

29 August 2019

Sunsuria Berhad

9M19 Above Expectations

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9M19 CNP of RM110.3m came in above our expectation at 103% of full-year estimate due to our bearish billings assumptions, but sales came in within at 76%. We increase FY19-20E earnings by 19% each to RM127-133m on stronger recognitions going forward from Monet Residences and Forum II projects. Downgrade to MP (from OP) on an unchanged TP of RM0.760.

9M19 CNP of RM110.3m exceeded our expectation at 103% of FY19 estimate. No consensus is available. We believe the deviation from our estimates is due to stronger-than-expected billing assumptions (107% of our FY19 estimate) as we may have been bearish in light of the weak 1Q19 results and lumpy 2Q19 earnings due to the adoption of MFRS 15* as Jasper Square was completed, while EBIT margins were also stronger than expected at 43% (vs. our expectations of 38%). 9M19 sales of RM306m was within at 76% of our FY19 estimate of RM0.40b with key sales drivers being Forum II and Monet Residences. 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' highlights. YoY-Ytd, top-line was down by 2% mainly due to the recognition of Forum 1 commercial development in 3Q18, but this was offset by recognition from existing projects this quarter, namely, The Olive, Bell Suites SOHO, Monet Lily, Monet Springtime, Monet Garden and Forum 2 SOHO. However, higher EBIT margin of 43% vs. 37% likely due to a better product mix, spurred bottom-line to increase by 68%. QoQ, top-line was down by 61% likely due to the lumpy recognition from Jasper Square last quarter, which cascaded straight to bottom-line, which declined by 85%. This was on weaker EBIT margins from lesser commercial recognitions this quarter as commercial developments tend to command better margins vis-à-vis residential developments.

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 II (GDV: RM893m), as well as other projects, including Tangerine (GDV: RM242m) and Giverny Walk (GDV: RM67m). We believe the Group could aggressively land bank going forward due to its light balance sheet.

Increase FY19-20E by 19% each to RM127-133m post increasing recognitions for Monet Residences projects and Forum II. However, we make no changes to our FY19-20E sales target of RM0.40b each as sales is on track. Unbilled sales of RM362m provide slightly under one-year visibility.

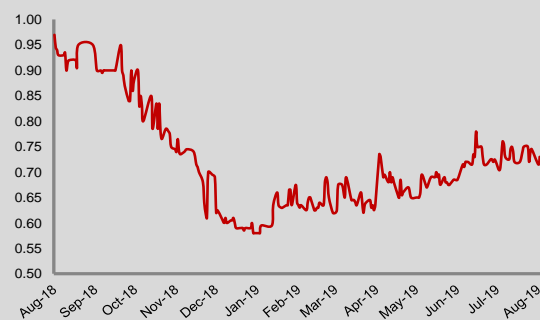
Downgrade to MARKET PERFORM (from OP) with an unchanged Target Price of RM0.760 on a property RNAV discount of 75% implying a SoP discount of 68% on an unchanged FD SoP RNAV of RM2.34. Our discount is pegged to -1.25SD level to account for lumpy earnings going forward due to the adoption of MFRS 15 as well as IAS23, which would inflate financing cost, and as such we are not overly bullish on the longer-term outlook for now. Furthermore, we are comfortable with our call on SUNSURIYA as we have priced in most foreseeable risks for now while our TP implies a FY19E PER of 5.3x which is slightly below peers' average Fwd. PER of 7.0x, but we believe this is fair given the lumpy quarterly earnings trend.

Risks include: (i) weaker or stronger-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.

MARKET PERFORM

Price: **RM0.730** ↓
Target Price: **RM0.760** ↔

Share Price Performance



KLCI 1,589.82
YTD KLCI chg -6.0%
YTD stock price chg 19.7%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SSR MK EQUITY
Market Cap (RM m)	654.0
Shares Outstanding	895.9
52-week range (H)	0.95
52-week range (L)	0.58
3-mth avg daily vol:	63,267
Free Float	41%
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)	2018A	2019E	2020E
Turnover	491.5	478.0	512.8
EBIT	168.6	179.1	193.8
PBT	165.7	170.6	177.0
Net Profit (NP)	101.6	127.1	133.2
Core NP*	132.4	127.1	133.2
Consensus (NP)	N.A.	102.1	132.5
Earnings Revision	N.A.	+19%	+19%
Core EPS (sen)	14.9	14.3	15.0
Core EPS growth (%)	31%	-4%	5%
NDPS (sen)	0.0	0.0	0.0
BVPS (RM)	1.04	1.07	1.22
Core PER	4.9	5.1	4.9
Price/BV (x)	0.7	0.7	0.6
Net Gearing (x)	0.1	0.2	0.1
Net Div. Yield (%)	0.0	0.0	0.0

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Results Highlights

FYE: 30th Sept (RMm)	3Q19	2Q19	QoQ	3Q18	YoY	9M19	9M18	YoY-Ytd
Revenue	97.5	249.0	-61%	321.6	-70%	429.5	438.7	-2%
Op costs w/o deprn/amort	-72.5	-118.7	-39%	-172.6	-58%	-251.2	-277.4	-9%
Other Income	1.4	1.4	-2%	1.2	18%	9.5	2.9	223%
EBITDA	26.3	131.7	-80%	150.1	-82%	187.8	164.2	14%
EBIT	25.0	129.9	-81%	149.4	-83%	183.2	162.2	13%
Finance Cost	-0.3	-0.4	-23%	-0.7	-56%	-1.0	-1.4	-27%
Associate + JCE	-0.4	-0.3	46%	0.0	n.a.	-1.1	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	24.3	129.3	-81%	148.8	-84%	181.1	160.8	13%
Taxation	-9.8	-33.6	-71%	-29.4	-67%	-58.2	-31.9	82%
Minority Interests	-1.0	-4.1	-76%	-52.2	-98%	7.2	63.4	-89%
Net profit	13.5	91.6	-85%	67.1	-80%	5.4	-0.2	-2654%
Exceptional	0.0	0.0	n.a.	0.0	n.a.	115.7	65.4	77%
Core net profit	13.5	91.6	-85%	67.1	-80%	110.3	65.6	68%
Core EPS (sen)	1.5	11.5	-87%	8.4	-82%	13.6	8.2	66%
NDPS (sen)	0.0	0.0		0.0		0.0	0.0	
NTA/share (RM)	1.0	1.1		1.0		1.0	1.0	
Net gearing/(cash) (x)	-67.1	0.1		0.0		-67.1	0.0	
EBITDA margin	27.0%	52.9%		46.7%		43.7%	37.4%	
EBIT Margin	25.6%	52.2%		46.5%		42.7%	37.0%	
Pretax margin	24.9%	51.9%		46.3%		42.2%	36.6%	
Effective tax rate	40.4%	26.0%		19.8%		32.1%	19.9%	

Source: Company, Kenanga Research

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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.	1-Yr. Fwd.		
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	0.700	2,061.1	Y	10/2019	-4.4%	-18.3%	9.5%	18.8%	12.4	11.4	9.6	0.5	0.4	4.8%	1.3%	1.15	OP	
HUA YANG BHD	0.325	114.4	Y	03/2020	-11.0%	-1.2%	153.2%	-11.8%	N.A.	13.9	15.8	0.2	0.2	1.4%	0.0%	0.335	UP	
IOI PROPERTIES GROUP BHD	1.18	6,497.3	Y	06/2019	-15.0%	-6.0%	2.2%	-5.3%	9.8	9.6	10.1	0.4	0.3	3.6%	4.2%	1.65	OP	
LBS BINA GROUP BHD	0.540	841.6	Y	12/2019	31.3%	0.9%	7.9%	-7.2%	9.9	9.2	9.9	0.6	0.5	6.6%	3.3%	0.495	MP	
MAGNA PRIMA BHD	1.15	382.5	Y	12/2019	-5.6%	28.8%	-572.6%	-139.5%	N.A.	N.A.	N.A.	0.7	0.7	-2.0%	0.0%	0.710	UP	
MAH SING GROUP BHD	0.860	2,087.8	Y	12/2019	4.5%	7.0%	-4.3%	-0.3%	12.7	13.3	13.3	0.6	0.6	5.2%	4.7%	1.05	OP	
MALAYSIAN RESOURCES CORP BHD	0.710	3,132.6	Y	12/2019	-41.9%	70.5%	-95.3%	2791.2%	41.3	882.2	30.5	0.6	0.6	1.2%	0.0%	0.700	UP	
SIME DARBY PROPERTY BHD	0.800	5,440.7	Y	12/2019	127.9%	3.9%	7861.6%	-2.3%	778.4	9.8	10.0	0.6	0.6	5.9%	4.1%	1.10	OP	
SP SETIA BHD	1.53	6,185.0	Y	12/2019	5.5%	24.3%	27.2%	46.0%	28.1	22.2	15.1	0.4	0.4	1.9%	4.6%	1.85	MP	
SUNSURIA BHD	0.730	654.0	Y	09/2019	-2.7%	7.3%	-4.0%	4.8%	4.9	5.1	4.9	0.7	0.7	14.5%	0.0%	0.760	MP	
SUNWAY BHD	1.61	7,851.6	Y	12/2019	-2.7%	12.5%	-8.5%	10.6%	13.4	14.7	13.3	0.9	0.9	6.3%	3.6%	1.60	MP	
UEM SUNRISE BHD	0.660	2,994.7	Y	12/2019	37.0%	-14.3%	5.9%	-18.1%	9.2	8.7	10.6	0.5	0.4	4.8%	1.5%	0.835	OP	
UOA DEVELOPMENT BHD	2.03	3,991.0	Y	12/2019	0.6%	-0.4%	4.4%	0.8%	11.2	10.8	10.7	0.8	0.8	7.4%	6.9%	2.15	MP	
Simple Average					8.8%	8.5%	523.5%	192.5%	79.0	80.8	14.7	0.6	0.6	4.5%	2.5%			
*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	0.370	288.1	Y	04/2020	12.9%	38.7%	25.7%	90.1%	21.2	16.8	8.9	0.3	N.A.	1.6%	2.4%	0.405	N.A	
MATRIX CONCEPTS HOLDINGS BHD	1.90	1,494.9	Y	03/2020	3.0%	9.6%	3.8%	9.3%	6.8	6.6	6.0	1.1	1.1	16.3%	6.8%	2.36	BUY	
PARAMOUNT CORP BHD	1.29	782.6	Y	12/2019	-1.4%	8.4%	2.4%	5.3%	8.5	8.3	7.9	0.7	N.A.	7.2%	5.0%	1.83	BUY	
TAMBUN INDAH LAND BHD	0.765	331.6	Y	12/2019	-11.1%	1.5%	-21.2%	1.9%	6.0	7.6	7.5	0.5	0.5	6.7%	5.9%	0.863	BUY	
TITIJAYA LAND BHD	0.305	386.6	Y	06/2019	-14.3%	13.9%	-36.3%	19.5%	5.3	8.4	7.0	0.3	0.3	3.5%	42.0%	0.310	BUY	
YONG TAI BHD	0.215	116.7	Y	06/2020	132.7%	8.3%	-3768.9%	-134.2%	N.A.	N.A.	N.A.	0.3	0.3	-0.3%	0.0%	0.230	N.A	

Source: Kenanga Research

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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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