861mn), from RM991mn a quarter ago.

Impact

- Post FY17 results, we perform some housekeeping on our model and fine tune our FY18 and 19 earnings by -0.7% and -1.2% respectively.

Outlook

- Sunway is targeting new sales of RM1.3bn this year, underpinned by new projects worth RM2.0bn (see **Figure 2**) and other existing projects. Of the RM2.0bn new launches, 66% of the total launches are comprised of projects in Malaysia and followed by Singapore (24%) and China (10%).
- The group's unbilled sales of RM976mn and outstanding construction order book of RM5.0bn (external jobs only) should provide earnings visibility for the next 2-3 years.

Share Information

Bloomberg Code	SWB MK
Stock Code	5211
Listing	Main Market
Share Cap (mn)	2024.7
Market Cap (RMmn)	6,357.7
52-wk Hi/Lo (RM)	1.96/1.32
12-mth Avg Daily Vol ('000 shrs)	5,805.6
Estimated Free Float (%)	30.0
Beta	0.93

Major Shareholders (%)

Sungei Way Corp (55.1)
EPF (5.7)

Forecast Revision

	FY18	FY19
Forecast Revision (%)	(0.7)	(1.2)
Net profit (RMmn)	569.1	598.5
Consensus	607.0	662.0
TA's / Consensus (%)	93.8	90.4
Previous Rating	Hold (Maintained)	

Financial Indicators

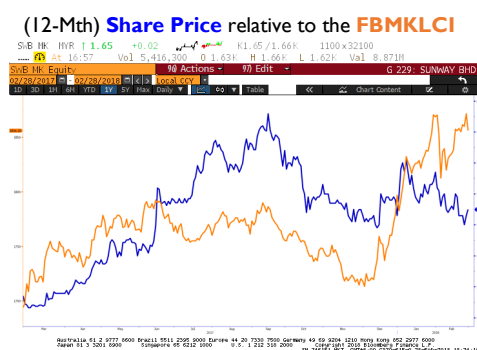
	FY18	FY19
Net gearing (x)	7.0	9.2
CFPS (sen)	71.5	8.6
P/CFPS (x)	2.3	19.3
ROE (%)	7.2	7.6
ROA (%)	2.7	2.8
NTA/Share (RM)	1.6	1.6
Price/NTA (x)	1.1	1.1

Scorecard

	% of FY	
vs TA	102.0	Within
vs Consensus	101.0	Within

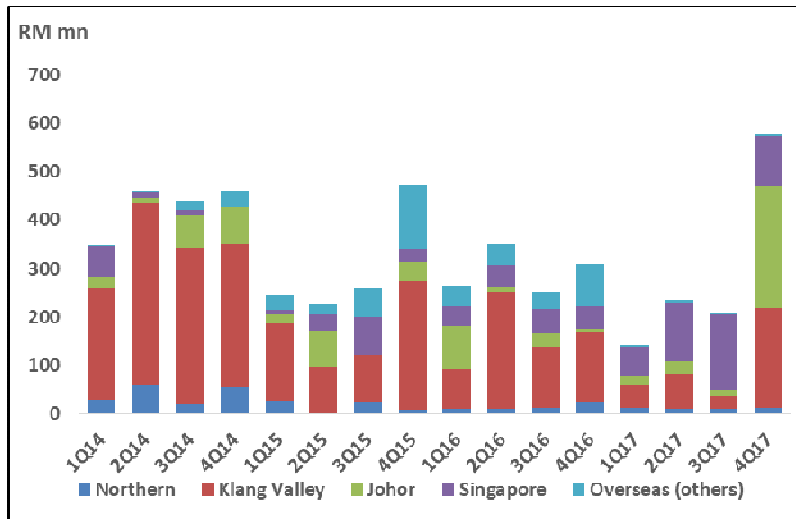
Share Performance (%)

Price Change	SWB	FBM KLCI
1 mth	(6.8)	(0.7)
3 mth	1.2	8.1
6 mth	(11.3)	4.7
12 mth	22.7	9.3



Source: Bloomberg

Figure 1: Sales Breakdown by Region



Source: Sunway

Valuation

- Our target price is adjusted slightly to **RM1.75** (previous RM1.74), based on average blended CY18 PE/PB of 15x/1.1x. Maintain Hold

Figure 2: New Launches for 2018

Development	Location	Type	GDV (RM mn)
Sunway Geo Lake	Sunway South Quay	Condominium	550
Sunway Velocity TWO	Jalan Peel, KL	Service Apartments	320
Sunway Wangsa Maju	Wangsa Maju	Service Apartments	220
Sunway Citrine Lakehomes	Sunway Iskandar, Johor	Townhouse & Cluster	80
Sunway Onsen Suites	Sunway City, Ipoh	Service Apartments	135
Sunway Wellesley	Bukit Mertajam, Penang	Shops	25
Rivercove Residences	Sengkang, Singapore	Executive Condominium	485
Tianjin Eco-City	Tianjin, China	Condominium	200
Total			2015

Table 3: Earnings Summary (RM mn)

YE Dec 31 (RM'mn)	2016	2017	2018F	2019F	2020F
Revenue	4655.6	5374.8	5523.6	6008.3	6220.4
EBITDA	853.1	797.2	874.0	911.9	957.5
EBITDA margin (%)	18.3	14.8	15.8	15.2	15.4
Pretax profit	803.6	810.5	775.8	815.7	866.4
Net profit	585.9	639.5	598.5	598.5	635.9
Net profit -adj	547.4	566.3	569.1	598.5	635.9
EPS (sen)	28.4	13.3	12.4	12.4	13.2
EPS - adj (sen)	11.4	11.8	11.8	12.4	13.2
EPS Growth (Core) (%)	(7.3)	3.5	0.5	5.2	6.3
PER (x)	14.5	14.0	14.0	13.3	12.5
GDPS (sen)	5.2	5.0	5.0	6.0	6.0
Div Yield (%)	3.2	3.0	3.0	3.6	3.6
ROE (%)	7.8	7.4	7.2	7.6	8.1

Note: EPS, DPS adjusted for 4 for 3 bonus issue completed in FY17

Table 4: 4QFY17 Results Analysis (RM mn)

YE 31 Dec (RM'mn)	4Q16	3Q17	4Q17	QoQ (%)	YoY (%)	FY16	FY17	YoY(%)
Revenue	1,293.4	1319.6	1722.9	30.6	33.2	4655.6	5374.8	15.4
EBIT	239.6	153.6	222.4	44.8	(7.2)	715.1	686.6	(4.0)
Gain on derivative	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Finance income	38.6	56.2	55.0	(2.2)	42.3	119.9	197.7	64.9
Finance costs	(52.4)	(62.5)	(45.8)	(26.8)	(12.6)	(167.9)	(220.3)	31.2
Associates	28.6	29.9	28.8	(3.8)	0.7	124.9	168.6	35.0
JV	16.1	19.6	0.5	(97.4)	(96.8)	67.0	49.5	(26.1)
EI	40.9	0.0	14.9	>100	(63.6)	55.5	71.7	29.2
PBT	270.6	196.7	260.9	32.6	(3.6)	859.0	882.2	2.7
Core PBT	229.7	196.7	246.0	25.0	7.1	803.5	810.5	0.9
Tax	(46.0)	(29.0)	(54.9)	89.6	19.5	(140.4)	(149.4)	6.4
MI	(38.8)	(16.9)	(22.2)	31.0	(42.9)	(132.7)	(93.3)	(29.7)
Net profit	185.8	150.9	183.8	21.8	(1.1)	585.9	639.5	9.2
Core net profit	161.8	150.9	167.4	11.0	3.4	547.4	566.3	3.5
Reported EPS (sen)	3.9	3.2	3.8	20.8	(1.8)	12.7	9.6	(24.6)
Adj EPS (sen)	3.4	3.2	3.5	10.0	2.7	11.9	8.4	(29.5)
DPS (sen)	3.1	0.0	3.0	>100	(2.0)	5.2	6.0	15.3
EBIT margin (%)	18.5	11.6	12.9	1.3	(5.6)	15.4	8.6	(6.7)
PBT margin (%)	17.8	14.9	14.3	(0.6)	(3.5)	17.3	15.1	(2.2)
Net margin (%)	12.5	11.4	9.7	(1.7)	(2.8)	11.8	10.5	(1.2)
Effective tax rate (%)	20.0	14.7	22.3	7.6	2.3	17.5	18.4	1.0

* Including distribution of treasury share on the basis of 1:100

Stock Recommendation Guideline

- BUY** : Total return within the next 12 months exceeds required rate of return by 5%-point.
HOLD : Total return within the next 12 months exceeds required rate of return by between 0-5%-point.
SELL : Total return is lower than the required rate of return.
Not Rated: The company is not under coverage. The report is for information only.

Total Return is defined as expected share price appreciation plus gross dividend over the next 12 months. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

Required Rate of Return of 7% is defined as the yield for one-year Malaysian government treasury plus assumed equity risk premium.

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As of Thursday, March 01, 2018, the analyst, Thiam Chiann Wen, who prepared this report, has interest in the following securities covered in this report:
 (a) nil

Kaladher Govindan – Head of Research

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