



AmInvestment Bank

Company report

SUNWAY

(SWB MK EQUITY, SWAY.KL)

24 Feb 2023

Higher new property launches in 2023

BUY

(Maintained)

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Rationale for report: Company results

Price	RM1.62
Fair Value	RM2.39
52-week High/Low	RM1.85/RM1.45

Key Changes

Fair value	↑
EPS	↔

YE to Dec	FY22	FY23F	FY24F	FY25F
Revenue (RM mil)	5,195.0	5,593.6	5,787.8	6,021.1
Core net profit (RM mil)	599.7	619.1	721.9	766.8
FD Core EPS (sen)	12.2	12.5	14.6	15.5
FD Core EPS growth (%)	53.8	3.2	16.6	6.2
Consensus Net Profit (RM mil)	-	631.1	673.8	n/a
DPS (sen)	5.5	6.3	7.4	7.8
PE (x)	13.3	12.9	11.1	10.4
EV/EBITDA (x)	20.3	19.4	18.2	17.5
Div yield (%)	3.4	3.9	4.6	4.8
ROE (%)	5.7	5.7	6.5	6.6
Net Gearing (%)	56.3	56.1	55.9	56.1

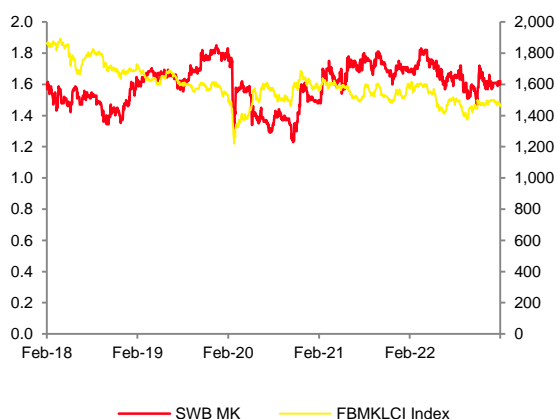
Stock and Financial Data

Shares Outstanding (million)	4,934.0*
Market Cap (RMmil)	7,993.1
Book Value (RM/share)	2.14
P/BV (x)	0.7
ROE (%)	5.7
Net Gearing (%)	56.3

*before conversion of ICPS and warrants

Major Shareholders	Sungei Way (14.2%)
	EPF (8.4%)
	AIA (2.4%)
Free Float	75.0
Avg Daily Value (RMmil)	4.0

Price performance	3mth	6mth	12mth
Absolute (%)	10.2	(1.8)	(3.6)
Relative (%)	9.1	(0.1)	4.9



Investment Highlights

- We maintain BUY on Sunway with a higher fair value (FV) of RM2.39/share (from RM2.29/share previously) due to a rolled forward SOP-based valuation to FY24F. Our FV also reflects a 3% premium for our 4-star ESG rating (Exhibits 5 & 6).
- The FV implies an FY24F PE of 16x, +2 standard deviation above its 3-year median.
- We make no changes to our earnings forecast as Sunway's FY22 core net profit (CNP) of RM600mil came in within our expectation but above consensus. It was 5% above our forecast but 10% below street's.
- We also take the opportunity to introduce our FY25F earnings with a growth of 6% on expectation of a pick-up in launches.
- Sunway's FY22 result was commendable as the revenue of all business segments improved significantly (Exhibit 2).
- In FY22, Sunway's property development revenue rose by 86% YoY. This was driven by higher progress billings from completed progress works on ongoing local projects and the recognition of revenue from 3 joint-venture companies which became subsidiaries in FY22. However, the segment's PBT rose marginally by 1% YoY due to the provisions for higher construction costs, coupled with higher upfront expenses incurred on future launches.
- Sunway's FY22 new sales dropped 23% YoY to RM2bil, attaining 91% of its sales target of RM2.2bil (Exhibit 3). The lower YoY property sales were attributed to slower FY22 launches of RM1bil, which were only 43% of its earlier targeted launches of RM2.3bil.
- For FY23F, management is setting a higher sales target of RM2.3bil (+15% YoY vs actual FY22 sales) on the back of 9 new launches worth RM3.5bil in Singapore (77%), Malaysia (20%) and China (3%) (Exhibit 4).
- FY22 property investment's earnings swung to the black, driven by higher revenue growth of 2.2x YoY as a result of increased visitors to its theme parks and improved hotel occupancy rates following the reopening of the economy and less stringent SOPs.

- Higher progress billings from local and overseas construction projects drove up FY22 construction revenue by 15% YoY and pretax profit by 25% YoY.
- The strong recovery in hospital activities with a higher number of patients treated at Sunway Medical Centre and Sunway Medical Centre Velocity boosted property investment's FY22 share of net profit by 34% YoY to RM140mil.
- On a QoQ comparison, all segments except property investment posted stronger PBT in 4QFY22.
- In 4QFY22, property development registered a 97% QoQ growth in PBT due to higher progressive profit recognition from on-going local development projects and higher recognition from the completion and handover of a local development project.
- Meanwhile, construction segment's 4QFY22 PBT was 65% higher QoQ despite a 5% decline in revenue, mainly due to recalibration of margin for projects nearing completion. The PBT of 'other' segment improved 68% QoQ due to stronger performances in healthcare segment and community pharmacy business.
- However, the PBT of its property investments were dragged by the recognition of fair value loss on its investment properties and lower contribution from its 41%-owned Sunway REIT.
- We believe the long-term outlook for Sunway remains bright premised on its:
 - strong unbilled sales of RM4.3bil (3.2x FY23F property development revenue);
 - robust outstanding order book of RM5bil (3.6x FY23F construction revenue); and
 - expansion plans for healthcare business (which could increase FY23F capacity by 82%).

EXHIBIT 1: EARNINGS SUMMARY

YE to Dec (RM mil)	4QFY21	3QFY22	4QFY22	QoQ %	YoY %	FY21	FY22	YTD %
Revenue	1,247.0	1,270.5	1,531.6	20.5	22.8	3,717.3	5,195.0	39.8
Operating costs	(1,095.7)	(1,151.7)	(1,373.1)	19.2	25.3	(3,343.8)	(4,720.8)	41.2
EBITDA	151.2	118.8	158.5	33.4	4.8	373.5	474.1	26.9
Other income	119.6	42.5	89.9	>100	(24.8)	171.2	239.5	39.9
Depreciation	(33.1)	(28.9)	(35.8)	23.7	8.1	(216.9)	(130.2)	(40.0)
Net finance income	2.8	(1.5)	(0.6)	(60.0)	(>100)	54.9	(14.5)	(>100)
JV/Associate contributions	14.2	92.9	81.8	(11.9)	>100	81.2	350.8	>100
Profit before tax	254.8	223.8	293.9	31.3	15.3	2,854.4	919.8	(67.8)
Taxation	(73.1)	(41.6)	(73.7)	77.1	0.8	(116.2)	(167.0)	43.6
MI	(27.8)	(17.5)	(17.2)	(1.2)	(38.1)	(73.7)	(76.1)	3.3
Profit after tax	153.9	164.7	203.0	23.2	31.9	2,664.4	676.7	(74.6)
Profit from discontinued operations	2,319.7	0.0	0.0	(>100)	(>100)	0.0	0.0	n/m
Exceptional item	(2,319.7)	(46.4)	(17.5)	(62.3)	(99.2)	(2,274.5)	(77.0)	(96.6)
Core PATMI	153.9	118.3	185.5	56.8	20.5	389.9	599.7	53.8
EPS (sen)	3.1	2.4	3.8	56.8	20.5	7.9	12.2	53.8
EBIT margin (%)	12.1	9.3	10.3			10.0	9.1	
Effective tax rate (%)	28.7	18.6	25.1			4.1	18.2	
Core PATMI margin (%)	12.3	9.3	12.1			10.5	11.5	

Source: AmlInvestment Bank Bhd

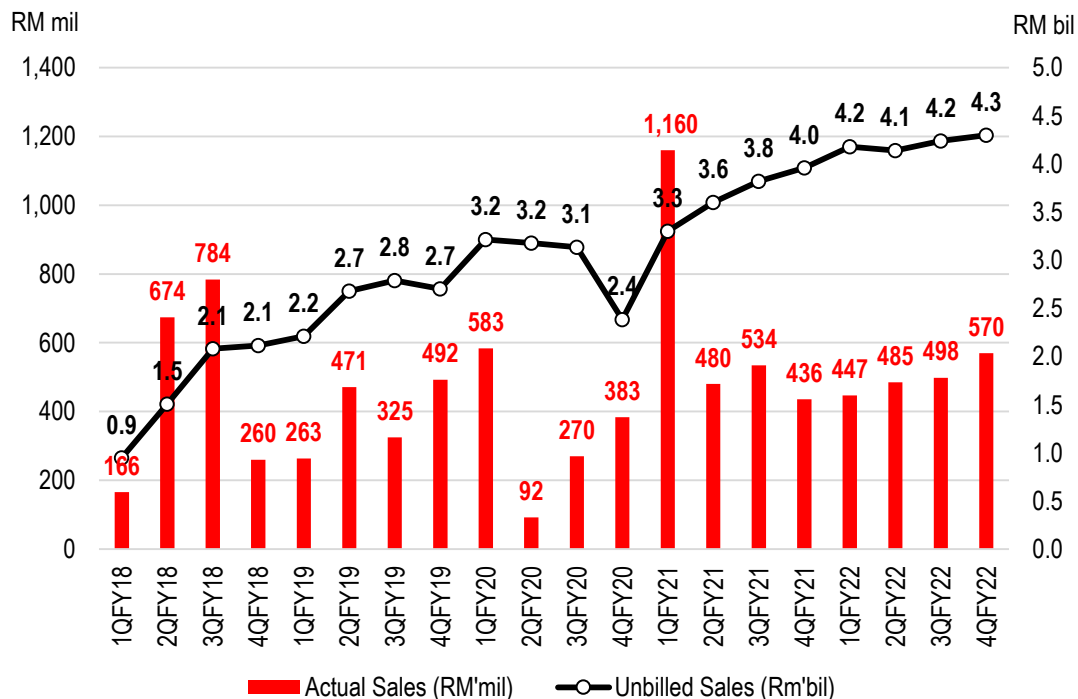
EXHIBIT 2: SEGMENTAL BREAKDOWN

FY31 Dec (RM mil)	4QFY21	3QFY22	4QFY22	QoQ %	YoY %	FY21	FY22	YTD %
Property development	184.1	278.1	442.7	59.2	>100	625.7	1,165.3	86.2
Property investment	133.4	188.6	230.7	22.3	73.0	312.3	690.0	>100
Construction	379.6	305.1	291.0	(4.6)	(23.3)	1,111.7	1,281.6	15.3
Others*	549.9	498.7	567.3	13.7	3.2	1,667.5	2,058.1	23.4
Revenue	1,247.0	1,270.5	1,531.6	20.5	22.8	3,717.3	5,195.0	39.8
Property development	65.9	35.8	70.4	96.7	6.8	154.1	155.3	0.8
Property investment	35.1	85.7	52.8	(38.4)	50.2	(10.0)	236.9	>100
Construction	91.1	35.6	58.7	64.9	(35.5)	148.8	186.6	25.4
Others*	62.7	66.7	112.0	68.1	78.6	171.1	341.1	99.3
PBT/(LBT)	254.8	223.7	293.9	31.4	15.3	463.9	919.8	98.3
Pretax margin (%)								
Property development	35.8	12.9	15.9			24.6	13.3	
Property investment	26.3	45.4	22.9			(3.2)	34.3	
Construction	24.0	11.7	20.2			13.4	14.6	
Others*	11.4	13.4	19.8			10.3	16.6	

*Including building materials, community pharmacy business and other segments

Source: AmlInvestment Bank Bhd

EXHIBIT 3: ACTUAL SALES AND UNBILLED SALES



Source: AmlInvestment Bank Bhd

EXHIBIT 4: PLANNED LAUNCHES IN 2023

Project	Product Type	Location	GDV (RM'mil)	GDV (%)
Sunway Flora	Serviced Apartments & Retail	Bukit Jalil, Kuala Lumpur	300	9
Sunway Bayu	Landed Apartments	Sunway City Ipoh, Ipoh	70	2
Sunway Lenang Heights	Semi - D homes and bungalows	Taman Molek, Johor Bahru	90	3
Sunway Maple	Landed linked homes	Sunway Iskandar Puteri, Johor	10	0.3
Sunway Aviana	Landed linked homes	Sunway Iskandar Puteri, Johor	150	4
Sunway Dora	Serviced Apartments	Bayan Baru, Penang	70	2
Terra Hills	Private Condominium	Pasir Panjang, Singapore	700	20
The Continuum	Private Condominium	Thiam Siew Avenue, Singapore	2,000	57
Sunway Gardens Phase 3	Condominium	Tianjin, China	120	3
Total			3,510	100

Source: Sunway, AmlInvestment Bank Bhd

EXHIBIT 5: RNAV CALCULATIONS

DEVELOPMENT PROPERTIES	Outstanding GDV (RMmil)	NPV @8% (RMmil)	Stake (%)
Selangor/KL			
Sunway Damansara	1,953.3	96.9	60
Sunway South Quay	2,486.7	241.1	100
Sunway Monterez	38.0	2.2	60
Sunway Semenyih	728.6	49.7	70
Sunway Cheras	241.8	23.5	100
Sunway Duta	120.0	6.5	60
Sunway Resort City	660.1	59.4	100
Sunway Velocity	1,984.0	151.7	85
Sunway Velocity TWO	600.0	32.4	60
Sunway Velocity 3	1,200.0	64.4	60
Sunway Tower KL 1	240.0	21.6	100
Sunway Termung	265.2	19.1	80
Mont Putra, Rawang	156.0	14.0	100
Kelana Jaya	1,450.0	130.4	100
Jalan Belfield	450.0	40.5	100
Lot One, Kajang	236.0	21.2	100
USJ 1, Subang Jaya	1,400.0	125.9	100
Wangsa Maju-1	40.0	2.0	55
Bukit Jalil (Sterling Paradise)	800.0	98.0	100
Dengkil (Emerald Tycoon)	813.2	73.1	100
Jalan Cochrane	1,150.0	115.4	100
Perak			
Sunway City Ipoh	928.4	74.8	96
Penang			
Sunway Hills	849.0	70.6	100
Sunway Wellesley, Bukit Mertajam	710.5	59.1	100
Paya Terubong	1,500.0	124.3	100
Sunway Tunas, Balik Pulau	60.0	5.0	100
Sunway Betong, Balik Pulau	110.0	9.2	100
Johor			
Bukit Lenang	568.4	23.8	80
Medini	10,616.0	333.3	60
Pendas	18,000.0	565.2	60
Singapore			
Flynn Park, Pasir Panjang	2,300.0	68.0	30
Thiam Siam Avenue, Tanjong Katong	6,150.0	182.0	30
China			
Tianjin Eco-City	688.8	42.1	60
Unbilled sales		1,045.0	
Subtotal		3,991.4	
Property (40% discount to RNAV)		2,394.9	
Investment properties		2,443.1	
Sunway Construction (54.4% stake @ AmlInvestment Valuation)		1,297.9	
Sunway REIT (40.9% stake @ AmlInvestment Valuation)		2,464.7	
Healthcare (84% stake @30x FY24 earnings)		4,265.9	
Quarry & building materials (6x FY24 earnings)		142.8	
Trading & manufacturing (6x FY24 earnings)		325.5	
Total SOP		13,334.8	
NAV @ Property development		1,648.8	
Fair value		14,983.7	
Enlarged share base (mil shares)		6,516.6	
Fair value/share (RM)		2.31	
(+) 3% premium for 4-star ESG rating		0.08	
Fair value/share (RM)+ ESG Premium		2.39	

Source: AmlInvestment Bank Bhd

EXHIBIT 6: ESG RATING

Overall	★	★	★	★	
Eco-landscaping	★	★	★		
Progress of digitalization	★	★	★		
Employee welfare	★	★	★	★	
Corporate social responsibility	★	★	★	★	★
Strategic direction	★	★	★	★	
Gender diversity	★	★			
Earnings sustainability	★	★	★	★	
Accessibility & transparency	★	★	★		

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star

Source: AmlInvestment Bank Bhd

EXHIBIT 7: PB BAND CHART

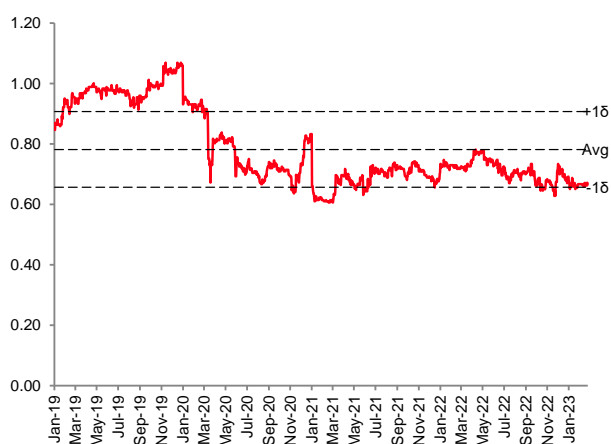


EXHIBIT 8: PE BAND CHART

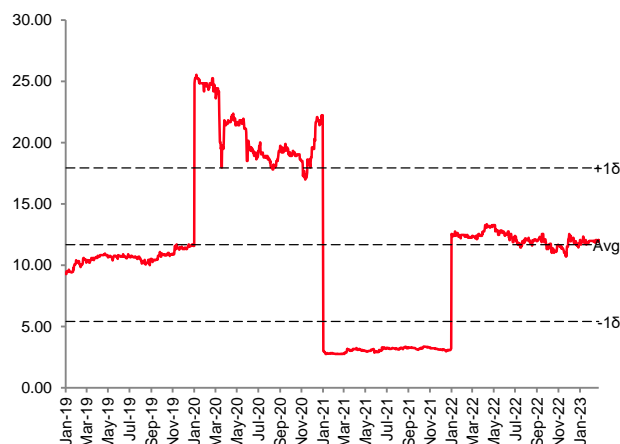


EXHIBIT 9: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Revenue	3,717.3	5,195.0	5,593.6	5,787.8	6,021.1
EBITDA	544.7	713.6	754.8	818.0	868.5
Depreciation/Amortisation	(216.9)	(130.2)	(87.3)	(90.4)	(94.0)
Operating income (EBIT)	327.8	583.4	667.4	727.6	774.5
Other income & associates	81.2	350.8	195.9	299.6	309.7
Net interest	54.9	(14.5)	58.8	61.7	64.2
Exceptional items	2,390.5	-	-	-	-
Pretax profit	2,854.4	919.8	922.1	1,088.9	1,148.3
Taxation	(116.2)	(167.0)	(127.6)	(163.3)	(172.2)
Minorities/pref dividends	(73.7)	(76.1)	(131.2)	(137.7)	(143.2)
Net profit	2,664.4	676.7	663.3	787.9	832.9
Core net profit	389.9	599.7	619.1	721.9	766.8
Balance Sheet (RMmil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Fixed assets	1,262.8	1,264.0	1,355.0	1,402.0	1,458.5
Intangible assets	432.8	441.4	441.4	441.4	441.4
Other long-term assets	15,389.1	16,473.7	16,523.8	16,618.2	16,713.5
Total non-current assets	17,084.7	18,179.0	18,320.2	18,461.6	18,613.4
Cash & equivalent	2,814.0	1,957.3	2,381.0	2,467.1	2,557.8
Stock	2,423.0	3,279.6	3,702.9	3,589.3	3,718.9
Trade debtors	2,483.8	1,957.9	2,644.2	2,180.6	2,364.7
Other current assets	281.3	684.5	913.8	921.8	932.0
Total current assets	8,002.2	7,879.4	9,641.9	9,158.7	9,573.5
Trade creditors	2,470.6	2,490.8	2,515.7	2,525.8	2,771.1
Short-term borrowings	4,093.8	4,918.7	5,262.7	5,435.4	5,644.5
Other current liabilities	141.2	194.4	2,027.3	902.0	353.4
Total current liabilities	6,705.6	7,603.8	9,805.8	8,863.2	8,769.1
Long-term borrowings	4,114.2	3,537.5	3,792.1	3,923.7	4,081.9
Other long-term liabilities	1,143.7	1,355.0	1,355.0	1,355.0	1,355.0
Total long-term liabilities	5,257.9	4,892.5	5,147.1	5,278.8	5,436.9
Shareholders' funds	12,034.8	11,551.4	11,901.9	12,332.6	12,789.0
Minority interests	1,088.7	1,032.9	1,107.3	1,145.7	1,191.9
BV/share (RM)	2.44	2.34	2.41	2.50	2.59
Cash Flow (RMmil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Pretax profit	2,854.4	919.8	922.1	1,088.9	1,148.3
Depreciation/Amortisation	216.9	130.2	87.3	90.4	94.0
Net change in working capital	107.4	(443.2)	439.4	(459.4)	(508.9)
Others	(2,199.9)	(211.9)	(360.9)	149.1	228.1
Cash flow from operations	978.7	394.9	1,088.0	869.0	961.6
Capital expenditure	(343.9)	(110.8)	(91.0)	(47.0)	(56.5)
Net investments & sale of fixed assets	(13.5)	(204.4)	-	-	-
Others	(922.2)	(876.5)	(50.2)	(94.4)	(95.3)
Cash flow from investing	(1,279.6)	(1,069.1)	(141.1)	(141.4)	(151.8)
Debt raised/(repaid)	1,290.4	370.6	(175.0)	(218.2)	(276.5)
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(152.0)	(222.5)	(241.4)	(357.2)	(376.5)
Others	(293.5)	(77.0)	(44.2)	(66.0)	(66.0)
Cash flow from financing	845.0	(160.4)	(460.5)	(641.4)	(719.1)
Net cash flow	544.1	(834.6)	486.3	86.1	90.7
Net cash/(debt) b/f	2,182.8	2,732.2	1,894.7	2,381.0	2,467.1
Net cash/(debt) c/f	2,732.2	1,894.7	2,381.0	2,467.1	2,557.8
Key Ratios (YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Revenue growth (%)	15.8	39.8	7.7	3.5	4.0
EBITDA growth (%)	83.3	31.0	5.8	8.4	6.2
Pretax margin (%)	76.8	17.7	16.5	18.8	19.1
Net profit margin (%)	71.7	13.0	11.9	13.6	13.8
Interest cover (x)	nm	40.3	nm	nm	nm
Effective tax rate (%)	4.1	18.2	13.8	15.0	15.0
Dividend payout (%)	4.5	39.2	36.4	45.3	45.2
Debtors turnover (days)	244	138	173	138	143
Stock turnover (days)	222	200	228	230	222
Creditors turnover (days)	242	174	163	159	161

Source: Company, AmlInvestment Bank Bhd estimates

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