

26 February 2020

# Sunsuria Berhad

## 1QFY20 Broadly Within; Cease Coverage

By Marie Vaz | [msvaz@kenanga.com.my](mailto:msvaz@kenanga.com.my)

1QFY20 CNP of RM7.2m came in broadly within our expectation at 5.4% while sales came in slightly below at 9.2%. Maintain FY20-21E CNP of RM133-140m driven by property sales of RM0.40b in FY20-21. As we are ceasing coverage, the stock is now a NOT RATED with our last TP of RM0.575 on adjusted PBV valuations.

1QFY20 CNP of RM7.2m is deemed broadly within our expectation at 5.4% of FY20 estimates. We deem this as broadly within due to SUNSURIA's lumpy revenue recognition profile which will only pick up in the 2HFY. No consensus is available. 1QFY20 sales of RM88m are within our expectation at 22% of our estimate of RM400m with key sales drivers being Forum II and Monet Residences. No dividends were proposed, as expected.

**Results' highlights.** YoY, top-line was down by 43% due to timing of recognitions as FY19 saw lumpier recognitions from The Olive and Money Lily projects. All in, CNP was up by 38% to RM7.2m on a lower effective tax rate of 30% (vs. 54%) and after accounting for one-off items. QoQ, top-line was down by 55% due to similar reasons mentioned above. This trickled to bottom-line which was down by 35% despite the lower effective tax rate.

**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 FY20-21E CNP of RM133-140m** based on FY20-21 sales targets of RM0.40b each. Unbilled sales of RM349m provide under one-year earnings' visibility.

**Cease coverage.** We make no changes to earnings estimates. Due to lack of interest and reconfiguration of our internal research resources, we are ceasing active coverage on SUNSURIA for now. Should the outlook improve, we may look to resume coverage in the future. The stock is Not Rated (from MARKET PERFORM), with our last TP of RM0.575 (from RM0.585) based on P/BV of 0.52x (from 0.55x) @ -1.5SD of its 3-year historical band, on an adjusted BV/share of RM1.10 (from RM1.05) which is adjusted after imputing a 40% discount to its latest available inventory level of completed properties.

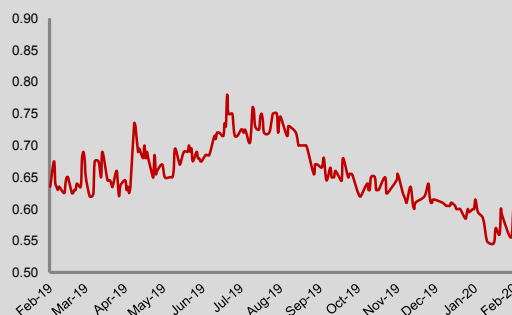
**Risks include:** (i) weaker or stronger-than-expected property sales, (ii) lower/higher than-expected sales/administrative and finance costs (i.e. margin fluctuations), (iii) changes in real estate policies, and (iv) changes in lending environment.

## Not Rated

Price: RM0.595

Target Price: RM0.575 ↓

### Share Price Performance



KLCI 1,500.88  
YTD KLCI chg -5.5%  
YTD stock price chg -1.7%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SSR MK EQUITY
Market Cap (RM m)	533.1
Shares Outstanding	895.9
52-week range (H)	0.92
52-week range (L)	0.53
3-mth avg daily vol:	22,366
Free Float	15%
Beta	0.7

### 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.	133.0	140.0
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	4.2	4.0	3.8
Price/BV (x)	0.6	0.5	0.4
Net Gearing (x)	0.2	0.1	0.1
Net Div. Yield (%)	0.0	0.0	0.0

26 February 2020

## 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.

Results Highlights					
FYE: 30th Sept (RMm)	1Q20	4Q19	QoQ	1Q19	YoY
Revenue	47.5	104.8	-55%	82.9	-43%
Op costs w/o depn/amort	-40.2	-76.1	-47%	-59.88	-33%
Other Income	3.2	1.1	194%	6.7	-53%
<b>EBITDA</b>	<b>10.4</b>	<b>29.8</b>	<b>-65%</b>	<b>29.8</b>	<b>-65%</b>
<b>EBIT</b>	<b>10.4</b>	<b>28.1</b>	<b>-63%</b>	<b>28.3</b>	<b>-63%</b>
Finance Cost	-1.6	-5.5	-71%	-0.4	312%
Associate + JCE	0.0	0.6	-100%	-0.4	-100%
Fair Value Adjustments on IP	0.0	0.0	n.a.	0.0	n.a.
<b>Pretax profit</b>	<b>8.9</b>	<b>23.2</b>	<b>-62%</b>	<b>27.5</b>	<b>-68%</b>
Taxation	-2.6	-14.2	-81%	-14.8	-82%
Minority Interests	2.9	2.1	41%	-2.1	-242%
Net profit	9.1	11.1	-18%	10.7	-14%
<b>Core net profit</b>	<b>7.2</b>	<b>11.1</b>	<b>-35%</b>	<b>5.2</b>	<b>38%</b>
<b>Core EPS (sen)</b>	<b>0.8</b>	<b>1.2</b>		<b>0.7</b>	<b>23%</b>
NDPS (sen)	0.0	0.0		0.0	
NTA/share (RM)	1.1	1.1		1.0	
Net gearing/(cash) (x)	0.0	0.1		0.2	
EBITDA margin	22.0%	28.4%		35.9%	
EBIT Margin	22.0%	26.8%		34.1%	
Pretax margin	18.7%	22.2%		33.1%	
Effective tax rate	29.8%	61.1%		53.7%	
Source: Company, Kenanga Research					

26 February 2020

## 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.	1-Yr. Fwd.	Price (RM)	
PROPERTY DEVELOPERS UNDER COVERAGE																		
AMVERTON BHD	1.20	438.1	Y	12/2019	-34.7%	1.3%	-83.6%	30.5%	18.3	111.8	85.7	0.6	0.6	0.5%	0.0%	0.890	UP	
ECO WORLD DEVELOPMENT GROUP	0.640	1,884.4	Y	10/2020	-19.2%	25.6%	8.0%	7.8%	9.4	8.6	8.0	0.4	0.4	4.8%	1.7%	0.750	MP	
IOI PROPERTIES GROUP BHD	1.07	5,891.6	Y	06/2020	1.4%	2.6%	-3.0%	8.2%	8.9	9.2	8.5	0.3	0.3	3.5%	4.7%	1.45	OP	
LBS BINA GROUP BHD	0.475	727.1	Y	12/2019	34.1%	1.5%	-18.1%	10.6%	8.7	10.6	9.6	0.5	0.5	5.1%	2.2%	0.520	MP	
MAGNA PRIMA BHD	0.755	251.1	Y	12/2020	7.7%	8.4%	-136.3%	-115.2%	N.A.	N.A.	N.A.	0.5	0.5	-4.3%	0.0%	0.545	UP	
MAH SING GROUP BHD	0.650	1,578.0	Y	12/2019	-17.5%	6.5%	-36.9%	7.0%	9.6	15.2	14.2	0.5	0.4	3.4%	6.2%	0.750	MP	
MALAYSIAN RESOURCES CORP BHD	0.655	2,889.9	Y	12/2019	-41.9%	70.5%	-95.3%	2791.2%	38.1	813.9	28.2	0.6	0.6	1.2%	0.0%	0.700	UP	
SIME DARBY PROPERTY BHD	0.765	5,202.6	Y	12/2019	129.2%	11.0%	9700.0%	-4.4%	765.0	7.6	8.0	0.6	0.5	7.3%	5.2%	1.00	OP	
SP SETIA BHD	1.28	5,174.4	Y	12/2019	5.5%	24.3%	15.6%	57.6%	24.8	21.4	13.6	0.4	0.4	1.7%	3.3%	1.80	OP	
SUNSURIA BHD	0.595	533.1	Y	09/2020	-2.7%	7.3%	-4.0%	4.8%	4.2	4.0	3.8	0.6	0.5	14.5%	0.0%	0.575	N.R	
SUNWAY BHD	1.78	8,726.8	Y	12/2019	11.5%	8.8%	0.8%	9.3%	13.5	13.6	12.5	1.0	0.9	6.6%	3.7%	1.75	MP	
UEM SUNRISE BHD	0.635	2,881.3	Y	12/2020	-17.5%	-0.9%	-9.3%	-13.8%	9.2	10.2	11.8	0.4	0.4	3.9%	1.6%	0.720	OP	
UOA DEVELOPMENT BHD	1.91	3,755.1	Y	12/2019	-0.5%	-6.4%	9.2%	-8.7%	10.6	9.7	10.6	0.8	0.7	7.7%	7.3%	2.15	OP	
Simple Average					3.2%	12.6%	718.3%	214.3%	76.8	86.6	18.1	0.6	0.5	4.3%	2.7%			
*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	272.1	Y	04/2020	11.9%	40.2%	22.6%	85.9%	18.5	15.1	8.1	0.2	N.A.	1.7%	2.6%	0.385	N.A	
MATRIX CONCEPTS HOLDINGS BHD	1.91	1,571.6	Y	03/2020	7.3%	9.1%	5.8%	4.8%	7.2	6.8	6.5	1.0	1.0	15.9%	6.4%	2.28	BUY	
PARAMOUNT CORP BHD	1.34	813.0	Y	12/2019	N.A.	N.A.	N.A.	N.A.	8.9	N.A.	N.A.	0.7	N.A.	N.A.	N.A.	N.A.	BUY	
TAMBUN INDAH LAND BHD	0.665	288.2	Y	12/2019	-11.3%	4.0%	-21.7%	-1.0%	5.2	6.6	6.7	0.5	0.5	6.6%	6.0%	0.840	N.A	
TITIJAYA LAND BHD	0.280	354.6	Y	06/2020	-21.3%	8.5%	-35.0%	15.7%	10.6	16.4	14.2	0.3	0.3	1.7%	45.0%	0.305	N.A	
YONG TAI BHD	0.105	99.8	Y	06/2020	128.4%	8.6%	-3718.7%	-130.6%	N.A.	N.A.	N.A.	0.2	0.2	-0.6%	0.0%	0.183	N.A	

Source: Kenanga Research

26 February 2020

**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.**

---

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

---

Published and printed by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)

