

Malaysia

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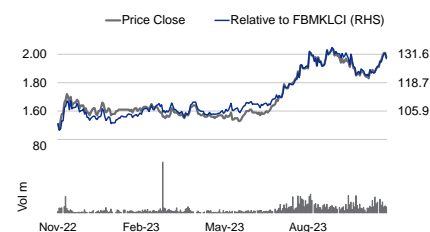
Consensus ratings*: Buy 9 Hold 2 Sell 0

Current price:	RM1.98
Target price:	RM2.57
Previous target:	RM2.57
Up/downside:	29.5%
CGS-CIMB / Consensus:	10.2%
Reuters:	SWAY.KL
Bloomberg:	SWB MK
Market cap:	US\$2,111m RM9,821m
Average daily turnover:	US\$3.58m RM16.80m
Current shares o/s	4,934m
Free float:	30.6%

*Source: Bloomberg

Key financial forecasts

	Dec-23F	Dec-24F	Dec-25F
Net Profit (RMm)	715.3	796.1	863.7
Core EPS (RM)	0.14	0.16	0.18
Core EPS Growth	10.8%	11.3%	8.5%
FD Core P/E (x)	15.51	13.94	13.97
Recurring ROE	5.59%	5.96%	6.18%
P/BV (x)	0.75	0.72	0.68
DPS (RM)	0.036	0.040	0.044
Dividend Yield	1.83%	2.04%	2.21%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	5.9	4.2	34.7
Relative (%)	4.3	3.3	33.6

Major shareholders	% held
Tan Sri Dato' Seri Dr. Jeffrey Cheah & EPF	60.5
	9.0

Analyst(s)

CHONG Tjen-San, CFA

T (60) 3 2635 9298

E tjen-san.chong@cgs-cimb.com

Sunway Bhd

Strong earnings delivery in 3Q

- 3Q23 results met expectations; the key highlight was the surge in property development profit due to its Singapore project.
- Key catalysts are unlocking value from the listing of SHG and more economic activity in Johor benefiting its landbank there.
- Reiterate Add and TP of RM2.57 (10% discount to SOP).

3Q23 results in line; lifted by lump recognition of Singapore project

- 3Q23 core net profit of RM180m (+25% yoy, +18% qoq) brought 9M23 core net profit to RM475m (+7% yoy), driven by higher contribution from property development and construction. 9M core net profit was at 66% of our and Bloomberg consensus full-year core net profit estimates. We expect a stronger 4Q and for our FY23F core net profit to be met.
- The key highlight for 3Q23 was its property development division with pretax profit surging 97% yoy to RM70m. This was due to lumpy profit recognition for one executive condominium project in Singapore known as Parc Canberra (GDV S\$530m; Sunway's effective stake of RM560m) which was completed in 3Q23 and fully sold. This contributed RM46m development profit for 3Q23. The accounting treatment in terms of profit recognition for executive condominium projects is upon completion and not by percentage of completion. Property presales were RM585m in 3Q23 (2Q23: RM1bn), bringing 9M23 to RM2.09bn; we believe Sunway may exceed its RM2.3bn guidance for FY23F.
- Sunway Healthcare Group's (SHG) 3Q23 share of JV profit increased 7% yoy and 18% qoq to RM44m due to strong performance from Sunway Medical Centre (SMC) Sunway City and SMC Velocity. This offset the share of start-up losses from SMC Penang and Sunway Sanctuary of RM4.9m. There was also additional tax payable of RM5.2m due to exhaustion of its investment tax allowance in FY22.

Property – Valuable Johor landbank may see more activity

- The take-up rates for its local launches this year picked up in 3Q23, with Sunway Flora Residences Bukit Jalil (RM300m gross development value, GDV) achieving 79% take-up (74% in 2Q23). Sunway Aviana in Iskandar Puteri (GDV RM94m) was launched in Oct 23 and has already achieved take-up of 57%. However, take-up rates for its Singapore private condominium projects have been slower with take-up rates for Terra Hills Pasir Panjang in Singapore (S\$845m GDV) at 39% in 3Q23 (36% in 2Q23), and Continuum in Singapore (RM2bn GDV) achieving a 33% take-up rate in 3Q23 (27% in 2Q23).
- Sunway's landbank of 1,770 acres in Johor (Pendas and Medini) may be a prime beneficiary of more economic activity such as the Johor-Singapore special economic zone, the Johor Bahru-Singapore Rapid Transit System (RTS) Link (due to open in 2026) and possible revival of the Kuala Lumpur-Singapore High Speed Rail (HSR).

Upside to SHG's valuation?

- We have valued SHG at an FY25F EV/EBITDA of 15.8x, translating to RM7.2bn value, in our SOP valuation. Assuming a multiple of 20x FY25F EV/EBITDA which is the sale price of Ramsay Sime Darby Healthcare to Columbia Asia, our valuation for SHG rises to RM9.1bn (+46%) and our SOP for Sunway climbs to RM3.10 (our TP is based on a 10% discount to SOP).

Reiterate Add, RM2.57 TP

- We like Sunway as a diversified investment proxy for a robust domestic economy with its strong property and construction franchise and growing exposure to healthcare (including medical tourism). Key downside risks: a slowing economy which will impact most of its divisions and rising raw materials costs. Key catalysts are stronger property sales, higher construction new wins which may come from a Vietnam power plant project, and faster-than-expected IPO of its healthcare unit.

Figure 1: Results comparison yoy and qoq

	3QFY23	3QFY22	% Change yoy	2QFY23	% Change qoq
	RMm	RMm		RMm	
Sales	1539.1	1,270.5	21%	1,468.2	5%
Cost of Goods Sold	(1,428.9)	(1,177.6)	21%	(1,349.8)	6%
Gross Profit	110.2	92.9	19%	118.4	-7%
Other Operating Income	8.9	19.2	-54%	24.7	-64%
EBIT	119.1	112.2	6%	143.1	-17%
Interest Income	61.7	47.8	29%	63.8	-3%
Interest Expense	(89.8)	(49.3)	82%	(78.4)	15%
Share of Associates' or JV Income	156.7	92.9	69%	77.6	102%
Exceptional Gains/(Losses)	-	20.2	-100%	(3.1)	-100%
Pretax Profit	247.8	223.8	11%	203.0	22%
Tax	(40.5)	(41.6)	-3%	(30.8)	32%
Minority Interests	(27.0)	(17.5)	54%	(22.3)	21%
Net Profit	180.3	164.7	9%	149.9	20%
Core net profit	180.3	144.5	25%	153.0	18%
Turnover	3QFY23	3QFY22	% Change yoy	2QFY23	% Change qoq
	RMm	RMm		RMm	
Sales	309.5	278.1	11%	362.1	-15%
Property investment	232.8	188.6	23%	199.4	17%
Construction	424.0	305.1	39%	404.1	5%
Trading & manufacturing	242.6	198.8	22%	227.8	6%
Quarry	148.8	105.6	41%	94.5	57%
Investment holding	0.0	9.2	-100%	-	nm
Others	181.4	185.2	-2%	180.3	1%
Total	1539.1	1,270.5	21%	1,468.2	5%
Pretax	RMm	RMm		RMm	
Property development	70.4	35.8	97%	49.1	44%
Property investment	55.2	85.7	-36%	33.9	63%
Construction	51.1	35.6	43%	44.5	15%
Trading & manufacturing	13.4	12.4	9%	10.1	33%
Quarry	10.2	1.9	440%	4.4	132%
Healthcare	44.4	41.4	7%	37.7	18%
Investment holding	-	(6.1)	-100%	0.0	nm
Others	3.0	17.1	-82%	23.3	-87%
Actual core pretax	247.8	223.8	11%	203.0	22%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Peers comparison (as at 22 Nov 23)

Company	Bbg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x) CY23F	P/E (x) CY24F	P/E (x) CY25F	2-year EPS CAGR (%)	P/BV (x) CY23F	P/BV (x) CY24F	Recurring ROE (%) CY23F	Dividend Yield (%) CY23F
Gamuda	GAM MK	Add	4.60	5.65	2,674	13.5	12.2	10.8	5.1%	1.11	1.05	8.5%	7.4%
IJM Corp Bhd	IJM MK	Add	1.89	2.15	1,424	18.8	15.4	13.5	17.5%	0.66	0.64	3.7%	1.9%
WCT Holdings	WCTHG MK	Add	0.53	0.71	160	9.9	8.1	7.3	4.7%	0.19	0.18	1.9%	1.4%
Sunway Construction Group Bhd	SCGB MK	Add	1.89	2.14	524	17.3	14.6	12.5	7.4%	3.03	2.74	18.4%	2.9%
Muhibbah Engineering	MUHI MK	Add	0.74	0.90	116	22.9	10.9	8.5	na	0.41	0.39	1.8%	1.3%
HSS Engineers	HSS MK	Add	1.02	1.21	109	19.0	13.9	11.9	30.7%	1.93	1.76	10.9%	1.6%
YTL Corporation	YTL MK	Add	1.53	1.91	3,605	14.6	12.6	13.1	70.4%	1.15	1.09	8.3%	3.3%
Malayan Cement Bhd	LMC MK	Add	3.90	5.55	1,098	26.7	19.8	16.4	51.9%	0.85	0.84	3.3%	1.2%
Sunway Bhd	SWB MK	Add	1.98	2.57	2,111	15.5	13.9	14.0	7.7%	0.75	0.72	5.1%	1.8%
Malaysia average						16.5	12.2	10.5	8.7%	1.1	1.0	6.8%	3.0%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(RMm)	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Net Revenues	5,195	6,931	7,204	7,455
Gross Profit	379	2,165	2,286	2,347
Operating EBITDA	675	925	989	997
Depreciation And Amortisation	-130	-207	-207	-207
Operating EBIT	545	718	782	790
Financial Income/(Expense)	-14	-118	-113	-83
Pretax Income/(Loss) from Assoc.	351	330	364	407
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	881	930	1,033	1,114
Exceptional Items	39	0	0	0
Pre-tax Profit	920	930	1,033	1,114
Taxation	-167	-149	-165	-178
Exceptional Income - post-tax				
Profit After Tax	753	781	868	936
Minority Interests	-76	-66	-72	-72
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	677	715	796	864
Recurring Net Profit	645	715	796	864
Fully Diluted Recurring Net Profit	645	715	796	864

Balance Sheet

(RMm)	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Cash And Equivalents	1,957	2,058	2,620	3,004
Total Debtors	1,958	2,567	2,668	2,761
Inventories	3,280	3,191	3,298	3,430
Total Other Current Assets	685	685	685	685
Total Current Assets	7,879	8,501	9,271	9,880
Fixed Assets	1,237	1,230	1,223	1,216
Total Investments	9,344	9,673	10,037	10,444
Intangible Assets	63	63	63	63
Total Other Non-Current Assets	7,535	7,535	7,535	7,535
Total Non-current Assets	18,179	18,501	18,858	19,258
Short-term Debt	4,919	4,919	4,919	4,919
Current Portion of Long-Term Debt				
Total Creditors	2,491	2,849	3,141	3,267
Other Current Liabilities	194	278	294	307
Total Current Liabilities	7,604	8,045	8,354	8,493
Total Long-term Debt	3,537	3,437	3,587	3,737
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	1,169	1,169	1,169	1,169
Total Non-current Liabilities	4,707	4,607	4,757	4,907
Total Provisions	186	186	186	186
Total Liabilities	12,496	12,838	13,296	13,586
Shareholders' Equity	12,529	13,066	13,663	14,310
Minority Interests	1,033	1,098	1,170	1,242
Total Equity	13,562	14,164	14,833	15,553

Cash Flow

(RMm)	Dec-22A	Dec-23F	Dec-24F	Dec-25F
EBITDA	675	925	989	997
Cash Flow from Invt. & Assoc.	-351	-330	-364	-407
Change In Working Capital	-443	-162	83	-99
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	130	207	207	207
Other Operating Cashflow	774	5	44	117
Net Interest (Paid)/Received	-202	-235	-236	-240
Tax Paid	-188	-66	-149	-165
Cashflow From Operations	395	345	575	410
Capex	-315	-200	-200	-200
Disposals Of FAs/subsidiaries	0	0	0	0
Acq. Of Subsidiaries/Investments	-8	0	0	0
Other Investing Cashflow	-746	0	0	0
Cash Flow From Investing	-1,069	-200	-200	-200
Debt Raised/(repaid)	338	-100	150	150
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased				
Dividends Paid	-271	-179	-199	-216
Preferred Dividends	0	0	0	0
Other Financing Cashflow	-250	235	236	240
Cash Flow From Financing	-183	-43	187	174
Total Cash Generated	-857	101	562	384
Free Cashflow To Equity	-336	45	525	360
Free Cashflow To Firm	-472	380	611	450

Key Ratios

	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue Growth	39.9%	33.4%	3.9%	3.5%
Operating EBITDA Growth	31.0%	37.1%	6.9%	0.9%
Operating EBITDA Margin	13.0%	13.3%	13.7%	13.4%
Net Cash Per Share (RM)	-1.32	-1.28	-1.19	-1.15
BVPS (RM)	2.54	2.65	2.77	2.90
Gross Interest Cover	2.69	3.05	3.31	3.29
Effective Tax Rate	18.2%	16.0%	16.0%	16.0%
Net Dividend Payout Ratio	42.5%	25.0%	25.0%	25.0%
Accounts Receivables Days	156.0	119.1	133.0	132.9
Inventory Days	216.1	247.8	241.4	240.4
Accounts Payables Days	188.0	204.5	222.9	229.0
ROIC (%)	3.74%	4.40%	4.76%	4.86%
ROCE (%)	3.36%	3.72%	3.92%	3.95%
Return On Average Assets	2.83%	3.27%	3.45%	3.48%

12-mth Fwd FD P/E (x) - Sunway Bhd



Key Drivers

	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Property launches	N/A	3,510.0	2,500.0	3,000.0
Number of hospital beds	N/A	1,077.5	1,330.5	1,431.0
Property EBIT Margins	N/A	11.7	13.3	11.8

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Description:	Excellent	Very Good	Good	N/A	N/A

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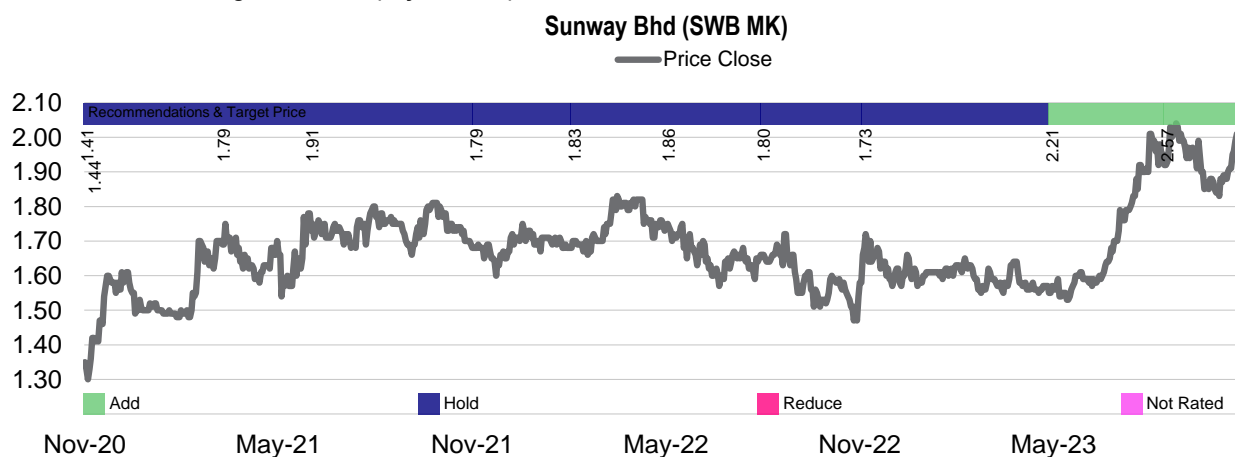
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2023		
634 companies under coverage for quarter ended on 30 September 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	66.7%	0.9%
Hold	23.7%	0.0%
Reduce	9.6%	0.2%

Spitzer Chart for stock being researched (2 year data)



Recommendation Framework

Stock Ratings

Definition:

Add The stock's total return is expected to exceed 10% over the next 12 months.

Hold The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

Reduce The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.

Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.

Underweight An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

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Neutral A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.

Underweight An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.