

28 November 2019

# Sunsuria Berhad

## FY19 Within Expectations

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**FY19 CNP of RM121.4m came in within our expectation at 95% while sales came in slightly below at 92%. Maintain FY20E CNP of RM133m and introduce FY21E CNP of RM140m driven by property sales of RM0.40b in FY20-21E. Maintain MARKET PERFORM but on a lower TP of RM0.585 (from RM0.760) post switching to PBV valuations.**

**FY19 CNP of RM121.4m met our expectation** at 95% of FY19 estimate. No consensus is available. FY19 sales of RM368m are slightly below our expectation at 92% of estimate of RM400m with key sales drivers being Forum II and Monet Residences. No dividends were proposed, as expected.

**Results' highlights.** YoY, FY19 revenue was down by 25% mainly due to the recognition of Forum 1 and Bell Avenue commercial development in 2H18\*. FY19 sales were driven by recognition from existing projects namely Sunsuria City projects (The Olive, Bell Suites SOHO & Retails, Monet Lily, Monet Springtime, Monet Garden, Giverny Walk and Tangerine Suites) and Forum II SOHO and Offices in Setia Alam. All in, bottom-line declined by 33% on slightly higher financing cost (+21%) and higher effective tax rate of 35.4% (vs. 22.8%) as certain expenses were not tax deductible. **QoQ**, top-line was up by 8% mainly driven by Monet Lily and The Olive while higher finance cost (+1797%) and higher effective tax rate (61% vs. 40% previously) due to similar reasons mentioned above caused bottom-line to decrease by 18%.

**Outlook.** Upcoming launches will mostly cater to the affordable high-rise or mid-market landed residential, priced mostly below RM800k/unit from Sunsuria City. FY20 sales hinges on projects at Sunsuria City, namely Monet Residences (GDV: RM994m), and Forum II (GDV: RM893m) at Setia Alam while other projects include Tangerine (GDV: RM242m) and Giverny Walk (GDV: RM67m). We believe the group could aggressively land bank going forward due to its light balance sheet.

**Maintain FY20E NP of 133m and introduce FY21E NP of RM140m** based on FY20-21 sales targets of RM0.40b each. Unbilled sales of RM323m provide under one-year earnings visibility.

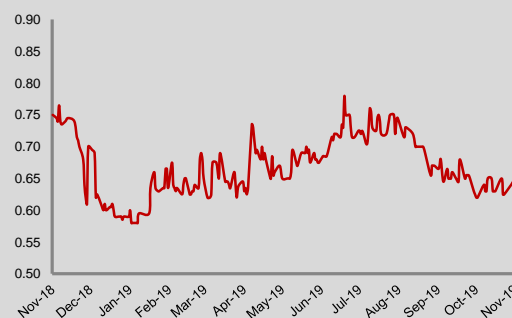
**Maintain MARKET PERFORM with a lower Target Price of RM0.585 (from RM0.760)** post switching to a P/BV valuation method (from RNAV) as a more conservative approach to gauge trough valuations of property stocks amid the prevailing market down-cycle. Our TP is based on P/BV of 0.55x (@ -1.5SD of its 3-year historical band) on an adjusted BV/share of RM1.05 (after imputing a 40% discount to its latest available inventory level of completed properties). We are comfortable with our MARKET PERFORM call as we have priced in most foreseeable risks for now and given that earnings have met expectations in recent quarters as well as bouncing back from a low after the adoption of MFRS 15\* and MFRS 123 which inflated financing cost in FY19. Our TP is conservative as it implies a 75% discount to our FD SoP RNAV of RM2.34.

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

## MARKET PERFORM ↔

**Price:** RM0.620  
**Target Price:** RM0.585 ↓

### Share Price Performance



KLCI 1,587.18  
YTD KLCI chg -6.1%  
YTD stock price chg 1.6%

### Stock Information

Shariah Compliant Yes  
Bloomberg Ticker SSR MK EQUITY  
Market Cap (RM m) 555.5  
Shares Outstanding 895.9  
52-week range (H) 0.92  
52-week range (L) 0.58  
3-mth avg daily vol: 41,248  
Free Float 22%  
Beta 0.6

### Major Shareholders

Ter Equity Sdn Bhd 20.4%  
Ter Capital Sdn Bhd 20.3%  
Ter Leong Yap 18.8%

### Summary Earnings Table

FY Sept (RM'm)	2019A	2020E	2021E
Turnover	534.3	514.0	563.1
EBIT	211.3	194.2	206.3
PBT	204.3	177.4	186.8
<b>Net Profit (NP)</b>	<b>126.8</b>	<b>133.2</b>	<b>139.6</b>
<b>Core NP*</b>	<b>121.4</b>	<b>133.2</b>	<b>139.6</b>
Consensus (NP)	N.A.	127.0	133.0
Earnings Revision	N.A.	0%	0%
Core EPS (sen)	13.5	15.0	15.7
Core EPS growth (%)	-40%	10%	5%
NDPS (sen)	0.0	0.0	0.0
BVPS (RM)	1.07	1.22	1.38
Core PER	4.3	4.1	4.0
Price/BV (x)	0.6	0.5	0.5
Net Gearing (x)	0.2	0.1	0.1
Net Div. Yield (%)	0.0	0.0	0.0

28 November 2019

## OTHER POINTS

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

<b>Results Highlights</b>								
<b>FYE: 30th Sept (RMm)</b>	<b>4Q19</b>	<b>3Q19</b>	<b>QoQ</b>	<b>4Q18</b>	<b>YoY</b>	<b>FY19</b>	<b>FY18</b>	<b>YoY-Ytd</b>
Revenue	104.8	97.5	8%	273.6	-62%	534.3	712.3	-25%
Op costs w/o deprn/amort	-76.1	-72.5	5%	-156.5	-51%	-327.3	-433.9	-25%
Other Income	1.1	1.4	-21%	3.1	-65%	10.6	6.0	75%
<b>EBITDA</b>	<b>29.8</b>	<b>26.3</b>	<b>13%</b>	<b>120.2</b>	<b>-75%</b>	<b>217.5</b>	<b>284.4</b>	<b>-24%</b>
<b>EBIT</b>	<b>28.1</b>	<b>25.0</b>	<b>12%</b>	<b>117.8</b>	<b>-76%</b>	<b>211.3</b>	<b>280.0</b>	<b>-25%</b>
Finance Cost	-5.5	-0.3	1797%	-4.0	38%	-6.5	-5.4	21%
Associate + JCE	0.6	-0.4	-249%	-0.1	-732%	-0.5	-0.1	403%
Fair Value Adjustments on IP	0.0	0.0	n.a.	0.0	n.a.	0.0	0.0	n.a.
<b>Pretax profit</b>	<b>23.2</b>	<b>24.3</b>	<b>-4%</b>	<b>113.7</b>	<b>-80%</b>	<b>204.3</b>	<b>274.5</b>	<b>-26%</b>
Taxation	-14.2	-9.8	45%	-30.7	-54%	-72.4	-62.6	16%
Minority Interests	2.1	-1.0	-305%	1.6	27%	5.1	61.8	-92%
<b>Net profit</b>	<b>11.1</b>	<b>13.5</b>	<b>-18%</b>	<b>84.7</b>	<b>-87%</b>	<b>126.8</b>	<b>150.1</b>	<b>-15%</b>
<b>Core net profit</b>	<b>11.1</b>	<b>13.5</b>	<b>-18%</b>	<b>115.2</b>	<b>-90%</b>	<b>121.4</b>	<b>180.8</b>	<b>-33%</b>
Core EPS (sen)	1.2	1.5	-18%	14.4	-91%	13.5	22.6	-40%
NDPS (sen)	0.0	0.0		0.0		0.0	0.0	
NTA/share (RM)	1.1	1.0		1.1		1.08	1.1	
Net gearing/(cash) (x)	0.1	0.1		0.1		0.1	0.1	
EBIT Margin	26.8%	25.6%		43.0%		39.5%	39.3%	
Pretax margin	22.2%	24.9%		41.6%		38.2%	38.5%	
Effective tax rate	61.1%	40.4%		27.0%		35.4%	22.8%	

Source: Company, Kenanga Research

28 November 2019

## Peer Comparison

Name	Last Price	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div.Yld. (%)	Target Price (RM)	Rating
	(RM)				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)		
<b>PROPERTY DEVELOPERS UNDER COVERAGE</b>																		
AMVERTON BHD	1.08	394.3	Y	12/2019	-34.7%	1.3%	-83.6%	30.5%	16.5	100.6	77.1	0.6	0.5	0.5%	0.0%	1.00	UP	
ECO WORLD DEVELOPMENT GROUP	0.660	1,943.3	Y	10/2019	-1.7%	-16.9%	3.6%	21.5%	11.7	11.2	9.3	0.5	0.5	4.6%	1.4%	0.750	OP	
HUA YANG BHD	0.365	128.5	Y	03/2020	-11.0%	-1.2%	153.2%	-11.8%	N.A.	15.6	17.7	0.2	0.2	1.4%	0.0%	0.335	UP	
IOI PROPERTIES GROUP BHD	1.18	6,497.3	Y	06/2020	1.4%	2.6%	-3.0%	8.2%	9.9	10.2	9.4	0.4	0.3	3.5%	4.2%	1.55	OP	
LBS BINA GROUP BHD	0.500	773.8	Y	12/2019	34.1%	1.5%	-18.1%	10.6%	9.2	11.2	10.1	0.5	0.5	5.1%	2.0%	0.520	MP	
MAGNA PRIMA BHD	0.910	302.7	Y	12/2019	-19.6%	13.0%	-162.4%	-105.9%	N.A.	N.A.	N.A.	0.9	0.9	-5.2%	0.0%	0.695	UP	
MAH SING GROUP BHD	0.690	1,675.1	Y	12/2019	-17.5%	6.5%	-36.9%	7.0%	10.2	16.2	15.1	0.5	0.5	3.4%	5.8%	0.750	MP	
MALAYSIAN RESOURCES CORP BHD	0.745	3,287.0	Y	12/2019	-41.9%	70.5%	-95.3%	2791.2%	43.3	925.7	32.0	0.7	0.7	1.2%	0.0%	0.700	UP	
SIME DARBY PROPERTY BHD	0.815	5,542.7	Y	12/2019	129.2%	11.0%	9700.0%	-4.4%	793.0	8.1	8.5	0.6	0.6	7.3%	4.9%	1.00	OP	
SP SETIA BHD	1.32	5,336.1	Y	12/2019	5.5%	24.3%	15.6%	57.6%	25.6	22.1	14.0	0.4	0.4	1.7%	3.2%	1.80	OP	
SUNSURIA BHD	0.620	555.5	Y	09/2019	-2.7%	7.3%	-4.0%	4.8%	4.3	4.1	4.0	0.6	0.5	14.5%	0.0%	0.585	MP	
SUNWAY BHD	1.78	8,736.3	Y	12/2019	-2.7%	12.5%	-8.5%	10.6%	14.8	16.2	14.7	1.0	1.0	6.3%	3.3%	1.60	MP	
UEM SUNRISE BHD	0.720	3,267.0	Y	12/2019	37.0%	-14.3%	5.9%	-18.1%	10.0	9.5	11.5	0.5	0.5	4.8%	2.2%	0.850	OP	
UOA DEVELOPMENT BHD	1.94	3,814.1	Y	12/2019	-0.5%	-6.4%	9.2%	-8.7%	10.7	9.8	10.8	0.8	0.7	7.7%	7.2%	2.15	MP	
<b>Simple Average</b>					<b>5.3%</b>	<b>8.0%</b>	<b>676.8%</b>	<b>199.5%</b>	<b>81.8</b>	<b>89.3</b>	<b>18.0</b>	<b>0.6</b>	<b>0.6</b>	<b>4.1%</b>	<b>2.4%</b>			
*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																		
<b>CONSENSUS NUMBERS</b>																		
GLOMAC BHD	0.370	288.1	Y	04/2020	11.9%	40.2%	22.6%	87.3%	19.6	16.0	8.5	0.3	N.A.	1.7%	2.4%	0.385	N.A	
MATRIX CONCEPTS HOLDINGS BHD	1.89	1,555.1	Y	03/2020	4.4%	18.2%	6.1%	8.5%	7.1	6.7	6.2	1.0	1.0	16.1%	6.7%	2.28	BUY	
PARAMOUNT CORP BHD	1.26	764.4	Y	12/2019	N.A.	N.A.	N.A.	N.A.	8.3	N.A.	N.A.	0.7	N.A.	N.A.	N.A.	N.A.	BUY	
TAMBUN INDAH LAND BHD	0.760	329.4	Y	12/2019	-11.3%	4.0%	-21.2%	-0.1%	5.9	7.5	7.6	0.5	0.5	6.6%	5.3%	0.840	N.A	
TITIJAYA LAND BHD	0.290	366.3	Y	06/2020	8.4%	20.9%	28.3%	21.5%	11.0	8.6	7.1	0.4	0.3	2.9%	43.4%	0.280	N.A	
YONG TAI BHD	0.215	154.6	Y	06/2020	132.7%	8.3%	-3768.9%	-134.2%	N.A.	N.A.	N.A.	0.4	0.3	-1.9%	0.0%	0.230	N.A	

Source: Kenanga Research

28 November 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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