Sunway Berhad

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

Earnings driven by property investment division

***Maintain* NEUTRAL**

***Revised* Target Price: RM1.63**

(From RM1.71)

KEY INVESTMENT HIGHLIGHTS

- **1HFY22 earnings above expectations**
- **Earnings driven by property investment division**
- **1HFY22 new property sales at RM932m**
- **Maintain NEUTRAL with a revised TP of RM1.63**

1HFY22 earnings above expectations. Sunway Berhad (SUNWAY) 1HFY22 core net earnings of RM275.3m came in above expectations, making up 57% and 58% of consensus and our full year forecast respectively. The positive deviation could be attributed to the higher than expected earnings from property investment division following the reopening of economic activity. Meanwhile, dividend of 2sen per share was announced.

Earnings driven by property investment division. Sequentially, 2QFY22 core net income grew to RM135.5m (+13%qoq) mainly due to the better performance of property investment division. That brought 1HFY22 cumulative core net income to RM275.3m (+105.7%yoy). The higher earning was mainly underpinned by higher contribution from property investment division and construction division. Property investment division recorded higher segment operating profit of RM68.7m in 1HFY22 against operating loss of RM23.6m in 1HFY21 mainly due to higher visitor ship to its theme park and higher contribution from Sunway REIT. Similarly, construction division recorded improved contribution due to higher progress billings from local construction projects. On the other hand, operating profit of property development division was flattish in 1HFY22.

1HFY22 new property sales at RM932m. SUNWAY recorded flattish new property sales of RM485m in 2QFY22 against new sales of RM447m in 1QFY22. That brought total new sales to RM932m in 1HFY22 which makes up 42% of management new sales target of RM2.2b for FY22. On the other hand, unbilled sales were flattish at RM4.14b in 2QFY22 from RM4.18b in 1QFY22.

Maintain Neutral with a revised TP of RM1.63. We revise our earnings forecast by +12%/+11% for FY22/23F after factoring in higher contribution from property investment division. Our TP is revised to RM1.63 from RM1.71 as we update our Sum-of-parts valuation. We maintain Neutral on SUNWAY as we see the positives of earnings recovery have been largely priced in.

RETURN STATISTICS	
Price @ 24 Aug 2022 (RM)	1.66
Expected share price return (%)	-1.8
Expected dividend yield (%)	1.8
Expected total return (%)	**0.0**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	0.6	0.7
3 months	-2.4	0.4
12 months	-6.2	0.3

KEY STATISTICS	
FBM KLCI	1,467.26
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆
Issue shares (m)	4889.07
Estimated free float (%)	68.82
Market Capitalisation (RM'm)	8,115.86
52-wk price range (RM)	RM1.56 - RM1.85
Beta vs FBM KLCI (x)	0.57
Monthly velocity (%)	1.98
Monthly volatility (%)	9.10
3-mth average daily volume (m)	0.66
3-mth average daily value (RM'm)	1.11
Top Shareholders (%)	
Sungei Way Corp Sdn Bhd	14.19
Employees Provident Fund Board	8.33

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INVESTMENT STATISTICS

FYE Dec	FY19A	FY20A	FY21A	FY22F	FY23F
Revenue	4780.4	3829.1	3714.2	5731.5	5430.3
Core EBIT	565.2	250.8	538.8	619.6	588.2
Core PBT	801.2	487.8	538.8	799.4	791.4
Net Income	709.2	359.6	2665.4	528.0	527.3
Core Net Income	597.6	338.1	452.4	528.0	527.3
EPS (sen)	14.5	7.4	45.4	9.0	9.0
Core EPS (sen)	12.3	7.0	7.7	9.0	9.0
Net DPS (sen)	9.10	1.50	2.50	3.00	3.50
Net Dvd Yield	5.5%	0.9%	1.5%	1.8%	2.1%
Core PER	13.54	23.82	21.53	18.45	18.47
NTA/share (RM)	1.66	1.86	1.99	2.09	2.12
P/NTA	1.00	0.89	0.84	0.80	0.78
Core ROE	7.1%	3.5%	3.8%	4.3%	4.2%
Core ROA	2.8%	1.6%	1.8%	2.0%	1.9%

Source: MIDF Research

SUNWAY BERHAD: 2QFY22 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY22	%YoY	%QoQ	FY22	%YoY
Revenue	1280.4	32.3%	15.1%	2,392.8	20.6%
EBIT	166.3	355.6%	130.5%	238.4	178.7%
Core PBT	181.7	113.5%	8.8%	348.6	103.8%
Net Income	168.9	139.5%	20.5%	309.0	139.6%
Core Net Income	135.5	76.9%	13.0%	275.3	105.7%
EPS (sen)	2.88	139.5%	20.5%	5.3	119.7%
Core EPS (sen)	2.31	76.9%	13.0%	4.4	75.9%
Net DPS (sen)	2.00	NA	NA	2.0	NA
NTA/share (RM)	2.03	28%	1%	2.0	28.3%
Net Gearing (x)	0.50	NA	NA	0.50	NA
EBIT Margin	13.0%	NA	NA	10.0%	NA
Core PBT Margin	14.2%	NA	NA	14.6%	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%	2783.0
Property Investment	Net Book Value	n/a	100%	n/a	1490.0
Construction	18x FY23E PER	18	54%	n/a	1422.3
Sunway REIT	Target Price of RM1.68	n/a	35%	n/a	1984.6
Healthcare	23x FY23 PER	23	84%	n/a	1172.8
Trading and manufacturing	12x FY23E PER	12	100%	n/a	125.2
Quarry	12x FY23E PER	12	100%	n/a	575.2
Total SOP					**9553.1**
Number of shares					5866.0
Target Price (RM)					**1.63**

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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 *rise* 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 *fall* 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