



AmInvestment Bank

## Company report

## SUNWAY

(SWB MK EQUITY, SWAY.KL)

25 May 2023

## Ramp up of launches in Singapore

BUY

(Maintained)

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Rationale for report: Company results

Price	RM1.55
Fair Value	RM2.39
52-week High/Low	RM1.77/RM1.45

## Key Changes

Fair value	↔
EPS	↔

YE to Dec	FY22	FY23F	FY24F	FY25F
Revenue (RM mil)	5,194.9	5,593.6	5,787.8	6,023.1
Core net profit (RM mil)	600.0	610.3	714.4	755.1
FD Core EPS (sen)	12.0	12.2	14.3	15.1
FD Core EPS growth (%)	53.9	1.7	17.1	5.7
Consensus Net Profit (RM mil)	-	661.3	697.9	746.4
DPS (sen)	5.3	6.2	7.3	7.7
PE (x)	12.9	12.7	10.8	10.3
EV/EBITDA (x)	20.0	19.4	18.2	17.4
Div yield (%)	3.4	3.1	4.5	4.7
ROE (%)	5.5	5.2	6.0	6.1
Net Gearing (%)	51.9	53.3	53.3	53.7

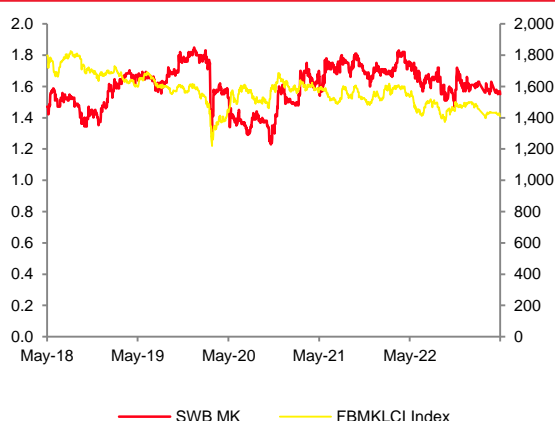
## Stock and Financial Data

Shares Outstanding (million)	4,999.6*
Market Cap (RMmil)	7,749.5
Book Value (RM/share)	2.51
P/BV (x)	0.6
ROE (%)	5.5
Net Gearing (%)	51.9

\*before conversion of ICPS and warrants

Major Shareholders	Sungei Way (57.9%)
	EPF (8.7%)
	AIA (3.4%)
Free Float	30.1
Avg Daily Value (RMmil)	5.3

Price performance	3mth	6mth	12mth
Absolute (%)	(4.9)	0.6	(11.4)
Relative (%)	(1.7)	7.2	(3.8)



## Investment Highlights

- We maintain BUY on Sunway with an unchanged SOP-based fair value (FV) of RM2.39/share, which implies an FY24F PE of 17x, 1 standard deviation above its 3-year median of 12x. Our FV also reflects a 3% premium for our 4-star ESG rating (Exhibits 5 & 6).
- We made no changes to our earnings forecasts as Sunway's 1QFY23 core net profit (CNP) of RM141mil came in within our expectation and consensus'. It accounted for 23% of our FY23F earnings and 21% of street's.
- In 1QFY23, Sunway's property development revenue rose by 57% YoY. This was driven by higher progress billings from ongoing local projects. However, the segment's PBT fell marginally by 2% YoY due to lower profit recognition from overseas development projects.
- Sunway's 1QFY23 new sales grew 13% YoY to RM505mil, attaining 22% of its FY23 sales target of RM2.3bil (Exhibit 3).
- Sunway ramped up its launches in 1QFY23 to RM3bil (vs. nil in 1QFY22), making up 88% of its FY23F targeted launches of RM3.5bil. The major projects are The Continuum (RM2bil) and Terra Hills (RM700mil) in Singapore (Exhibit 4).
- 1QFY23 property investment's earnings surged 49%, driven by revenue growth of 73% 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.
- Its revenue in construction segment fell 11% YoY while PBT dropped 17% YoY in 1QFY23. This is mainly due to lower progress billings from some local construction projects which are still in the initial stages of construction schedules.
- Its healthcare's 1QFY23 share of net profit inched up 2% YoY to RM29mil as a result of the improvement in hospital activities, particularly at Sunway Medical Centre and Sunway Medical Centre Velocity.

- On a QoQ comparison, all segments posted weaker PBT in 1QFY23. In 1QFY23, property development segment's PBT was 67% lower QoQ due to lower progress billings from on-going local development projects. In addition, the higher PBT in the preceding quarter was boosted by write-backs of overprovision of development costs and additional profits from completion and handover of a local project.
- 1QFY23 PBT of its property investments decreased by 11% QoQ due to lower contributions from the leisure and hospitality segments which tend to peak in the final quarter of the year.
- Meanwhile, construction segment's 1QFY23 PBT declined 33% QoQ despite a 13% QoQ growth in revenue. The PBT margin reduced to 12% from 20% in 4QFY22 as there was recalibration of margin for projects nearing completion in the preceding quarter.
- We believe the long-term outlook for Sunway remains bright premised on its:
  - (i) strong unbilled sales of RM4.4bil (2.9x FY23F property development revenue);
  - (ii) robust outstanding order book of RM6bil (4.1x FY23F construction revenue); and
  - (iii) expansion plans for healthcare business (which could increase FY23F capacity by 82%).
- The stock currently trades at a compelling FY24F PE of 11x vs. its 5-year peak of over 20x.

## EXHIBIT 1: EARNINGS SUMMARY

YE to Dec (RM mil)	1QFY22	4QFY22	1QFY23	QoQ %	YoY %
<b>Revenue</b>	<b>1,112.5</b>	<b>1,531.6</b>	<b>1,263.7</b>	<b>(17.5)</b>	<b>13.6</b>
Operating costs	(1,044.6)	(1,373.1)	(1,156.7)	(15.8)	10.7
<b>EBITDA</b>	<b>67.9</b>	<b>158.5</b>	<b>107.0</b>	<b>(32.5)</b>	<b>57.8</b>
Other income	37.1	89.9	38.4	(57.3)	3.6
Depreciation	(32.8)	(35.8)	(32.1)	(10.4)	(2.2)
Net finance income	15.8	(0.6)	(4.1)	>100	(>100)
JV/Associate contributions	99.2	81.8	82.7	1.1	(16.6)
<b>Profit before tax</b>	<b>187.1</b>	<b>293.9</b>	<b>192.0</b>	<b>(34.7)</b>	<b>2.6</b>
Taxation	(27.9)	(73.7)	(33.3)	(54.8)	19.3
MI	(19.1)	(17.2)	(17.1)	(0.7)	(10.2)
<b>Profit after tax</b>	<b>140.1</b>	<b>203.0</b>	<b>141.6</b>	<b>(30.2)</b>	<b>1.1</b>
Exceptional item	(2.0)	(17.5)	(0.3)	(98.5)	(87.1)
<b>Core PATMI</b>	<b>138.1</b>	<b>185.5</b>	<b>141.4</b>	<b>(23.8)</b>	<b>2.4</b>
EPS (sen)	2.8	3.8	2.9	(23.8)	2.4
EBIT margin (%)	6.1	10.3	8.5	(1.9)	2.4
Effective tax rate (%)	14.9	25.1	17.3	(7.7)	2.4
Core PATMI margin (%)	12.4	12.1	11.2	(0.9)	(1.2)

Source: AmlInvestment Bank Bhd

## EXHIBIT 2: SEGMENTAL BREAKDOWN

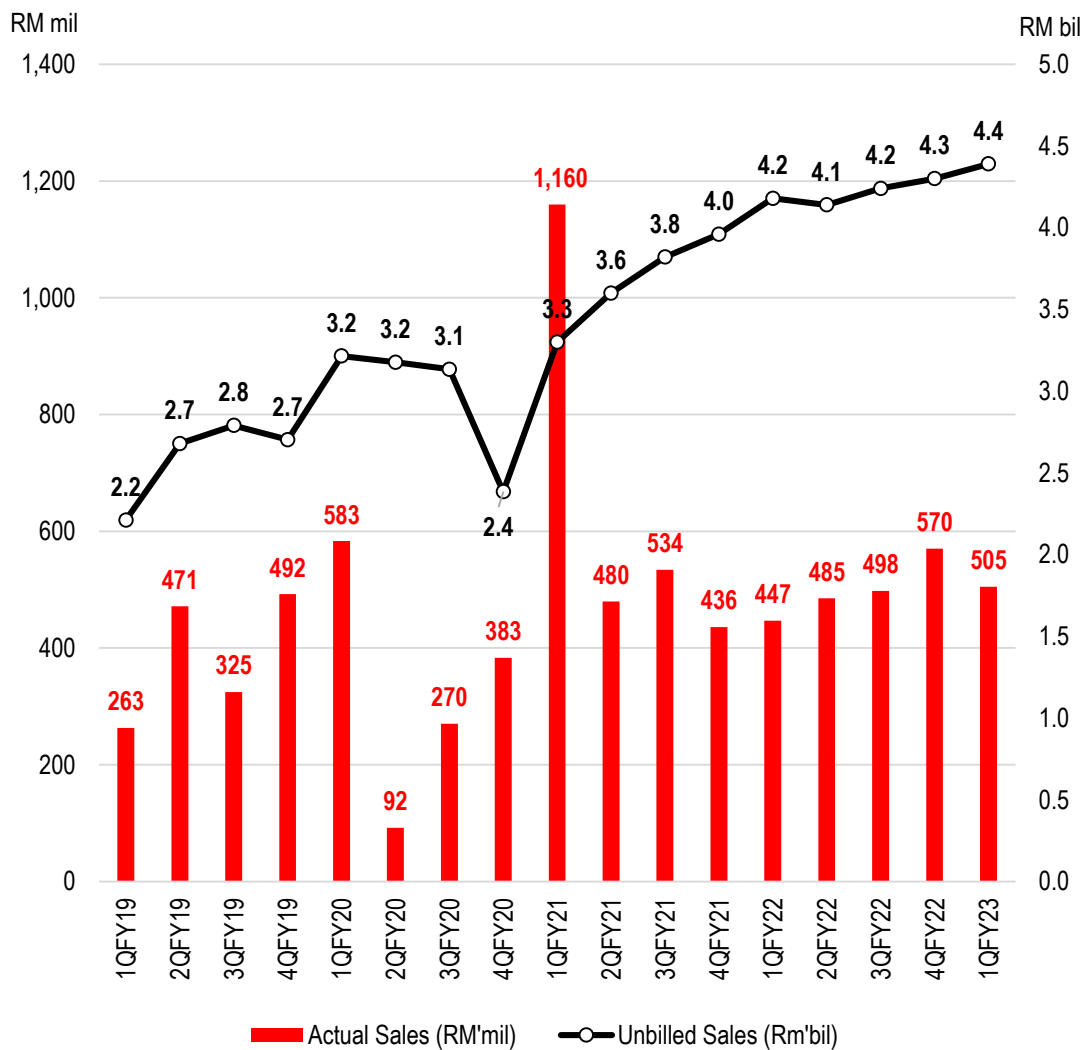
FY31 Dec (RM mil)	1QFY22	4QFY22	1QFY23	QoQ %	YoY %
Property development	158.2	442.7	247.8	(44.0)	56.6
Property investment	121.1	230.7	209.9	(9.0)	73.3
Construction	368.6	291.0	327.9	12.7	(11.0)
Others*	464.6	567.3	478.1	(15.7)	2.9
<b>Revenue</b>	<b>1,112.5</b>	<b>1,531.6</b>	<b>1,263.7</b>	<b>(17.5)</b>	<b>13.6</b>
Property development	23.4	70.4	23.1	(67.2)	(1.5)
Property investment	45.0	75.7#	67.2	(11.1)	49.4
Construction	47.8	58.7	39.5	(32.7)	(17.4)
Others*	70.8	112.0	62.2	(44.5)	(12.2)
<b>PBT/(LBT)</b>	<b>187.1</b>	<b>316.8</b>	<b>192.0</b>	<b>(39.4)</b>	<b>2.6</b>
<b>Pretax margin (%)</b>					
Property development	14.8	15.9	9.3	(6.6)	(5.5)
Property investment	37.2	32.8	32.0	(0.8)	(5.1)
Construction	13.0	20.2	12.0	(8.1)	(0.9)
Others*	15.2	19.8	13.0	(6.7)	(2.2)

\*Including building materials, community pharmacy business and other segments

#excluding a fair value loss of RM23mil

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)	Percentage (%)	Launch?
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 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	
<b>Total</b>			<b>3,510</b>	<b>100</b>	

Source: Sunway, AmlInvestment Bank Bhd

## EXHIBIT 5: RNAV CALCULATIONS

DEVELOPMENT PROPERTIES	Outstanding GDV (RMmil)	NPV @8% (RMmil)	Stake (%)
<b>Selangor/KL</b>			
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
<b>Perak</b>			
Sunway City Ipoh	928.4	74.8	96
<b>Penang</b>			
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
<b>Johor</b>			
Bukit Lenang	568.4	23.8	80
Medini	10,616.0	333.3	60
Pendas	18,000.0	565.2	60
<b>Singapore</b>			
Flynn Park, Pasir Panjang	2,300.0	68.0	30
Thiam Siam Avenue, Tanjong Katong	6,150.0	182.0	30
<b>China</b>			
Tianjin Eco-City	688.8	42.1	60
Unbilled sales		1,045.0	
<b>Subtotal</b>		<b>3,991.4</b>	
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	
<b>Total SOP</b>		<b>13,334.8</b>	
NAV @ Property development		1,648.8	
<b>Fair value</b>		<b>14,983.7</b>	
Enlarged share base (mil shares)		6,516.6	
<b>Fair value/share (RM)</b>		<b>2.31</b>	
(+) 3% premium for 4-star ESG rating		0.08	
<b>Fair value/share (RM)+ ESG Premium</b>		<b>2.39</b>	

Source: AmlInvestment Bank Bhd

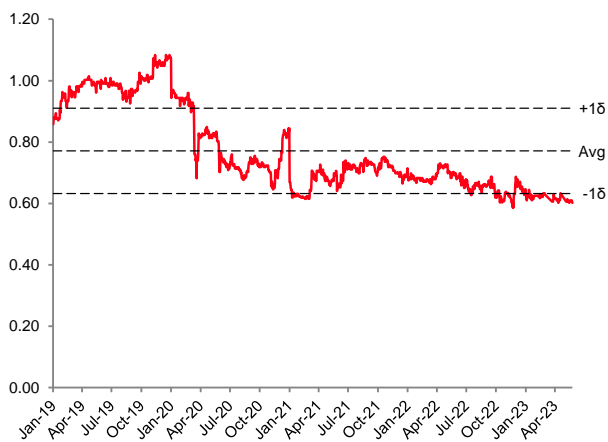
**EXHIBIT 6: ESG RATING**

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

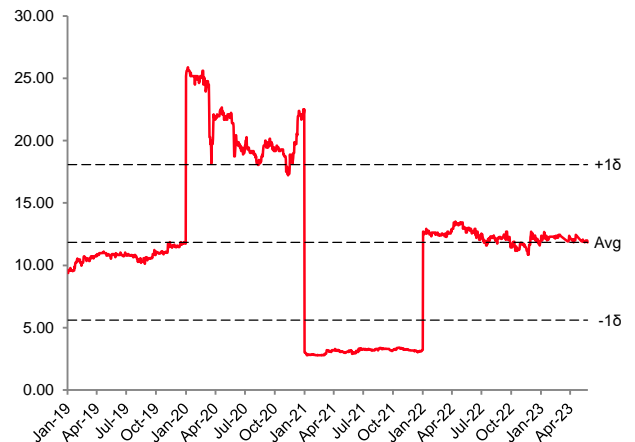
We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star

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	5,194.9	5,593.6	5,787.8	6,023.1
<b>EBITDA</b>	<b>544.7</b>	<b>713.7</b>	<b>754.8</b>	<b>818.0</b>	<b>868.7</b>
Depreciation/Amortisation	(216.9)	(130.2)	(87.3)	(90.4)	(94.0)
Operating income (EBIT)	327.8	583.5	667.4	727.6	774.7
Other income & associates	81.2	351.1	195.9	299.6	309.7
Net interest	54.9	(14.5)	50.0	52.9	50.2
Exceptional items	2,390.5	-	-	-	-
<b>Pretax profit</b>	<b>2,854.4</b>	<b>920.1</b>	<b>913.3</b>	<b>1,080.1</b>	<b>1,134.6</b>
Taxation	(116.2)	(167.0)	(127.6)	(162.0)	(170.2)
Minorities/pref dividends	(73.7)	(76.1)	(131.2)	(137.7)	(143.3)
<b>Net profit</b>	<b>2,664.4</b>	<b>677.0</b>	<b>654.5</b>	<b>780.4</b>	<b>821.1</b>
<b>Core net profit</b>	<b>389.9</b>	<b>600.0</b>	<b>610.3</b>	<b>714.4</b>	<b>755.1</b>
Balance Sheet (RMmil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Fixed assets	1,262.8	1,265.1	1,525.0	1,577.9	1,642.0
Intangible assets	432.8	441.4	441.4	441.4	441.4
Other long-term assets	15,389.1	16,013.6	16,523.8	16,618.2	16,713.5
<b>Total non-current assets</b>	<b>17,084.7</b>	<b>17,720.1</b>	<b>18,490.2</b>	<b>18,637.5</b>	<b>18,796.9</b>
Cash & equivalent	2,814.0	1,958.1	2,575.8	2,662.4	2,752.7
Stock	2,423.0	3,279.5	3,702.9	3,589.3	3,720.2
Trade debtors	2,483.8	1,969.3	2,644.2	2,180.6	2,365.5
Other current assets	281.3	1,134.5	1,363.8	1,371.8	1,382.1
<b>Total current assets</b>	<b>8,002.2</b>	<b>8,341.4</b>	<b>10,286.7</b>	<b>9,804.0</b>	<b>10,220.4</b>
Trade creditors	2,470.6	2,510.3	2,535.4	2,545.8	2,772.1
Short-term borrowings	4,093.8	5,361.0	5,956.9	6,153.7	6,393.8
Other current liabilities	141.2	153.9	1,430.7	295.7	(242.3)
<b>Total current liabilities</b>	<b>6,705.6</b>	<b>8,025.2</b>	<b>9,923.0</b>	<b>8,995.2</b>	<b>8,923.6</b>
Long-term borrowings	4,114.2	3,095.2	3,488.0	3,609.1	3,755.7
Other long-term liabilities	1,143.7	1,383.7	1,383.7	1,383.7	1,383.7
<b>Total long-term liabilities</b>	<b>5,257.9</b>	<b>4,478.9</b>	<b>4,871.7</b>	<b>4,992.8</b>	<b>5,139.5</b>
<b>Shareholders' funds</b>	<b>12,034.8</b>	<b>12,525.7</b>	<b>12,876.2</b>	<b>13,309.1</b>	<b>13,763.4</b>
Minority interests	1,088.7	1,031.8	1,106.0	1,144.4	1,191.0
BV/share (RM)	2.41	2.51	2.58	2.66	2.75
Cash Flow (RMmil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Pretax profit	2,854.4	920.1	913.3	1,080.1	1,134.6
Depreciation/Amortisation	216.9	130.2	87.3	90.4	94.0
Net change in working capital	107.4	(443.2)	(47.6)	(445.1)	(488.0)
Others	(2,199.9)	(270.3)	699.7	153.3	238.5
<b>Cash flow from operations</b>	<b>978.7</b>	<b>336.8</b>	<b>1,652.8</b>	<b>878.8</b>	<b>979.1</b>
Capital expenditure	(343.9)	(110.8)	(259.9)	(52.9)	(64.1)
Net investments & sale of fixed assets	(13.5)	(204.4)	-	-	-
Others	(922.2)	(870.5)	(56.1)	(94.4)	(95.3)
<b>Cash flow from investing</b>	<b>(1,279.6)</b>	<b>(844.6)</b>	<b>(316.0)</b>	<b>(147.3)</b>	<b>(159.4)</b>
Debt raised/(repaid)	1,290.4	370.6	(370.9)	(231.3)	(296.5)
Dividends paid	(152.0)	(222.5)	(241.4)	(347.5)	(366.9)
Others	(293.5)	(77.0)	(44.2)	(66.0)	(66.0)
<b>Cash flow from financing</b>	<b>845.0</b>	<b>(324.5)</b>	<b>(656.4)</b>	<b>(644.9)</b>	<b>(729.4)</b>
<b>Net cash flow</b>	<b>544.1</b>	<b>(832.3)</b>	<b>680.4</b>	<b>86.6</b>	<b>90.3</b>
<b>Net cash/(debt) b/f</b>	<b>2,182.8</b>	<b>2,732.2</b>	<b>1,895.4</b>	<b>2,575.8</b>	<b>2,662.4</b>
<b>Net cash/(debt) c/f</b>	<b>2,732.2</b>	<b>1,895.4</b>	<b>2,575.8</b>	<b>2,662.4</b>	<b>2,752.7</b>
Key Ratios (YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Revenue growth (%)	15.8	39.8	7.7	3.5	4.1
EBITDA growth (%)	83.3	31.0	5.8	8.4	6.2
Pretax margin (%)	76.8	17.7	16.3	18.7	18.8
Net profit margin (%)	71.7	13.0	11.7	13.5	13.6
Interest cover (x)	nm	40.3	nm	nm	nm
Effective tax rate (%)	4.1	18.1	14.0	15.0	15.0
Dividend payout (%)	4.5	39.2	36.9	44.5	44.7
Debtors turnover (days)	244	138	173	138	143
Stock turnover (days)	222	200	228	230	221
Creditors turnover (days)	242	175	165	160	161

Source: Company, AmlInvestment Bank Bhd estimates

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