

Sunsuria Berhad

1H19 Above Expectations

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1H19 CNP of RM96.8m came in above our expectations at 107% of full-year estimate due to our overly bearish billings assumptions and lumpy recognition this quarter from completion of commercial asset Jasper Square, in line with MFRS 15. Sales came in within at 47%. We increase FY19-20E earnings by 25-8% to RM113-124m on stronger recognitions in 2H19. Maintain OP and TP of RM0.760.

1H19 CNP of RM96.8m exceeded our expectation at 107% of FY19 estimate. No consensus is available. We believe the deviation from our estimates is due to our overly bearish billing assumptions on the slow 1Q19 performance while we also noted that earnings were also lumpier this quarter due to the adoption of MFRS 15* as Jasper Square was completed. As a result, top-line came in at 106% of our estimate. However, 1H19 sales of RM186m came in within, at 47% of our FY19 estimate of RM0.40b with key sales drivers being Forum and Monet Springtime. No dividends were proposed, as expected

**MFRS 15 implies that revenue from commercial property development projects, which was previously progressively recognised over time, will be recognised based on completion.*

Results' highlight. YoY-Ytd, top-line was up by 184% mainly due to a lumpy recognition from Jasper Square (due to MFRS 15 being recognised this quarter), as well as other projects such as The Olive, Bell Suites SOHO, Monet Lily, Monet Springtime, Monet Garden and Forum 2 SOHO. PBT margin was also significantly stronger at 47% (vs. 10%) due to a better product mix as commercial developments tend to command better margins vis-à-vis residential developments. This cascaded straight to bottom-line, which soared back into the black to RM96.8m (from CNL of RM1.5m). QoQ, 2Q19 top-line was up by 200% due to similar reasons mentioned above which also led to strong PBT margin of 52% (vs. 33%). This coupled with a normalised tax rate of 26% (vs. 54% previously), translated to strong CNP growth of 1,650% to RM91.6m (from RM5.2m).

Outlook. Upcoming launches will mostly cater to the affordable high-rise or mid-market landed residential, priced mostly below RM800k/unit from Sunsuria City. The bulk of FY19E sales hinges on Monet Residences (GDV: RM994m) at Sunsuria City, and Forum 2 (GDV: RM893m), as well as other projects including Tangerine (GDV: RM242m) and Giverny Walk (GDV: RM67m). We believe the Group will be able to aggressively land bank going forward due to its light balance sheet.

Increase FY19-20E by 25-8% to RM113-124m post increasing our recognitions in FY19 for Jasper Square and Monet Residences projects, and in FY20 for Monet Residences; as we may have been too conservative with our recognition estimates previously. However, we make no changes to our FY19-20E sales target of RM0.40b each as sales is on track.

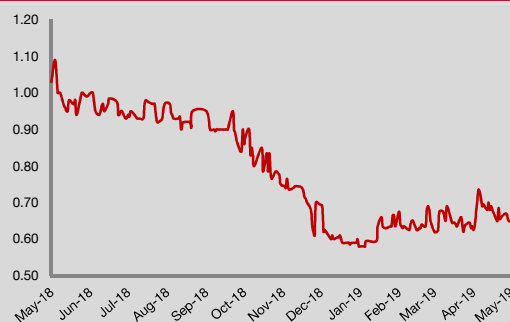
Maintain OUTPERFORM with an unchanged Target Price of RM0.760 on a property RNAV discount of 75% implying a SoP discount of 68% on an unchanged FD SoP RNAV of RM2.34. Our discount is pegged to -1.25SD level to account for the potential EPS dilution arising from the placement. However, we are comfortable with our call on SUNSURIA as we have priced in most foreseeable risks for now while our TP implies a FY19E PER of 6.0x, which is below small-mid cap peers' average Fwd. PER of 8.6x. We would re-look to upgrade our valuations should the placement prove not as dilutive as expected or results in EPS enhancement going forward.

Risks include: (i) weaker-than-expected property sales, (ii) higher than-expected sales/administrative and finance costs (i.e. margin fluctuations), (iii) changes in real estate policies, and (iv) changes in lending environment.

OUTPERFORM ↔

Price: **RM0.660**
Target Price: **RM0.760** ↔

Share Price Performance



KLCI	1,636.50
YTD KLCI chg	-3.2%
YTD stock price chg	8.2%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SSR MK Equity
Market Cap (RM m)	587.3
Shares Outstanding	889.9
52-week range (H)	1.01
52-week range (L)	0.58
3-mth avg daily vol:	118,406
Free Float	40%
Beta	0.5

Major Shareholders

Ter Equity Sdn Bhd	20.5%
Ter Capital Sdn Bhd	20.4%
Ter Leong Yap	19.0%

Summary Earnings Table

FY Sept (RM'm)	2018A	2019E	2020E
Turnover	491.5	400.7	430.2
EBIT	168.6	152.1	164.9
PBT	165.7	151.6	164.5
Net Profit (NP)	101.6	112.9	123.8
Core NP*	132.4	112.9	123.8
Consensus (NP)	n.a.	n.a.	n.a.
Earnings Revision	n.a.	+25%	+8%
Core EPS (sen)	14.9	12.7	13.9
Core EPS growth (%)	31%	-15%	10%
NDPS (sen)	0.0	0.0	0.0
BVPS (RM)	1.04	1.05	1.19
Core PER	4.4	5.2	4.7
Price/BV (x)	0.6	0.6	0.6
Net Gearing (x)	0.1	0.1	0.1
Net Div. Yield (%)	0.0	0.0	0.0



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Results Highlights

FYE: 30th Sept (RMm)	2Q19	1Q19	QoQ	2Q18	YoY	1H19	1H18	YoY-Ytd
Revenue	249.0	82.9	200%	67.4	270%	332.0	117.1	184%
Op costs w/o depn/amort	-118.7	-59.9	98%	-57.8	105%	-178.6	-104.8	70%
Other Income	1.4	6.7	-79%	0.8	82%	8.1	1.8	356%
EBITDA	131.7	29.8	342%	10.3	1178%	161.5	14.1	1047%
EBIT	129.9	28.3	360%	9.7	1246%	158.2	12.8	1138%
Finance Cost	-0.4	-0.4	-1%	-0.4	-11%	-0.8	-0.8	-2%
Associate + JCE	-0.3	-0.4	-31%	0.0	n.a.	-0.7	0.0	n.a.
Fair Value Adj	0.0	0.0	n.a.	0.0	n.a.	0.0	0.0	n.a.
Pretax profit	129.3	27.5	370%	9.2	1301%	156.8	12.0	1206%
Taxation	-33.6	-14.8	128%	-1.9	1681%	-48.4	-2.6	1792%
Minority Interests	-4.1	-2.1	100%	-6.3	-34%	6.2	11.2	-45%
Net profit	91.6	10.7	758%	1.1	8325%	5.4	-0.2	n.m.
Exceptional	0.0	5.4	n.m.	-0.1	-100%	102.2	-1.7	n.m.
Core net profit	91.6	5.2	1650%	1.2	7363%	96.8	-1.5	n.m.
Core EPS (sen)	11.5	0.7	1650%	3.8	202%	12.1	-0.2	n.m.
NDPS (sen)	0.0	0.0		0.0		0.0	0.0	
NTA/share (RM)	1.1	1.0		1.0		1.1	1.0	
Net gearing/(cash) (x)	0.1	0.2		0.1		0.1	0.1	
EBITDA margin	52.9%	35.9%		15.3%		48.6%	12.0%	
EBIT Margin	52.2%	34.1%		14.3%		47.7%	10.9%	
Pretax margin	51.9%	33.1%		13.7%		47.2%	10.3%	
Effective tax rate	26.0%	53.7%		20.4%		30.8%	21.3%	

Source: Company, Kenanga Research

Segmental Breakdown/ Trends

FYE: 30th Sept (RM'm)	2Q19	1Q19	QoQ	2Q18	YoY	1H19	1H18	YoY-Ytd
Revenue (RM'm)								
Property Development	244.2	87.8	178%	73.5	232%	332.0	122.7	171%
Construction	42.4	47.0	-10%	31.4	35%	89.4	51.7	73%
Investment Holding and Others	6.3	44.1	-86%	0.4	1501%	50.4	0.6	9026%
Consolidation Adjustments	-43.8	-96.0	-54%	-37.8	16%	-139.8	-57.9	142%
	249.0	82.9	200%	67.4	270%	332.0	117.1	184%
EBIT (RM'm)								
Property Development	134.2	29.7	352%	18.6	624%	164.0	26.3	523%
Construction	7.1	5.1	39%	2.3	206%	12.1	4.6	161%
Investment Holding and Others	1.8	41.7	-96%	-4.6	-140%	43.5	-9.1	-579%
	134.3	27.9	381%	9.3	1337%	162.2	13.1	1137%
PBT (RM'm)								
Property Development	133.9	29.4	356%	18.2	636%	163.3	25.4	544%
Construction	7.0	5.0	39%	2.6	173%	12.1	4.8	149%
Investment Holding and Others	-2.8	41.6	-107%	-4.6	-39%	38.8	-9.4	-515%
	129.3	27.5	370%	9.2	1301%	156.8	12.1	1200%
EBIT Margins (%)								
Property Development	55.0%	33.8%		25.3%		49.4%	21.5%	
Construction	16.6%	10.8%		7.3%		13.6%	9.0%	
Investment Holding and Others	29.2%	94.5%		-1176.0%		86.4%	-1644.7%	
	53.9%	33.7%		13.9%		48.9%	11.2%	
PBT Margins (%)								
Property Development	54.8%	33.4%		24.8%		49.2%	20.7%	
Construction	16.6%	10.7%		8.2%		13.5%	9.4%	
Investment Holding and Others	-44.6%	94.4%		-1179.3%		77.1%	-1695.7%	
	51.9%	33.1%		13.7%		47.2%	10.3%	

Source: Company, Kenanga Research

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Peer Comparison

Name	Last Price	Market	Shariah	Current	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div.Yld. (%)	Target	Rating
	(RM)	Cap (RM'm)	Compliant	FYE	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	Price (RM)	
PROPERTY DEVELOPERS UNDER COVERAGE																	
AMVERTON BHD	1.08	394.3	Y	12/2019	-0.7%	3.4%	-58.8%	7.3%	16.5	40.0	37.3	0.6	0.5	1.4%	0.0%	1.00	UP
ECO WORLD DEVELOPMENT GROUP	0.860	2,532.2	Y	10/2019	-4.4%	-18.3%	23.4%	23.9%	15.3	12.4	10.0	0.7	0.6	4.5%	1.2%	1.15	OP
HUA YANG BHD	0.305	107.4	Y	03/2020	-11.0%	-1.2%	153.2%	-11.8%	N.A.	13.1	14.8	0.2	0.2	1.4%	0.0%	0.335	MP
IOI PROPERTIES GROUP BHD	1.29	7,102.9	Y	06/2019	-15.0%	-6.0%	5.3%	0.7%	10.7	10.2	10.1	0.4	0.4	3.8%	3.9%	1.65	OP
LBS BINA GROUP BHD	0.515	802.9	Y	12/2019	31.3%	0.9%	7.9%	3.4%	9.4	8.7	8.5	0.6	0.5	6.6%	3.4%	0.675	MP
MAGNA PRIMA BHD	0.880	292.7	Y	12/2019	40.0%	11.1%	9637.5%	338.9%	N.A.	1,168.2	266.2	0.8	0.8	0.1%	0.0%	0.740	UP
MAH SING GROUP BHD	0.905	2,197.1	Y	12/2019	4.5%	7.0%	-2.5%	1.0%	13.4	13.7	13.6	0.6	0.6	5.2%	4.4%	1.05	OP
MALAYSIAN RESOURCES CORP BHD	0.930	4,091.9	Y	12/2019	-37.3%	58.2%	3.8%	46.1%	54.1	52.1	35.7	0.8	0.8	1.6%	1.5%	0.750	UP
SIME DARBY PROPERTY BHD	1.06	7,208.9	Y	12/2019	13.6%	12.5%	7.8%	16.9%	19.6	18.2	15.6	0.8	0.8	4.1%	2.2%	1.10	MP
SP SETIA BHD	2.11	8,508.6	Y	12/2019	7.8%	29.7%	71.3%	50.5%	38.8	22.6	15.0	0.6	0.6	2.5%	3.3%	2.45	OP
SUNSURIA BHD	0.660	587.3	Y	09/2019	-18.5%	7.4%	-14.7%	9.7%	4.4	5.2	4.7	0.6	0.6	12.9%	0.0%	0.760	OP
SUNWAY BHD	1.69	8,252.0	Y	12/2019	-2.7%	12.5%	-8.5%	22.5%	14.1	15.4	12.6	1.0	1.0	6.3%	3.5%	1.60	MP
UEM SUNRISE BHD	0.860	3,902.2	Y	12/2019	37.0%	-14.3%	9.0%	-11.7%	12.0	11.0	12.4	0.6	0.6	4.9%	1.2%	0.850	MP
UOA DEVELOPMENT BHD	2.30	4,240.6	Y	12/2019	0.6%	-0.4%	4.6%	0.9%	12.7	12.2	12.1	0.9	0.9	7.4%	6.1%	2.15	MP
Simple Average					3.2%	7.3%	702.8%	35.6%	18.4	100.2	33.5	0.7	0.6	4.5%	2.2%		
*SIMEPROP change of FY-end from 30-Jun to 31-Dec. Our historical numbers are based on FY18A while 1-Yr and 2-Yr Fwd are based on FY19E and FY20E figures																	
CONSENSUS NUMBERS																	
GLOMAC BHD	0.350	273.1	Y	04/2019	-37.9%	22.4%	-81.8%	179.8%	8.7	47.9	17.1	0.3	N.A.	0.6%	1.1%	0.390	SELL
MATRIX CONCEPTS HOLDINGS BHD	1.93	1,518.5	Y	03/2019	25.1%	12.1%	-2.3%	11.5%	7.1	7.3	6.5	1.1	1.1	16.2%	6.2%	2.33	BUY
PARAMOUNT CORP BHD	2.10	910.0	Y	12/2019	-1.4%	8.4%	2.4%	5.3%	9.9	9.7	9.2	0.8	N.A.	7.2%	4.3%	2.56	BUY
TAMBUN INDAH LAND BHD	0.755	327.3	Y	12/2019	-14.3%	10.6%	-22.4%	10.1%	5.9	7.6	6.9	0.5	N.A.	7.1%	5.7%	0.897	BUY
TITIJAYA LAND BHD	0.295	375.6	Y	06/2019	-14.3%	13.9%	-28.4%	17.1%	5.2	7.2	6.2	0.3	0.3	3.9%	1.7%	0.360	BUY
YONG TAI BHD	0.335	179.0	Y	06/2019	28.1%	108.6%	-168.0%	66.5%	11.5	N.A.	11.3	0.4	0.5	-4.5%	0.0%	0.343	NEUTRAL

Source: Kenanga Research

31 May 2019

Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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