

Sunway Berhad

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

FY21 new sales target at RM1.6b


KEY INVESTMENT HIGHLIGHTS

- **FY20 new sales exceeded expectations**
- **FY21 new sales target set at RM1.6b**
- **Stronger earnings outlook for 4QFY20**
- **Earnings forecast revised upwards**
- **Maintain NEUTRAL with a revised TP of RM1.42**

FY20 new sales exceeded expectations. Sunway Berhad (SUNWAY) recorded total new sales of RM1.3b for FY20, exceeding management and our new sales target of RM1.1b for FY20. Recall that SUNWAY registered new property sales of RM270m in 3QFY20, bringing total new sales to RM943m in 9MFY20. The better-than-expected sales in FY20 were mainly due to sequentially higher new sales of ~RM360m in 4QFY20. Meanwhile, new sales of RM1.3b in FY20 were lower than new sales of RM1.55b achieved in FY19, mainly due to low property sales during MCO period.

FY21 new sales target set at RM1.6b. Looking ahead, management set higher new sales target of RM1.6b for FY21 on the back of planned launches with total GDV of RM2.8b. Key launches for FY21 include overseas projects namely Parc Central Residences (GDV: RM910m) in Singapore and Sunway Gardens Phase 3 (GDV: RM780m) in China. Meanwhile, local projects that will be launched in FY21 include Sunway Belfield Phase 1 (GDV: RM320m) in Jalan Belfield KL, Sunway ARTESSA (GDV: RM300m) in Wangsa Maju KL, Sunway Damansara Hill (GDV: RM220m) in Kota Damansara KL and Sunway Kajang Phase 1 (GDV: RM270m) in Kajang Selangor.

Stronger earnings outlook for 4QFY20. SUNWAY recorded weaker earnings of RM192m (-60.3%yoy) in 9MFY20 as most of its business divisions were hit by Covid-19 pandemic. Nevertheless, we expect earnings to be stronger in 4QFY20 due to anticipated stronger earnings from property development division. Earnings of property development division in 4QFY20 is expected to boost by bumper earnings recognition of Rivercove Residences project in Singapore and Sunway Gardens project in China as handover of the projects are expected in 4QFY20.

Maintain Neutral with a revised TP of RM1.42. We revise our FY20/21F earnings forecast by +1.3%/+4.2% to factor in higher sales in FY20. Our TP is revised to RM1.42 from RM1.34 as we narrow our RNAV discount for property development division to 25% from 36% in sum-of-parts valuation due to better sales outlook. Nevertheless, we maintain our Neutral call due to limited upside while outlook for its hospitality and leisure segment remains muted due to Covid-19 pandemic. 

Maintain NEUTRAL

Revised Target Price: RM1.42

Previously RM1.34

RETURN STATISTICS

Price @ 6 Jan 2021 (RM)	1.55
Expected share price return (%)	-8.4
Expected dividend yield (%)	3.2
Expected total return (%)	-5.2

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	8.5	10.6
3 months	-5.0	5.1
12 months	-16.8	-16.5

KEY STATISTICS

FBM KLCI	1,591.97
Syariah compliant	Yes
Issue shares (m)	4933.93
Estimated free float (%)	30.87
Market Capitalisation (RM'm)	7,578
52-wk price range (RM)	RM1.22 - RM1.87
Beta vs FBM KLCI (x)	0.81
Monthly velocity (%)	1.98
Monthly volatility (%)	5.86
3-mth average daily volume (m)	3.20
3-mth average daily value (RM'm)	4.45
Top Shareholders (%)	
Sungei Way Corp Sdn Bhd	51.36
Employees Provident Fund Board	10.00

Analyst(s)

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INVESTMENT STATISTICS

FYE Dec	FY17A	FY18A	FY19A	FY20F	FY21F
Revenue	5239.3	5410.3	4780.4	3755.5	5014.9
Core EBIT	653.0	559.9	565.2	361.5	595.9
Core PBT	799.0	782.8	801.2	575.7	821.1
Net Income	620.6	659.0	766.6	405.9	562.1
Core Net Income	563.8	591.2	655.0	405.9	562.1
EPS (sen)	12.6	13.4	15.7	8.4	11.6
Core EPS (sen)	11.5	12.0	13.4	8.4	11.6
Net DPS (sen)	6.00	7.12	9.10	5.02	6.95
Net Dvd Yield	3.9%	4.6%	5.9%	3.2%	4.5%
Core PER	13.52	12.91	11.53	18.53	13.38
NTA/share (RM)	1.54	1.66	1.66	1.76	1.81
P/NTA	1.01	0.94	0.93	0.88	0.86
Core ROE	7.1%	7.0%	7.8%	4.7%	6.4%
Core ROA	2.9%	2.8%	3.1%	1.8%	2.5%

Source: MIDF Research

Sum-of-Parts

Division	Methodology	PER (x)	Stake	Discount	Value (RM m)
Property Development	NPV of profits	n/a	100%	25%	2487.3
Property Investment	Net Book Value	n/a	100%	n/a	1490.0
Construction	17x FY21E PER	17	54%	n/a	823.6
Sunway REIT	Target Price of RM1.61	n/a	35%	n/a	1635.8
Trading and manufacturing	10x FY21E PER	10	100%	n/a	120.6
Quarry	10x FY21E PER	10	100%	n/a	434.9
Total SOP					6992.2
Number of shares					4918.0
Target Price (RM)					1.42

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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.