

## Sue Lin Lim

suelin.lim@cls.com  
+60 3 2056 7875

23 November 2023

## Malaysia Property

Reuters SWAY.KL  
Bloomberg SWB MK

Priced on 22 November 2023  
KLSE Comp @ 1,455.9

12M hi/lo RM2.04/1.47

12M price target RM2.33  
±% potential +20%

Shares in issue 4,873.7m  
Free float (est.) 31.0%

Market cap US\$2.1bn

3M ADV US\$4.0m

Foreign s'holding 5.4%

### Major shareholders

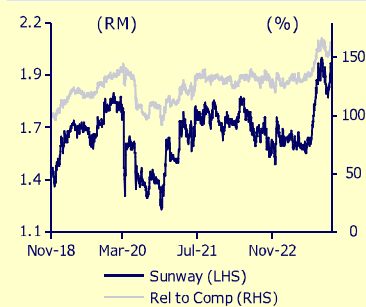
Jeffrey Cheah Fook Ling 63.0%  
EPF 9.3%

### Blended ESG Score (%)\*

Overall 73.7  
Country average 56.5  
GEM sector average 54.5  
\*Click to visit company page on cls.com for details

### Stock performance (%)

	1M	3M	12M
Absolute	3.7	2.1	28.5
Relative	2.9	1.8	27.2
Abs (US\$)	2.9	1.2	26.4



Source: Bloomberg

## Riding the momentum

### Slight dip in property development; healthcare continues to shine

Sunways' 3Q23/9M23 results fell short of our expectations, mainly from slower recognition of its property development projects. While its healthcare segment continues to thrive, we impute higher costs for new hospital openings ahead. We lower our earnings forecast accordingly. We do, however, raise our SOTP-target price from RM2.09 to RM2.33 due to a lower RNAV discount for its property development segment and higher valuations from construction. We maintain BUY.

### Dragged by delay in property development recognition

Sunway's 3Q/9M23 results were below our 23CL forecasts but largely within consensus expectations. We believe the difference arises from a lower recognition of its Singapore property development project. We understand that there is a delay in recognition from 2023 to 2024. As a result, we adjust our 23CL/24CL forecasts. Our 25CL forecast now assumes the partial recognition of the Sunway Tengah project but this mitigated by softer property development prospects in Singapore.

### Other segments stayed robust; healthcare continued to shine

Despite the recognition issue regarding its Singapore property development project, there was lower progress billing from ongoing local development projects, dragging QoQ revenues and operating profit for the segment, but they both improved YoY. Positively, its property investment segment saw a higher contribution from its leisure segment (theme parks) and associate Sunway Reit (see [Sunway Reit - O-PF \(Expecting a stronger year-end\)](#)). Sunway Construction did better due to higher progress billings from local construction projects. Its healthcare segment (under share of results of joint ventures) continued to do well. Although there were still startup losses for its hospital in Penang mainly for staff and depreciation, operating profit margins continued to rise.

### Recalibration of earnings

We lower our assumptions for the group's property development contribution. In addition, we update our earnings contribution from the construction segment on slightly slower bookings. We expect healthcare to do well and now impute higher start-up costs across 23-25CL as operations ramp up. Penang hospital is expected to breakeven in 4Q23 and the Damansara and Ipoh hospitals will open in 4Q24 and 1Q25. Sunway Healthcare Group expansion will be organic.

### Raise target price to RM2.33; maintain BUY

Despite cuts in our earnings forecasts, the ongoing positive sentiment in the property sector cannot be ignored. Our new, higher SOTP-derived target price of RM2.33 accounts for a lower RNAV discount for the property development segment as well as an updated target price for Sunway Construction. Maintain BUY.

### Financials

Year to 31 December	21A	22A	23CL	24CL	25CL
Revenue (RMm)	3,717	5,195	5,736	6,184	6,747
Rev forecast change (%)	-	-	(3.6)	(4.1)	(2.0)
Net profit (RMm)	213	668	707	897	941
NP forecast change (%)	-	-	(14.4)	(1.4)	(1.9)
EPS (sen)	4.4	13.7	14.5	18.4	19.3
CL/consensus (10) (EPS%)	-	-	113	134	137
EPS growth (% YoY)	(45.0)	213.3	6.0	26.9	4.8
PE (x)	44.4	14.2	13.4	10.5	10.1
Dividend yield (%)	1.3	2.8	2.6	3.3	3.5
ROE (%)	2.2	5.9	6.0	7.3	7.3
Net debt/equity (%)	45.0	52.3	42.7	41.0	43.1

Source: www.cls.com

## Financials at a glance

Year to 31 December	2021A	2022A	2023CL	(% YoY)	2024CL	2025CL
<b>Profit &amp; Loss (RMm)</b>						
Revenue	3,717	5,195	5,736	10.4	6,184	6,747
Cogs (ex-D&A)	(2,705)	(3,954)	(4,350)		(4,640)	(5,026)
<b>Gross Profit (ex-D&amp;A)</b>	<b>1,012</b>	<b>1,241</b>	<b>1,386</b>	<b>11.6</b>	<b>1,544</b>	<b>1,720</b>
SG&A and other expenses	(468)	(527)	(564)		(582)	(619)
<b>Op Ebitda</b>	<b>544</b>	<b>714</b>	<b>822</b>	<b>15.2</b>	<b>962</b>	<b>1,102</b>
Depreciation/amortisation	(216)	(130)	(163)		(201)	(235)
<b>Op Ebit</b>	<b>328</b>	<b>583</b>	<b>659</b>	<b>13</b>	<b>761</b>	<b>866</b>
Net interest inc/(exp)	55	(14)	(188)		(156)	(133)
Other non-Op items	52	373	408	9.5	508	449
<b>Profit before tax</b>	<b>435</b>	<b>942</b>	<b>879</b>	<b>(6.6)</b>	<b>1,113</b>	<b>1,183</b>
Taxation	(116)	(167)	(113)		(145)	(176)
<b>Profit after tax</b>	<b>318</b>	<b>775</b>	<b>766</b>	<b>(1.1)</b>	<b>968</b>	<b>1,007</b>
Minority interest	(75)	(76)	(27)		(39)	(35)
<b>Net profit</b>	<b>213</b>	<b>668</b>	<b>707</b>	<b>6</b>	<b>897</b>	<b>941</b>
<b>Adjusted profit</b>	<b>234</b>	<b>650</b>	<b>707</b>	<b>8.8</b>	<b>897</b>	<b>941</b>
<b>Cashflow (RMm)</b>						
<b>Operating profit</b>	<b>328</b>	<b>583</b>	<b>659</b>	<b>13</b>	<b>761</b>	<b>866</b>
Depreciation/amortisation	216	130	163	24.8	201	235
Working capital changes	(110)	(1,353)	1,372		77	(561)
Other items	545	976	(197)		(192)	(195)
<b>Net operating cashflow</b>	<b>979</b>	<b>337</b>	<b>1,996</b>	<b>492.6</b>	<b>846</b>	<b>346</b>
Capital expenditure	(723)	(315)	(600)		(600)	(600)
<b>Free cashflow</b>	<b>256</b>	<b>22</b>	<b>1,396</b>	<b>6,352.7</b>	<b>246</b>	<b>(254)</b>
M&A/Others	(557)	(529)	0		0	0
<b>Net investing cashflow</b>	<b>(1,280)</b>	<b>(845)</b>	<b>(600)</b>		<b>(600)</b>	<b>(600)</b>
Increase in loans	1,216	338	-		-	-
Dividends	(178)	(222)	(300)		(279)	(346)
Net equity raised/other	(193)	(277)	0		0	0
<b>Net financing cashflow</b>	<b>845</b>	<b>(162)</b>	<b>(300)</b>		<b>(279)</b>	<b>(346)</b>
Incr/(decr) in net cash	544	(669)	1,097		(33)	(599)
Exch rate movements	28	(183)	0		-	0
<b>Balance sheet (RMm)</b>						
Cash & equivalents	2,810	1,958	3,055	56	3,022	2,422
Accounts receivable	1,630	1,754	2,210	26	2,342	2,509
Other current assets	3,558	4,629	3,458	(25.3)	3,402	3,989
Fixed assets	1,262	1,265	1,703	34.6	2,103	2,467
Investments	12,759	13,625	13,929	2.2	14,329	14,664
Intangible assets	433	441	441	0	441	441
Other non-current assets	2,631	2,384	2,384	0	2,383	2,383
<b>Total assets</b>	<b>25,084</b>	<b>26,057</b>	<b>27,179</b>	<b>4.3</b>	<b>28,022</b>	<b>28,876</b>
Short-term debt	4,093	5,361	4,228	(21.1)	4,228	4,228
Accounts payable	2,290	2,426	3,082	27	3,236	3,429
Other current liabs	323	218	218	0	218	218
Long-term debt/CBs	4,621	3,695	4,828	30.7	4,828	4,828
Provisions/other LT liabs	634	784	784	0	784	784
Shareholder funds	11,053	11,563	12,002	3.8	12,652	13,279
Minorities/other equity	2,070	2,010	2,037	1.4	2,076	2,111
<b>Total liabs &amp; equity</b>	<b>25,084</b>	<b>26,057</b>	<b>27,179</b>	<b>4.3</b>	<b>28,022</b>	<b>28,876</b>
<b>Ratio analysis</b>						
Revenue growth (% YoY)	(2.9)	39.8	10.4		7.8	9.1
Ebitda margin (%)	14.6	13.7	14.3		15.5	16.3
Ebit margin (%)	8.8	11.2	11.5		12.3	12.8
Net profit growth (%)	(45.0)	213.3	6.0		26.9	4.8
Op cashflow growth (% YoY)	11.9	(65.6)	492.6		(57.6)	(59.1)
Capex/sales (%)	19.4	6.1	10.5		9.7	8.9
Net debt/equity (%)	45.0	52.3	42.7		41.0	43.1
Net debt/Ebitda (x)	10.9	9.9	7.3		6.3	6.0
ROE (%)	2.2	5.9	6.0		7.3	7.3
ROIC (%)	3.2	6.5	7.8		9.4	9.6

Source: www.clsa.com

Find CLSA research on Bloomberg, Thomson Reuters, FactSet and CapitalIQ - and profit from our evalu@tor proprietary database at clsa.com



Figure 1

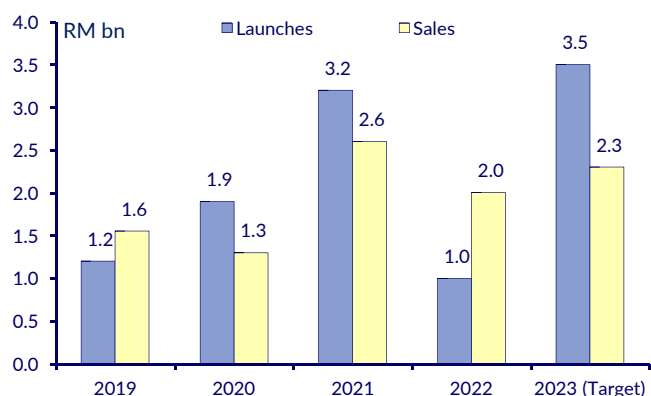
**Sunway: 3Q/9M23 results summary**

Dec FYE	3Q23	3Q22	YoY	2Q23	QoQ	9m23	9m22	YoY
<b>RMm</b>								
<b>Revenue</b>	<b>1539.1</b>	<b>1270.5</b>	<b>21.1%</b>	<b>1468.2</b>	<b>4.8%</b>	<b>4271.0</b>	<b>3663.4</b>	<b>16.6%</b>
Property Development	309.5	278.1	11.3%	362.1	(14.5%)	919.4	722.7	27.2%
Property Investment	232.8	188.6	23.4%	199.4	16.8%	642.1	459.3	39.8%
Construction	424.0	305.1	39.0%	404.1	4.9%	1156.0	990.6	16.7%
Trading/Manufacturing	242.6	198.8	22.0%	227.8	6.5%	694.5	668.7	3.9%
Quarry	148.8	105.6	40.9%	94.5	57.5%	321.5	282.8	13.7%
Investment	12.9	9.2	41.0%	1.9	571.1%	17.1	12.8	33.1%
Others	168.5	185.2	(9.0%)	178.4	(5.5%)	520.4	526.5	(1.2%)
<b>Ebit</b>	<b>119.1</b>	<b>132.4</b>	<b>(10.0%)</b>	<b>140.0</b>	<b>(14.9%)</b>	<b>372.5</b>	<b>370.8</b>	<b>0.5%</b>
Net Interest	(28.0)	(1.5)	1781.2%	(14.6)	92.3%	(46.7)	(13.9)	236.5%
Share of Associates/JCE	156.7	92.9	68.7%	77.6	102.0%	317.0	269.0	17.9%
<b>PBT</b>	<b>247.8</b>	<b>223.8</b>	<b>10.7%</b>	<b>203.0</b>	<b>22.1%</b>	<b>642.8</b>	<b>625.9</b>	<b>2.7%</b>
Property Development	55.2	35.8	54.2%	33.9	63.0%	142.6	84.9	67.9%
Property Investment	51.1	85.7	(40.4%)	44.5	14.7%	156.3	184.1	(15.1%)
Construction	13.4	35.6	(62.3%)	10.1	32.9%	135.1	127.8	5.7%
Trading/Manufacturing	10.2	12.4	(17.6%)	4.4	131.7%	33.1	32.4	2.4%
Quarry	44.4	1.9	2251.6%	37.7	17.8%	18.1	8.6	111.5%
Healthcare	(1.5)	41.4	(103.6%)	8.6	(117.4%)	111.0	105.0	5.7%
Investment	4.5	(6.1)	(173.8%)	14.7	(69.2%)	13.8	12.4	11.0%
Others	0.0	17.1	(100.0%)	0.0	#DIV/0!	32.9	70.7	(53.5%)
Tax	(40.5)	(41.6)	(2.5%)	(30.8)	31.6%	(104.6)	(93.3)	12.1%
<b>PAT</b>	<b>207.3</b>	<b>182.2</b>	<b>13.8%</b>	<b>172.2</b>	<b>20.3%</b>	<b>538.2</b>	<b>532.6</b>	<b>1.1%</b>
MI	(27.0)	(17.5)	54.4%	(22.3)	21.0%	(66.4)	(58.9)	12.7%
<b>PATAMI</b>	<b>172.5</b>	<b>157.0</b>	<b>9.9%</b>	<b>142.5</b>	<b>21.1%</b>	<b>448.8</b>	<b>450.7</b>	<b>(0.4%)</b>
EI	5.7	9.5	(39.7%)	6.1	(7.0%)	11.8	(32.2)	(136.8%)
<b>Core Earnings</b>	<b>178.2</b>	<b>166.4</b>	<b>7.1%</b>	<b>148.6</b>	<b>19.9%</b>	<b>460.6</b>	<b>418.5</b>	<b>10.1%</b>
EBIT margin	7.7%	10.4%	(2.7%)	9.5%	(1.8%)	8.7%	10.1%	(1.4%)
PBT margin	16.1%	17.6%	(1.5%)	13.8%	2.3%	15.1%	17.1%	(2.0%)
PAT margin	11.6%	13.1%	(1.5%)	10.1%	1.5%	10.8%	11.4%	(0.6%)

Source: CLSA, Company

Figure 2

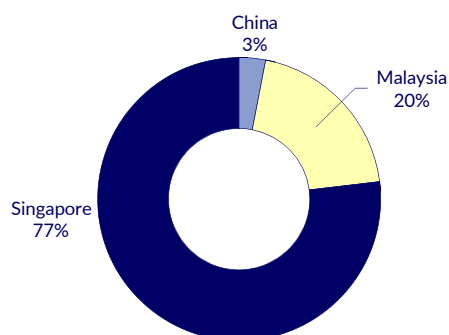
**Sunway Bhd: property development launches and sales**



Source: CLSA, Company

Figure 3

**Sunway Bhd: property sales launches for 2023**



Source: CLSA, Company



Figure 4

Sunway: key earnings changes									
Dec YE	23CL			24CL			25CL		
	Previous	Revised	%chg	Previous	Revised	%chg	Previous	Revised	%chg
RMm									
Revenue	5,952.7	5,735.6	(3.6%)	6,448.8	6,184.0	(4.1%)	6,881.2	6,746.5	(2.0%)
Ebit	686.7	659.4	(4.0%)	798.2	760.9	(4.7%)	878.6	866.2	(1.4%)
Share of Associates	141.2	129.4	(8.3%)	145.4	135.9	(6.6%)	149.8	142.7	(4.7%)
Share of JCE	334.9	278.4	(16.9%)	322.4	372.2	15.4%	317.7	306.7	(3.5%)
PATAMI	826.7	707.4	(14.4%)	909.6	897.3	(1.4%)	959.0	940.8	(1.9%)
Revenue by key segments									
Property Development	922.4	814.4	(11.7%)	981.8	717.0	(27.0%)	1,216.0	1,074.7	(11.6%)
Property Investment	675.5	675.5	0.0%	724.8	724.8	0.0%	726.8	733.4	0.9%
Construction	1,090.4	981.4	(10.0%)	1,229.2	1,229.2	0.0%	1,172.6	1,172.6	0.0%
Trading & Manufacturing	947.2	947.2	0.0%	994.6	994.6	0.0%	1,044.3	1,044.3	0.0%
Quarry	426.5	426.5	0.0%	447.8	447.8	0.0%	470.2	470.2	0.0%
Ebit by key segments									
Property Development	175.3	154.7	(11.7%)	186.5	136.2	(27.0%)	231.0	204.2	(11.6%)
Property Investment	135.1	135.1	0.0%	181.2	181.2	0.0%	181.7	183.3	0.9%
Construction	197.0	197.0	0.0%	243.0	243.0	0.0%	250.0	250.0	0.0%
Trading & Manufacturing	47.4	47.4	0.0%	49.7	49.7	0.0%	52.2	52.2	0.0%
Quarry	16.8	16.8	0.0%	17.7	17.7	0.0%	18.5	18.5	0.0%

Source: CLSA, Company

Our new SOTP-derived target price is RM2.33

Figure 5

Sunway Bhd: Target price derivation (NEW)			
Division	Value (RM m)	RM/share	Methodology
Construction (Sunway Construction)	1,467	0.30	54.56% stake based on SunCon TP of RM 2.08
Sunway REIT (SunREIT)	2,221	0.46	40.88% stake based on SunREIT TP of RM 1.70
Property Development	7,389	1.52	Discounted RNAV
Property Investment	2,119	0.43	Book Value
Healthcare	4,898	1.00	Divestment valuation (to GIC)
Trading & Manufacturing	358	0.07	10x forward PE
Quarry	177	0.04	10x forward PE
	18,629	3.82	
Holding Company Net Cash/(Debt)	(6,034)	(1.24)	
	12,595	2.58	
10% Holding Company Discount	(1,260)	(0.26)	
<b>Fair Value (RM)</b>	<b>11,336</b>	<b>2.33</b>	
Total no. of shares (m)	4,874		

Source: CLSA

Our previous SOTP-derived target price is RM2.09

Figure 6

<b>Sunway Bhd: Target price derivation (OLD)</b>			
Division	Value (RMm)	RM/share	Methodology
Construction (Sunway Construction)	1,353	0.28	54.56% stake based on Sunway Construction's target price of RM1.92
Sunway REIT	2,221	0.46	40.88% stake based on Sunway REIT's target price of RM1.70
Property Development	6,546	1.34	Discounted RNAV
Property Investment	2,119	0.43	Book Value
Healthcare	4,898	1.00	Divestment valuation (to GIC)
Trading & Manufacturing	358	0.07	10x forward 24CL PE
Quarry	177	0.04	10x forward 24CL PE
	17,672	3.63	
Holding Company Net Cash/(Debt)	(6,354)	(1.30)	
	11,318	2.32	
10% Holding Company Discount	(1,132)	(0.23)	
<b>Fair Value (RM)</b>	<b>10,186</b>	<b>2.09</b>	
<i>Total no. of shares (m)</i>	<i>4,874</i>		

Source: CLSA

## Investment thesis

Our positive recommendation on Sunway is driven by positive growth in all business segments except for property investment. Johor as a catalyst for property development will contribute greatly, as half of Sunway's existing landbanks are situated in the state. Moreover, the future listing of its healthcare operations, Sunway Healthcare, expected within the next three years will provide sufficient capital for expansion.

## Catalysts

A key catalyst would be developments in Johor, with the revival of interest in property within the region. Johor currently makes up 50% of Sunway's remaining landbank, which would contribute positively to its future growth should projects be launched there. Its flagship township development, strategically located between Puteri Harbour and the second link to Singapore would also benefit from the enhanced movement of Singaporeans and Malaysians once the Special Economic Zone is agreed upon and launched. Its healthcare segment, Sunway Healthcare, also reported strong operational results, and its expected listing within the next three years will provide the capital for further expansion.

### Valuation details

Our target price is based on a 10% discount to an SOTP-derived value to reflect the company's various businesses. Sunway Construction and Sunway Real Estate Investment are valued at the effective stake of the implied market cap derived from our target price. Property development is derived from a 10% discount to RNAV/share. The property investment division is valued at book value. The healthcare segment is valued at its post-money valuation based on its stake sale to Singapore sovereign wealth fund GIC, while the quarry, trading, and manufacturing segments are valued at 10x 24CL PE.

### Investment risks

Key risks are a longer-than-expected recovery in the Johor property market (large exposure to the Johor landbank), slower recovery in its leisure and hospitality business and an inability to speed up traction in its healthcare operations.

### Valuation details - Sunway Construction Group Bhd SCGB MK

Our target price is derived from 14.0x 24CL earnings, one standard deviation above the 10-year mean PE for the KL Construction index. We accord an above-sector average PE, given the company's flow of internal jobs and strong balance sheet. We also include solar segment valuations based on 21 year concession and a WACC of 7%.

### Investment risks - Sunway Construction Group Bhd SCGB MK

The main concern is construction risk. Specific risks include lower-than-expected margins (below 5-8%) or if the amount of projects secured falls below our expectation, either due to an inability to secure projects or project rollout delays. Higher-than-expected steel price increases could cut into margins as SunCon hedges steel needs for a future six-month period. On the precast segment, another risk is margin recovery timing, currently in the doldrums due to competition. Prolonged Covid-19 could also reduce operating efficiency.

### Valuation details - Sunway Real Estate Investment SREIT MK

We use a DDM valuation approach to value Sunway Reit, consistent with how we value other Reits. Our cost of equity is 7.7%, using a risk-free rate of 4.2%, market risk premium of 6.7%, and beta of 0.5x. We assume terminal growth of 1.2%, which is below the 3% growth of its rental escalations to account for operations disruptions on refurbishments.

### Investment risks - Sunway Real Estate Investment SREIT MK

High variable rate financing represents the biggest risk for Sunway Reit in a rising interest rate environment. Sunway Reit is spreading its wings into industrial property, which, if executed well, could pose upside risk over time. However, the profile of the reit would eventually be overly diversified, which may pose a risk to the stock.

## Detailed financials

### Profit & Loss (RMm)

Year to 31 December	2019A	2020A	2021A	2022A	2023CL	2024CL	2025CL
Revenue	4,780	3,829	3,717	5,195	5,736	6,184	6,747
Cogs (ex-D&A)	(3,095)	(2,635)	(2,705)	(3,954)	(4,350)	(4,640)	(5,026)
Gross Profit (ex-D&A)	1,686	1,194	1,012	1,241	1,386	1,544	1,720
Research & development costs	-	-	-	-	-	-	-
Selling & marketing expenses	-	-	-	-	-	-	-
Other SG&A	(1,088)	(991)	(639)	(810)	(876)	(919)	(986)
Other Op Expenses ex-D&A	204	279	171	283	312	337	367
Op Ebitda	801	482	544	714	822	962	1,102
Depreciation/amortisation	(234)	(234)	(216)	(130)	(163)	(201)	(235)
Op Ebit	568	248	328	583	659	761	866
Interest income	205	172	157	188	150	182	163
Interest expense	(168)	(140)	(102)	(202)	(338)	(338)	(296)
Net interest inc/(exp)	36	31	55	(14)	(188)	(156)	(133)
Associates/investments	261	233	81	351	408	508	449
Forex/other income	-	-	-	-	-	-	-
Asset sales/other cash items	-	-	-	-	-	-	-
Provisions/other non-cash items	-	-	-	-	-	-	-
Asset revaluation/Exceptional items	(73)	25	(29)	22	-	-	-
Profit before tax	792	537	435	942	879	1,113	1,183
Taxation	(78)	(102)	(116)	(167)	(113)	(145)	(176)
Profit after tax	713	435	318	775	766	968	1,007
Preference dividends	0	0	(31)	(31)	(32)	(32)	(32)
Profit for period	713	435	288	744	735	936	975
Minority interest	(78)	(48)	(75)	(76)	(27)	(39)	(35)
Net profit	636	388	213	668	707	897	941
Extraordinaries/others	0	0	0	0	0	0	0
Profit available to ordinary shares	636	388	213	668	707	897	941
Dividends	(442)	(73)	(122)	(268)	(248)	(314)	(329)
Retained profit	194	315	91	400	460	583	612
Adjusted profit	702	368	234	650	707	897	941
EPS (sen)	13.0	8.0	4.4	13.7	14.5	18.4	19.3
Adj EPS [pre excep] (sen)	14.4	7.5	4.8	13.3	14.5	18.4	19.3
Core EPS (sen)	13.0	8.0	4.4	13.7	14.5	18.4	19.3
DPS (sen)	9.1	1.5	2.5	5.5	5.1	6.4	6.8

### Profit & loss ratios

Year to 31 December	2019A	2020A	2021A	2022A	2023CL	2024CL	2025CL
<b>Growth (%)</b>							
Revenue growth (% YoY)	(11.6)	(19.9)	(2.9)	39.8	10.4	7.8	9.1
Ebitda growth (% YoY)	(2.0)	(39.9)	13.0	31.2	15.2	17.0	14.6
Ebit growth (% YoY)	(4.5)	(56.4)	32.3	78.0	13.0	15.4	13.8
Net profit growth (%)	14.2	(39.0)	(45.0)	213.3	6.0	26.9	4.8
EPS growth (% YoY)	14.2	(39.0)	(45.0)	213.3	6.0	26.9	4.8
Adj EPS growth (% YoY)	11.2	(47.6)	(36.2)	177.2	8.8	26.9	4.8
DPS growth (% YoY)	27.4	(83.5)	66.7	120.0	(7.6)	26.9	4.8
Core EPS growth (% YoY)	14.2	(39.0)	(45.0)	213.3	6.0	26.9	4.8
<b>Margins (%)</b>							
Gross margin (%)	35.3	31.2	27.2	23.9	24.2	25.0	25.5
Ebitda margin (%)	16.8	12.6	14.6	13.7	14.3	15.5	16.3
Ebit margin (%)	11.9	6.5	8.8	11.2	11.5	12.3	12.8
Net profit margin (%)	13.3	10.1	5.7	12.9	12.3	14.5	13.9
Core profit margin	13.3	10.1	5.7	12.9	12.3	14.5	13.9
Op cashflow margin	14.4	22.8	26.3	6.5	34.8	13.7	5.1
<b>Returns (%)</b>							
ROE (%)	7.8	4.6	2.2	5.9	6.0	7.3	7.3
ROA (%)	2.4	0.9	1.0	1.9	2.2	2.4	2.6
ROIC (%)	6.9	2.5	3.2	6.5	7.8	9.4	9.6
ROCE (%)	4.1	1.6	1.9	2.9	3.2	3.7	4.0
<b>Other key ratios (%)</b>							
Effective tax rate (%)	9.9	19.0	26.7	17.7	12.9	13.0	14.9
Ebitda/net int exp (x)	-	-	-	49.3	4.4	6.2	8.3
Exceptional or extraord. inc/PBT (%)	-	-	-	-	-	-	-
Dividend payout (%)	69.5	18.9	57.2	40.2	35.0	35.0	35.0

Source: www.clsa.com

Click to rate this research



## Balance sheet (RMm)

Year to 31 December	2019A	2020A	2021A	2022A	2023CL	2024CL	2025CL
Cash & equivalents	2,555	2,238	2,810	1,958	3,055	3,022	2,422
Accounts receivable	1,987	1,763	1,630	1,754	2,210	2,342	2,509
Inventories	724	606	670	698	992	1,070	1,167
Other current assets	2,915	2,430	2,888	3,932	2,465	2,332	2,822
<b>Current assets</b>	<b>8,181</b>	<b>7,038</b>	<b>7,999</b>	<b>8,341</b>	<b>8,722</b>	<b>8,766</b>	<b>8,921</b>
Fixed assets	2,749	2,621	1,262	1,265	1,703	2,103	2,467
Investments	8,087	8,179	12,759	13,625	13,929	14,329	14,664
Goodwill	332	351	433	441	441	441	441
Other intangible assets	0	0	0	0	0	0	0
Other non-current assets	2,123	2,905	2,631	2,384	2,384	2,383	2,383
<b>Total assets</b>	<b>21,472</b>	<b>21,093</b>	<b>25,084</b>	<b>26,057</b>	<b>27,179</b>	<b>28,022</b>	<b>28,876</b>
Short term loans/OD	7,023	5,261	4,093	5,361	4,228	4,228	4,228
Accounts payable	2,630	2,478	2,290	2,426	3,082	3,236	3,429
Accrued expenses	-	-	-	-	-	-	-
Taxes payable	5	37	56	66	66	66	66
Other current liabs	172	172	267	152	152	152	152
<b>Current liabilities</b>	<b>9,830</b>	<b>7,948</b>	<b>6,706</b>	<b>8,005</b>	<b>7,528</b>	<b>7,682</b>	<b>7,875</b>
Long-term debt/leases/other	1,273	2,250	4,621	3,695	4,828	4,828	4,828
Convertible bonds	-	-	-	-	-	-	-
Provisions/other LT liabs	958	584	634	784	784	784	784
<b>Total liabilities</b>	<b>12,061</b>	<b>10,783</b>	<b>11,962</b>	<b>12,484</b>	<b>13,140</b>	<b>13,294</b>	<b>13,487</b>
Share capital	5,394	5,394	5,394	5,394	5,394	5,394	5,394
Retained earnings	4,167	4,356	6,873	7,384	7,823	8,473	9,100
Reserves/others	(1,194)	(1,215)	(1,215)	(1,215)	(1,215)	(1,215)	(1,215)
<b>Shareholder funds</b>	<b>8,367</b>	<b>8,535</b>	<b>11,053</b>	<b>11,563</b>	<b>12,002</b>	<b>12,652</b>	<b>13,279</b>
Minorities/other equity	1,044	1,775	2,070	2,010	2,037	2,076	2,111
<b>Total equity</b>	<b>9,411</b>	<b>10,311</b>	<b>13,122</b>	<b>13,573</b>	<b>14,039</b>	<b>14,728</b>	<b>15,389</b>
<b>Total liabs &amp; equity</b>	<b>21,472</b>	<b>21,093</b>	<b>25,084</b>	<b>26,057</b>	<b>27,179</b>	<b>28,022</b>	<b>28,876</b>
Total debt	8,295	7,511	8,715	9,056	9,056	9,056	9,056
Net debt	5,741	5,272	5,904	7,098	6,001	6,034	6,633
Adjusted EV	9,374	9,546	5,892	6,159	4,786	4,458	4,757
BVPS (sen)	152.0	155.1	200.8	210.1	218.1	229.9	241.3

## Balance sheet ratios

Year to 31 December	2019A	2020A	2021A	2022A	2023CL	2024CL	2025CL
<b>Key ratios</b>							
Current ratio (x)	0.8	0.9	1.2	1.0	1.2	1.1	1.1
Growth in total assets (% YoY)	(1.4)	(1.8)	18.9	3.9	4.3	3.1	3.0
Growth in capital employed (% YoY)	19.1	2.8	22.1	8.6	(3.0)	3.6	6.1
Net debt to operating cashflow (x)	8.3	6.0	6.0	21.1	3.0	7.1	19.2
Gross debt to operating cashflow (x)	12.0	8.6	8.9	26.9	4.5	10.7	26.2
Gross debt to Ebitda (x)	10.4	15.6	16.0	12.7	11.0	9.4	8.2
Net debt/Ebitda (x)	7.2	10.9	10.9	9.9	7.3	6.3	6.0
<b>Gearing</b>							
Net debt/equity (%)	61.0	51.1	45.0	52.3	42.7	41.0	43.1
Gross debt/equity (%)	88.1	72.8	66.4	66.7	64.5	61.5	58.8
Interest cover (x)	4.6	3.0	4.7	3.8	2.4	2.8	3.5
Debt cover (x)	0.1	0.1	0.1	0.0	0.2	0.1	0.0
Net cash per share (sen)	(117.8)	(108.2)	(121.1)	(145.6)	(123.1)	(123.8)	(136.1)
<b>Working capital analysis</b>							
Inventory days	92.8	92.1	86.1	63.1	70.9	81.1	81.2
Debtor days	144.7	178.8	166.6	118.9	126.1	134.3	131.2
Creditor days	310.2	353.7	321.7	217.7	231.1	248.5	242.0
Working capital/Sales (%)	59.0	55.2	69.3	72.0	41.3	37.0	42.3
<b>Capital employed analysis</b>							
Sales/Capital employed (%)	31.5	24.6	19.5	25.1	28.6	29.8	30.6
EV/Capital employed (%)	61.9	61.3	31.0	29.8	23.9	21.5	21.6
Working capital/Capital employed (%)	18.6	13.6	13.5	18.1	11.8	11.0	12.9
Fixed capital/Capital employed (%)	18.1	16.8	6.6	6.1	8.5	10.1	11.2
<b>Other ratios (%)</b>							
PB (x)	1.3	1.3	1.0	0.9	0.9	0.8	0.8
EV/Ebitda (x)	11.7	19.8	10.8	8.6	5.8	4.6	4.3
EV/OCF (x)	13.6	10.9	6.0	18.3	2.4	5.3	13.7
EV/FCF (x)	23.9	27.0	23.0	284.7	3.4	18.1	(18.7)
EV/Sales (x)	2.0	2.5	1.6	1.2	0.8	0.7	0.7
Capex/depreciation (%)	127.2	222.8	334.1	242.0	369.2	299.1	254.9

Source: www.clsa.com



## Cashflow (RMm)

Year to 31 December	2019A	2020A	2021A	2022A	2023CL	2024CL	2025CL
Operating profit	568	248	328	583	659	761	866
Operating adjustments	297	265	136	337	220	352	317
Depreciation/amortisation	234	234	216	130	163	201	235
Working capital changes	(354)	273	(110)	(1,353)	1,372	77	(561)
Interest paid / other financial expenses	-	-	-	-	-	-	-
Tax paid	(94)	(60)	(104)	(171)	(113)	(145)	(176)
Other non-cash operating items	38	(85)	513	810	(304)	(399)	(335)
<b>Net operating cashflow</b>	<b>689</b>	<b>875</b>	<b>979</b>	<b>337</b>	<b>1,996</b>	<b>846</b>	<b>346</b>
Capital expenditure	(297)	(521)	(723)	(315)	(600)	(600)	(600)
<b>Free cashflow</b>	<b>392</b>	<b>354</b>	<b>256</b>	<b>22</b>	<b>1,396</b>	<b>246</b>	<b>(254)</b>
Acq/inv/disposals	(1,063)	(278)	(557)	(529)	-	-	-
Int, invt & associate div	-	-	-	-	-	-	-
<b>Net investing cashflow</b>	<b>(1,360)</b>	<b>(798)</b>	<b>(1,280)</b>	<b>(845)</b>	<b>(600)</b>	<b>(600)</b>	<b>(600)</b>
Increase in loans	1,060	(940)	1,216	338	-	-	-
Dividends	(306)	(254)	(178)	(222)	(300)	(279)	(346)
Net equity raised/others	(255)	934	(193)	(277)	0	0	0
<b>Net financing cashflow</b>	<b>499</b>	<b>(260)</b>	<b>845</b>	<b>(162)</b>	<b>(300)</b>	<b>(279)</b>	<b>(346)</b>
Incr/(decr) in net cash	(172)	(183)	544	(669)	1,097	(33)	(599)
Exch rate movements	(2,409)	(133)	28	(183)	0	-	0
<b>Opening cash</b>	<b>5,136</b>	<b>2,555</b>	<b>2,238</b>	<b>2,810</b>	<b>1,958</b>	<b>3,055</b>	<b>3,022</b>
<b>Closing cash</b>	<b>2,555</b>	<b>2,238</b>	<b>2,810</b>	<b>1,958</b>	<b>3,055</b>	<b>3,022</b>	<b>2,422</b>
OCF PS (sen)	14.1	17.9	20.1	6.9	41.0	17.4	7.1
FCF PS (sen)	8.0	7.3	5.3	0.4	28.6	5.1	(5.2)

## Cashflow ratio analysis

Year to 31 December	2019A	2020A	2021A	2022A	2023CL	2024CL	2025CL
<b>Growth (%)</b>							
Op cashflow growth (% YoY)	(27.9)	27.0	11.9	(65.6)	492.6	(57.6)	(59.1)
FCF growth (% YoY)	(26.8)	(9.7)	(27.6)	(91.6)	6,352.7	(82.4)	(203.1)
Capex growth (%)	(29.3)	75.3	38.7	(56.4)	90.4	0.0	0.0
<b>Other key ratios (%)</b>							
Capex/sales (%)	6.2	13.6	19.4	6.1	10.5	9.7	8.9
Capex/op cashflow (%)	43.1	59.6	73.8	93.6	30.1	70.9	173.3
Operating cashflow payout ratio (%)	64.2	8.4	12.4	79.6	12.4	37.1	95.1
Cashflow payout ratio (%)	64.2	8.4	12.4	79.6	12.4	37.1	95.1
Free cashflow payout ratio (%)	112.8	20.7	47.6	1,238.9	17.7	127.6	-

## DuPont analysis

Year to 31 December	2019A	2020A	2021A	2022A	2023CL	2024CL	2025CL
Ebit margin (%)	11.9	6.5	8.8	11.2	11.5	12.3	12.8
Asset turnover (x)	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Interest burden (x)	1.4	2.2	1.3	1.6	1.3	1.5	1.4
Tax burden (x)	0.9	0.8	0.7	0.8	0.9	0.9	0.9
Return on assets (%)	2.4	0.9	1.0	1.9	2.2	2.4	2.6
Leverage (x)	2.4	2.2	2.0	1.9	1.9	1.9	1.9
ROE (%)	7.8	4.6	2.2	5.9	6.0	7.3	7.3

## EVA® analysis

Year to 31 December	2019A	2020A	2021A	2022A	2023CL	2024CL	2025CL
Ebit adj for tax	512	201	240	480	575	662	737
Average invested capital	7,412	8,005	7,445	7,366	7,362	7,056	7,680
ROIC (%)	6.9	2.5	3.2	6.5	7.8	9.4	9.6
Cost of equity (%)	9.7	9.7	9.7	9.7	9.7	9.7	9.7
Cost of debt (adj for tax)	2.7	2.4	2.2	2.5	2.6	2.6	2.6
Weighted average cost of capital (%)	7.4	7.3	7.2	7.3	7.3	7.3	7.3
EVA/IC (%)	(0.5)	(4.8)	(4.0)	(0.8)	0.5	2.0	2.3
EVA (RMm)	(34)	(382)	(296)	(57)	34	144	175

Source: www.clsa.com



**Research subscriptions**

To change your report distribution requirements, please contact your CLSA sales representative or email us at [cib@cls.com](mailto:cib@cls.com). You can also fine-tune your Research Alert email preferences at [https://www.cls.com/member/tools/email\\_alert/](https://www.cls.com/member/tools/email_alert/).

**Companies mentioned**

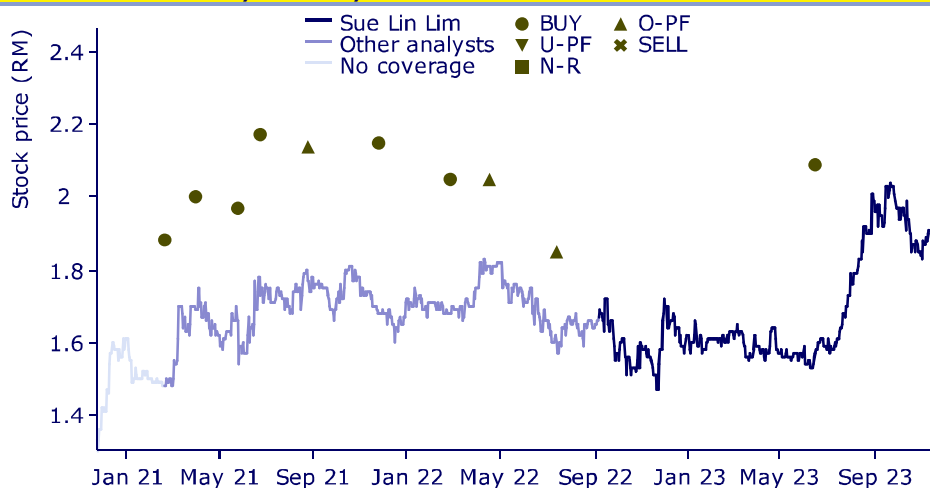
- Sunway (SWB MK - RM1.94 - BUY)
- SunCon (SCGB MK - RM1.89 - O-PF)
- Sunway Healthcare Group (N-R)
- Sunway Reit (SREIT MK - RM1.55 - O-PF)

**Analyst certification**

The analyst(s) of this report hereby certify that the views expressed in this research report accurately reflect my/our own personal views about the securities and/or the issuers and that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation or views contained in this research report.

**Important disclosures**

**Recommendation history of Sunway Bhd SWB MK**



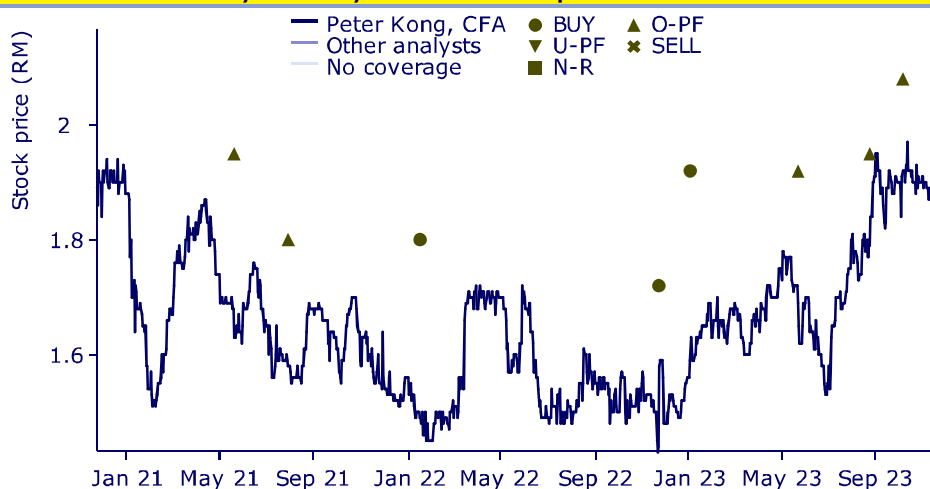
Date	Rec	Target	Date	Rec	Target
LATEST	BUY	2.33	25 Aug 2021	O-PF	2.14
15 Jun 2023	BUY	2.09	24 Jun 2021	BUY	2.17
14 Jul 2022	O-PF	1.85	26 May 2021	BUY	1.97
18 Apr 2022	O-PF	2.05	01 Apr 2021	BUY	2.00
26 Feb 2022	BUY	2.05	20 Feb 2021	BUY	1.88
25 Nov 2021	BUY	2.15			

Source: CLSA

Click to rate this research



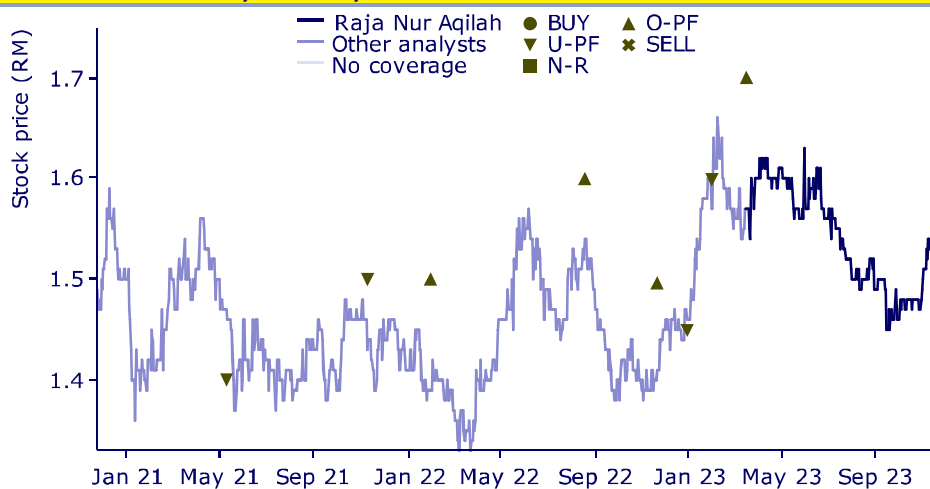
**Recommendation history of Sunway Construction Group Bhd SCGB MK**



Date	Rec	Target	Date	Rec	Target
06 Oct 2023	O-PF	2.08	23 Nov 2022	BUY	1.72
24 Aug 2023	O-PF	1.95	17 Jan 2022	BUY	1.80
23 May 2023	O-PF	1.92	30 Jul 2021	O-PF	1.80
03 Jan 2023	BUY	1.92	21 May 2021	O-PF	1.95

Source: CLSA

**Recommendation history of Sunway Real Estate Investment SREIT MK**



Date	Rec	Target	Date	Rec	Target
17 Mar 2023	O-PF	1.70	19 Aug 2022	O-PF	1.60
31 Jan 2023	U-PF	1.60	31 Jan 2022	O-PF	1.50
30 Dec 2022	U-PF	1.45	10 Nov 2021	U-PF	1.50
21 Nov 2022	O-PF	1.50	11 May 2021	U-PF	1.40

Source: CLSA

CLSA ("CLSA") in this report refers to CLSA Limited, CLSA Americas, LLC, CLSA Australia Pty Ltd, CLSA India Private Limited, PT CLSA Sekuritas Indonesia, CLSA Securities Japan Co., Ltd., CLSA Securities Korea Ltd., CLSA Securities Malaysia Sdn. Bhd., CLSA Philippines, Inc, CLSA Singapore Pte Ltd, CLSA Securities (Thailand) Limited, CLSA (UK), CLSA Europe B.V. and/or their respective affiliates. CLST ("CLST") in this report refers to CL Securities Taiwan Co., Ltd.

The policies of CLSA and CLST are to only publish research that is impartial, independent, clear, fair, and not misleading. Regulations or market practice of some jurisdictions/markets prescribe certain disclosures to be made for certain actual, potential or perceived conflicts of interests relating to a research report as below. This

research disclosure should be read in conjunction with the research disclaimer as set out hereof and at [www.clsa.com/disclaimer.html](http://www.clsa.com/disclaimer.html), the Terms and Conditions of Use as set out at <https://www.clsa.com/terms-and-conditions-of-use/> and the applicable regulation of the concerned market where the analyst is stationed and hence subject to. Investors are strongly encouraged to review this disclaimer before investing.

Neither analysts nor their household members or associates may have a financial interest in, or be an officer, director or advisory board member of companies covered by the analyst unless disclosed herein. In circumstances where an analyst has a pre-existing holding in any securities under coverage, those holdings are grandfathered and the

analyst is prohibited from trading such securities.

The analysts included herein hereby confirm that they have not been placed under any undue influence, intervention or pressure by any person/s in compiling this research report. In addition, the analysts attest that they were not in possession of any material, non-public information regarding the subject company that has securities listed in the relevant jurisdiction(s) at the time of publication of this report. (For full disclosure of interest for all companies covered by CLSA in this report, please refer to [http://www.clsa.com/member/research\\_disclosures/](http://www.clsa.com/member/research_disclosures/) for details.)

As analyst(s) of this report, I/we hereby certify that the views expressed in this research report accurately reflect my/our own personal views about the securities and/or the issuers and that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation or views contained in this report or to any investment banking relationship with the subject company covered in this report (for the past one year) or otherwise any other relationship with such company which leads to receipt of fees from the company except in ordinary course of business of the company. The analyst/s also state/s and confirm/s that he/she/they has/have not been placed under any undue influence, intervention or pressure by any person/s in compiling this research report. In addition, the analysts included herein attest that they were not in possession of any material, non-public information regarding the subject company that has securities listed in the relevant jurisdiction(s) at the time of publication of this report. The analysts further confirm that none of the information used in this report was received from CLSA's Corporate Finance department or CLSA's and/or CLST's Sales and Trading business. Save from the disclosure below (if any), the analyst(s) is/are not aware of any material conflict of interest.

Key to CLSA/CLST investment rankings: BUY: Total stock return (including dividends) expected to exceed 20%; O-PF (aka ACCUMULATE): Total expected return below 20% but exceeding market return; U-PF (aka REDUCE): Total expected return positive but below market return; SELL: Total return expected to be negative. For relative performance, we benchmark the 12-month total forecast return (including dividends) for the stock against the 12-month forecast return (including dividends) for the market on which the stock trades.

"High Conviction" Ideas are not necessarily stocks with the most upside/downside, but those where the Research Head/Strategist believes there is the highest likelihood of positive/negative returns. The list for each market is monitored weekly.

Overall rating distribution for CLSA (exclude CLST) only Universe: Overall rating distribution: BUY / Outperform - CLSA: 73.47%, Underperform / SELL - CLSA: 26.53%, Restricted - CLSA: 0.00%; Data as of 1 Oct 2023. Investment banking clients as a % of rating category: BUY / Outperform - CLSA: 13.51%, Underperform / SELL - CLSA: 2.93%; Restricted - CLSA: 0.00%. Data for 12-month period ending 1 Oct 2023.

Overall rating distribution for CLST only Universe: Overall rating distribution: BUY / Outperform - CLST: 65.45%, Underperform / SELL - CLST: 34.55%, Restricted - CLST: 0.00%. Data as of 1 Oct 2023. Investment banking clients as a % of rating category: BUY / Outperform - CLST: 0.00%, Underperform / SELL - CLST: 0.00%, Restricted - CLST: 0.00%. Data for 12-month period ending 1 Oct 2023.

There are no numbers for Hold/Neutral as CLSA/CLST do not have such investment rankings. For a history of the recommendation, price targets and disclosure information for companies mentioned in this report please write to: CLSA Group Compliance, 18/F, One Pacific Place, 88 Queensway, Hong Kong and/or; CLST Compliance (27/F, 95, Section 2 Dun Hua South Road, Taipei 10682, Taiwan, telephone (886) 2 2326 8188). EVA® is a registered trademark of Stern, Stewart & Co. "CL" in charts and tables stands for CLSA estimates, "CT" stands for CLST estimates, "CRR" stands for CRR Research estimates and "CS" for Citic Securities estimates unless otherwise noted in the source.

Charts and tables sourced to CLSA in this report may include data extracted from CLSA's automated databases, which derive their original data from a range of sources. These can include: companies; analyst estimates/calculations; local exchanges and/or third-party data or market pricing providers such as Bloomberg, FactSet or IBES.

Additional information on data sources for specific charts or tables can be obtained by contacting the publishing analysts.

This report is subject to and incorporates the terms and conditions of use set out on the [www.clsa.com](https://www.clsa.com) website (<https://www.clsa.com/disclaimer.html> and <https://www.clsa.com/terms-and-conditions-of-use/>) and the references to "publication/communication" or "Publications" thereof shall include this report. Neither this report nor any portion hereof may be reprinted, sold, resold, copied, reproduced, distributed, redistributed, published, republished, displayed, posted or transmitted in any form or media or by any means without the written consent of CLSA and/or CLST. CLSA and/or CLST has/have produced this report for private circulation to professional, institutional and/or wholesale clients only, and may not be distributed to retail investors. The information, opinions and estimates herein are not directed at, or intended for distribution to or use by, any person or entity in any jurisdiction where doing so would be contrary to law or regulation or which would subject CLSA and/or CLST to any additional registration or licensing requirement within such jurisdiction. The information and statistical data (for private or public companies) herein have been obtained from sources we believe to be reliable. Such information has not been independently verified and CLSA and/or CLST makes no representation or warranty as to its fairness, adequacy, accuracy, completeness or correctness. The replication of any third party views in this report should not be treated necessarily as an indication that CLSA and/or CLST agrees with or concurs with such views. None of CLSA and/or CLST, its affiliates and their respective directors, officers, employees, advisers and representatives makes any representation or warranty, express or implied, as to and no reliance should be placed on, the fairness, accuracy, completeness or correctness of such data or information contained herein or any statement made in this report. Any opinions or estimates herein reflect the judgment of CLSA and/or CLST at the date of this report and are subject to change at any time without notice. Where any part of the information, opinions or estimates contained herein reflects the views and opinions of a sales person or a non-analyst, such views and opinions may not correspond to the published view of CLSA and/or CLST. Any price target given in the report may be projected from one or more valuation models and hence any price target may be subject to the inherent risk of the selected model as well as other external risk factors. Where the publication does not contain ratings, the material should not be construed as research but is offered as factual commentary. It is not intended to, nor should it be used to form an investment opinion about the non-rated companies.

This report is for information purposes only and it does not constitute or contain, and should not be considered as an offer or invitation to sell, or any solicitation or invitation of any offer to subscribe for or purchase any securities in any jurisdiction and recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein. This is not intended to provide professional, investment or any other type of advice or recommendation and does not take into account the particular investment objectives, financial situation or needs of individual recipients. Before acting on any information in this report, you should consider whether it is suitable for your particular circumstances and, if appropriate, seek professional advice, including legal or tax advice. Investments involve risks, and investors should exercise prudence and their own judgment in making their investment decisions. The value of any investment or income may go down as well as up, and investors may not get back the full (or any) amount invested. Investments that are denominated in foreign currencies may fluctuate in value as a result of exposure to movements of exchange rate. Past performance is not necessarily a guide to future performance or liquidity. CLSA and/or CLST do/does not accept any responsibility and cannot be held liable for any person's use of or reliance on the information and opinions contained herein. To the extent permitted by applicable securities laws and regulations, CLSA and/or CLST accept(s) no liability whatsoever for any direct or consequential loss arising from the use of this report or its contents.

To maintain the independence and integrity of our research, our Corporate Finance, Sales Trading, Asset Management and Research business lines are distinct from one another. This means that CLSA's Research department is not part of and does not report to CLSA's Corporate Finance department or CLSA's Sales and Trading business.

Accordingly, neither the Corporate Finance department nor the Sales and Trading department supervises or controls the activities of CLSA's research analysts. CLSA's research analysts report to the management of the Research department, who in turn report to CLSA's senior management. CLSA has put in place a number of internal controls designed to manage conflicts of interest that may arise as a result of CLSA engaging in Corporate Finance, Sales and Trading, Asset Management and Research activities. Some examples of these controls include: the use of information barriers and other controls designed to ensure that confidential information is only shared on a "need to know" basis and in compliance with CLSA's Chinese Wall policies and procedures; measures designed to ensure that interactions that may occur among CLSA's Research personnel, Corporate Finance, Asset Management, and Sales and Trading personnel, CLSA's financial product issuers and CLSA's research analysts do not compromise the integrity and independence of CLSA's research.

Subject to any applicable laws and regulations at any given time, CLSA, CLST, their respective affiliates, officers, directors or employees may have used the information contained herein before publication and may have positions in, or may from time to time purchase or sell or have a material interest in any of the securities mentioned or related securities, or may currently or in future have or have had a business or financial relationship with, or may provide or have provided corporate finance/capital markets and/or other services to, the entities referred to herein, their advisors and/or any other connected parties. As a result, you should be aware that CLSA and/or CLST and/or their respective affiliates, officers, directors or employees may have one or more conflicts of interest. Regulations or market practice of some jurisdictions/markets prescribe certain disclosures to be made for certain actual, potential or perceived conflicts of interests relating to research reports. Details of the disclosable interest can be found in certain reports as required by the relevant rules and regulation and the full details of conflict of interest with companies under coverage are available at [http://www.clsa.com/member/research\\_disclosures/](http://www.clsa.com/member/research_disclosures/). Disclosures therein include the position of CLSA and CLST only. Unless specified otherwise, CLSA did not receive any compensation or other benefits from the subject company, covered in this report, or from any third party. If investors have any difficulty accessing this website, please contact [webadmin@clsa.com](mailto:webadmin@clsa.com). If you require disclosure information on previous dates, please contact [compliance\\_hk@clsa.com](mailto:compliance_hk@clsa.com).

Any disputes related to this report shall be governed by the laws of Hong Kong and to the non-exclusive jurisdiction of the courts of Hong Kong in connection with any suite, action or proceeding arising out of or in connection with this material. In the event any of the provisions in these Terms of Use shall be held to be unenforceable, that provision shall be enforced to the maximum extent permissible to reflect the intention underlying the unenforceable term, and the remainder of these General Disclaimer shall be unimpaired.

This report is distributed for and on behalf of CLSA (for research compiled by non-US and non-Taiwan analyst(s)), CLSA Americas, LLC (for research compiled by US analyst(s)) and/or CLST (for research compiled by Taiwan analyst(s)) in Australia by CLSA Australia Pty Ltd (ABN 53 139 992 331/AFSL License No: 350159); in Hong Kong by CLSA Limited (Incorporated in Hong Kong with limited liability); in India by CLSA India Private Limited, (Address: 8/F, Dalamal House, Nariman Point, Mumbai 400021. Tel No: +91-22-66505050. Fax No: +91-22-22840271; CIN: U67120MH1994PLC083118; SEBI Registration No: INZ000001735 as Stock Broker, INM000010619 as Merchant Banker and INH000001113 as Research Analyst; in Indonesia by PT CLSA Sekuritas Indonesia; in Japan by CLSA Securities Japan Co., Ltd.; in Korea by CLSA Securities Korea Ltd.; in Malaysia by CLSA Securities Malaysia Sdn. Bhd.; in the Philippines by CLSA Philippines Inc (a member of Philippine Stock Exchange and Securities Investors Protection Fund); in Singapore by CLSA Singapore Pte Ltd and solely to persons who qualify as an "Institutional Investor", "Accredited Investor" or "Expert Investor" MCI (P) 042/11/2022; in Thailand by CLSA Securities (Thailand) Limited; in Taiwan by CLST (for reports compiled by Taiwan analyst(s)) or CLSA (for non Taiwan stock reports to CLSA clients) and in the European Economic Area ("EEA") by CLSA Europe BV and in the United Kingdom by CLSA (UK).

Hong Kong: This research report is distributed by CLSA Limited.

This research report is distributed in Hong Kong only to professional investors (as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and any rules promulgated thereunder) and may not be distributed to retail investors. Recipients should contact CLSA Limited, Tel: +852 2600 8888 in respect of any matters arising from, or in connection with, the analysis or report.

Australia: CLSA Australia Pty Ltd ("CAPL") (ABN 53 139 992 331/AFS License No: 350159) is regulated by the Australian Securities and Investments Commission ("ASIC") and is a Market Participant of ASX Limited and Cboe Australia Pty Ltd. This material is issued and distributed by CAPL in Australia to "wholesale clients" only. This material does not take into account the specific investment objectives, financial situation or particular needs of the recipient. The recipient of this material must not distribute it to any third party without the prior written consent of CAPL. For the purposes of this paragraph the term "wholesale client" has the meaning given in section 761G of the Corporations Act 2001. CAPL's research coverage universe spans listed securities across the ASX All Ordinaries index, securities listed on offshore markets, unlisted issuers and investment products which Research management deem to be relevant to the investor base from time to time. CAPL seeks to cover companies of relevance to its domestic and international investor base across a variety of sectors.

India: CLSA India Private Limited, incorporated in November 1994 provides equity brokerage services (SEBI Registration No: INZ000001735), research services (SEBI Registration No: INH000001113) and merchant banking services (SEBI Registration No. INM000010619) to global institutional investors, pension funds and corporates. CLSA and its associates may have debt holdings in the subject company. Further, CLSA and its associates, in the past 12 months, may have received compensation for non-investment banking services and/or non-securities related services from the subject company. For further details of "associates" of CLSA India please contact [Compliance-India@clsa.com](mailto:Compliance-India@clsa.com). Registration granted by SEBI and certification from NISM in no way guarantee performance of CLSA India Private Limited or provide any assurance of returns to investors. Compliance officer & Grievance officer: Neeta Sanghavi, Tel: 22 6650 5050. Email address of Compliance officer and Grievance cell: [compliance-india@clsa.com](mailto:compliance-india@clsa.com).

Singapore: This report is distributed in Singapore by CLSA Singapore Pte Ltd to institutional investors, accredited investors or expert investors (each as defined under the Financial Advisers Regulations) only. Singapore recipients should contact CLSA Singapore Pte Ltd, 80 Raffles Place, #18-01, UOB Plaza 1, Singapore 048624, Tel: +65 6416 7888, in respect of any matters arising from, or in connection with, the analysis or report. By virtue of your status as an institutional investor, accredited investor or expert investor, CLSA Singapore Pte Ltd is exempted from complying with certain requirements under the Financial Advisers Act 2001, the Financial Advisers Regulations and the relevant Notices and Guidelines issued thereunder (as disclosed in Part C of the Securities Dealing Services - Singapore Annex of the CLSA terms of business), in respect of any financial advisory services that CLSA Singapore Pte Ltd may provide to you. MCI (P) 042/11/2022.

United States of America: Where any section of the research is compiled by US analyst(s), it is distributed by CLSA Americas, LLC. Where any section is compiled by non-US analyst(s), it is distributed into the United States by CLSA (except CLSA Americas, LLC) solely to persons who qualify as "Major US Institutional Investors" as defined in Rule 15a-6 under the Securities and Exchange Act of 1934 and who deal with CLSA Americas, LLC. However, the delivery of this research report to any person in the United States shall not be deemed a recommendation to effect any transactions in the securities discussed herein or an endorsement of any opinion expressed herein. Any recipient of this research in the United States wishing to effect a transaction in any security mentioned herein should do so by contacting CLSA Americas, LLC.

The United Kingdom: This document is a marketing communication. It has not been prepared in accordance with the legal requirements designed to promote the independence of investment research, and is not subject to any prohibition on dealing ahead of the dissemination of investment research. The document is disseminated in the UK by CLSA (UK) and directed at persons having professional experience in matters relating to investments, as defined in the

relevant applicable local regulations. Any investment activity to which it relates is only available to such persons. If you do not have professional experience in matters relating to investments you should not rely on this document. Where research material is compiled by UK analyst(s), it is produced and disseminated by CLSA (UK). For the purposes of the Financial Conduct Rules in the UK such material is prepared and intended as substantive research material. CLSA (UK) is authorised and regulated by the Financial Conduct Authority.

The European Economic Area ("EEA"): research is distributed by CLSA Europe BV, authorised and regulated by the Netherlands Authority for Financial Markets.

CLSA Securities Malaysia Sdn. Bhd (CLSA Malaysia)'s research coverage universe spans listed securities across the FBM KLCI Index, securities listed on offshore markets, unlisted issuers and investment

products which Research management deem to be relevant to the investor base from time to time. CLSA Malaysia seeks to cover companies of relevance to its domestic and international investor base across a variety of sectors.

For all other jurisdiction-specific disclaimers please refer to <https://www.clsa.com/disclaimer.html>. The analysts/contributors to this report may be employed by any relevant CLSA entity or CLST, which is different from the entity that distributes the report in the respective jurisdictions. © 2023 CLSA and/or CL Securities Taiwan Co., Ltd. ("CLST").

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.