

Sunway (SWB MK)

On track

Profit and sales in line

Sunway's 1Q23 net profit of MYR142m (+10% YoY, -27% QoQ) was in line. Sales wise, 1Q23 locked-in sales of MYR505m are on track to meet its FY23 sales goal of MYR2.3b (+15% YoY). We maintain our earnings forecasts but raise TP to MYR1.72 TP (+5sen; on an unchanged 0.8x FY24E PBV) as we roll over our base year for valuation. HOLD. Our preferred picks for the sector are ECW MK (BUY, CP: MYR0.74, TP: MYR1.02), SDPR MK (BUY, CP: MYR0.445, TP: MYR0.58) and SP Setia (BUY; CP: MYR0.535, TP: MYR0.70).

Earnings to pick up in 2H

Sunway's 1Q23 net profit of MYR141.6m accounted for 17%/21% of MIBG/consensus full-year estimates. We expect earnings to pick up significantly in 2Q23/3Q23 due to contributions from its *Parc Canberra* project (100%-sold; MYR560m in effective GDV) in Singapore. Also, Sunway's earnings performance is seasonally stronger in 2H. Elsewhere, net gearing improved slightly to 0.5x, from 0.52x in end 4Q22.

On track to meet FY23 property sales goal

Sunway has locked in MYR505m property sales in 3M23 or 22% of its FY23 property sales target - in line. Of the MYR505m property sales recorded, 47% were derived from its JV projects in Singapore, 8.7% from China and the remaining from the Klang Valley. Effective unbilled sales were MYR3.9b as at Mar 2023 (2.2x FY24E property revenue). Elsewhere, 55%-owned Sunway Construction Group (SCGB MK; HOLD; CP: MYR1.65, TP: MYR1.73) has secured MYR1.28b worth of jobs in 3M23, increasing its outstanding orderbook to MYR6b as at Mar 2023.

Maintain earnings forecasts

No change have been made to our earnings forecasts. YTD, Sunway has already launched four projects in Malaysia and Singapore worth MYR3.07b in total GDV i.e. *Sunway Flora Residences* in Bukit Jalil, KL (53% sold/booked), *Sunway Dora* in Bayan Baru, Penang (73% sold/booked), *Terra Hills* in Pasir Panjang, Singapore (38% booked/sold) and *The Continuum* in Thiam Siew Avenue, Singapore. Despite the recent property cooling measures implemented by the Singapore government (including higher additional buyer's stamp duty rates for residential properties), Sunway remains confident in achieving its sales goal for 2023.

FYE Dec (MYR m)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	3,717	5,195	7,436	7,956	7,571
EBITDA	328	583	1,142	1,154	1,225
Core net profit	368	638	802	759	784
Core FDEPS (sen)	6.2	10.7	13.5	12.8	13.2
Core FDEPS growth(%)	(26.8)	73.2	25.7	(5.4)	3.3
Net DPS (sen)	2.5	5.5	4.3	4.1	4.2
Core FD P/E (x)	27.7	15.1	11.5	12.1	11.7
P/BV (x)	0.8	0.8	0.7	0.7	0.6
Net dividend yield (%)	1.5	3.4	2.8	2.6	2.7
ROAE (%)	24.7	5.5	6.5	6.0	5.9
ROAA (%)	1.6	2.5	3.0	2.7	2.7
EV/EBITDA (x)	52.1	30.2	14.4	15.1	14.6
Net gearing (%) (incl perp)	45.0	52.3	44.4	49.5	51.1
Consensus net profit	-	-	665	720	804
MIBG vs. Consensus (%)	-	-	26.4	10.8	2.3

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HOLD

Share Price	MYR 1.55
12m Price Target	MYR 1.72 (+11%)
Previous Price Target	MYR 1.67

Company Description

Sunway Bhd is involved in property development, investment properties and construction businesses

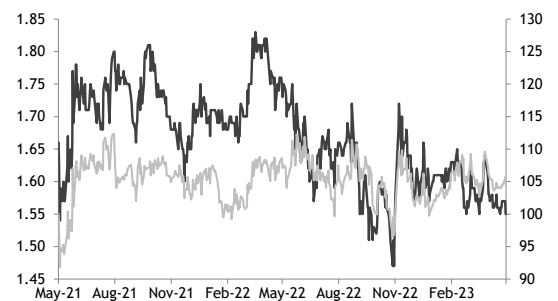
Statistics

52w high/low (MYR)	1.75/1.47
3m avg turnover (USDm)	1.1
Free float (%)	27.1
Issued shares (m)	5,000
Market capitalisation	MYR7.7B USD1.7B

Major shareholders:

Active Equity Sdn. Bhd.	58.2%
Employees Provident Fund	8.7%
CHAEH FOOK LING	2.4%

Price Performance



	-1M	-3M	-12M
Absolute (%)	(5)	(5)	(11)
Relative to index (%)	(5)	(2)	(4)

Source: FactSet

Fig. 1: Results summary table - Sunway

FY Dec (MYRm)	1Q23	1Q22	%YoY	4Q22	%QoQ
Revenue	1,263.7	1,112.5	13.6	1,531.6	-17.5
- Property dev	247.8	158.2	56.6	442.7	-44.0
- Property inv	209.9	121.1	73.3	230.7	-9.0
- Construction	327.9	368.6	-11.0	291.0	12.7
- Trading	224.1	205.0	9.3	233.5	-4.0
- Quarry	78.2	76.2	2.7	123.4	-36.6
- Others	175.8	183.4	-4.1	210.4	-16.5
PBIT	114.9	69.6	65.1	238.7	-51.9
Finance costs	-4.1	15.8	-125.7	-0.6	>-100
Other income	82.7	99.2	-16.6	81.8	1.1
Pretax profit	192.0	182.4	5.3	293.9	-34.7
- Property dev	23.1	23.4	-1.5	70.4	-67.2
- Property inv	67.2	45.0	49.4	51.7	30.2
- Construction	39.5	47.8	-17.4	58.7	-32.7
- Trading	9.6	10.3	-6.8	9.2	4.2
- Quarry	3.5	4.9	-28.0	5.1	-31.8
- Healthcare	28.8	28.2	2.1	71.8	-59.9
- Others	20.3	22.7	-10.6	28.3	-28.2
Taxation	-33.3	-26.8	-24.3	-73.7	54.8
Minority interest	-17.1	-19.1	10.2	-17.2	0.7
Net profit	141.6	136.5	3.8	203.0	-30.2
Core net profit	141.6	129.0	9.8	192.9	-26.6
			+/- ppt		+/- ppt
Pretax margin (%)	15.2	16.4	-1.2	19.2	-4.0
- Property dev	9.3	14.8	-5.5	15.9	-6.6
- Property inv	32.0	37.2	-5.1	22.9	9.2
- Construction	12.0	13.0	-0.9	20.2	-8.1
- Trading	4.3	5.0	-0.7	3.9	0.4
- Quarry	4.5	6.4	-1.9	4.2	0.3
- Others	11.5	12.4	-0.8	12.4	-0.9
Tax rate (%)	-17.3	-15.3	-2.0	-26.3	9.0

Source: Maybank IBG Research

Fig 2: Our RNAV estimate

	Stake	Acres	MV (MYR m)	BV (MYR m)	Surplus (MYR m)
1. Landbank - MARKET VALUE					
Sunway Semenyih	70%	526.1	572.9	128.0	311.5
Suncity Ipoh	96%	336.4	58.6	58.7	(0.1)
Sunway Integrated Resort	100%	7.7	4.8	8.3	(3.5)
Sunway Tower KL 1	100%	1.9	122.8	28.3	94.5
Sunway JB, Bukit Lenang	80%	49.9	54.3	134.5	(64.1)
Sg Long Balakong	80%	111	140.2	21.8	94.8
Mont Putra Rawang	100%	163	49.7	35.1	14.6
Sunway Iskandar - Pendas, freehold	60%	1079	1175.1	596.6	347.1
Sub-total (1)					794.8
2. Active developments - WACC (10.5-13.1%)					
	Stake				(MYR m)
South Quay	100%				284.1
Sunway Cheras	100%				0.8
Bangi	100%				1.5
Casa Kiara III	80%				13.2
Sunway Velocity	85%				123.7
Penang projects	100%				19.6
Mount Sophia	30%				1.9
Sunway Iskandar -leasehold (Medini)	51%				322.0
Kelana Jaya	100%				62.3
Industrial projects at Kelana Jaya and Subang	100%				4.9
Sunway Velocity extension	50%				85.1
Belfield	100%				89.7
Kajang	100%				34.9
Subang	100%				75.6
Wangsamaju	55%				8.7
PKNS Kota Damansara	60%				30.1
Pasir Panjang	30%				39.1
Tanjong Katong	30%				103.5
Sub-total (2):					1,300.7
3. Investment properties - MARKET VALUE					
	Stake		MV	BV	Surplus
			(MYR m)	(MYR m)	(MYR m)
Sunway Velocity Mall	59%		1,600	1,172	252.3
Sub-total (3)					252.3

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	Surplus (MYR m)
4. Other businesses or assets	
Valuation for SunREIT on Maybank IBG's MYR1.54 TP	230.7
Valuation for SCG based on Maybank IBG's MYR1.73 TP	1,066.9
Healthcare (30x 2023 PER)	2,390.2
Building material (10x 2023 PER)	111.9
Trading (10x 2023 PER)	317.0
Sub-total (4)	4,116.6
Grand total = (1) + (2) + (3) + (4)	6,464.4
Shareholders' funds (MYR m) - Dec 2022	12,529.1
Proceeds from warrants (MYR1.56 exercise price; expiring in Oct 2024)	1,044.4
RNAV (MYR m)	20,038.0
Number of shares (m)	4,934.0
Number of warrants (m)	669.5
ICPS	977.8
FD RNAV/share (MYR)	3.04

Source: Maybank IBG Research

Upside and downside risks

There are several risk factors to our earnings estimates and TP for Sunway: 1) slower-than-expected property sales and longer-than-expected downturn in the property sector; 2) delay in obtaining necessary approvals for its projects; 3) slower progress billings in construction works; 4) higher raw material costs; and 5) labour shortage that hit its construction and hotel operations.

FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Key Metrics					
P/E (reported) (x)	3.7	14.5	10.8	11.4	11.1
Core P/E (x)	27.4	14.9	11.3	12.0	11.6
Core FD P/E (x)	27.7	15.1	11.5	12.1	11.7
P/BV (x)	0.8	0.8	0.7	0.7	0.6
P/NTA (x)	0.8	0.7	0.7	0.6	0.6
Net dividend yield (%)	1.5	3.4	2.8	2.6	2.7
FCF yield (%)	3.9	nm	12.9	nm	nm
EV/EBITDA (x)	52.1	30.2	14.4	15.1	14.6
EV/EBIT (x)	52.1	30.2	14.9	15.6	15.2
INCOME STATEMENT (MYR m)					
Revenue	3,717.3	5,195.0	7,436.0	7,956.2	7,571.2
EBITDA	327.8	583.4	1,141.8	1,154.0	1,225.2
Depreciation	0.0	0.0	(37.9)	(42.1)	(46.3)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	327.8	583.4	1,103.9	1,112.0	1,178.9
Net interest income / (exp)	54.9	(14.5)	(171.3)	(190.7)	(200.7)
Associates & JV	81.2	350.8	274.9	235.2	222.2
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	463.9	919.8	1,207.5	1,156.5	1,200.4
Income tax	(116.2)	(167.0)	(289.8)	(277.6)	(288.1)
Minorities	(73.7)	(76.1)	(76.9)	(81.1)	(89.6)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	2,664.4	676.7	840.8	797.8	822.7
Core net profit	368.3	637.8	801.9	758.9	783.8
BALANCE SHEET (MYR m)					
Cash & Short Term Investment:	2,810.3	1,957.3	2,756.1	1,785.5	1,286.5
Accounts receivable	2,484.8	1,957.9	2,802.5	2,998.6	2,853.5
Inventory	2,422.4	3,279.6	3,195.5	4,584.6	5,422.3
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	1,262.3	1,264.0	1,401.9	1,544.0	1,690.3
Intangible assets	376.2	378.1	378.1	378.1	378.1
Investment in Associates & JVs	8,901.7	9,343.5	9,343.5	9,343.5	9,343.5
Other assets	6,826.8	7,877.9	7,877.9	7,877.9	7,877.9
Total assets	25,084.3	26,058.4	27,755.6	28,512.2	28,852.1
ST interest bearing debt	4,093.6	4,918.7	4,918.7	4,918.7	4,918.7
Accounts payable	2,469.3	2,490.8	3,565.2	3,814.7	3,630.1
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	4,621.9	4,137.5	4,137.5	4,137.5	4,137.5
Other liabilities	777.0	949.0	949.0	949.0	949.0
Total Liabilities	11,962.0	12,496.3	13,570.8	13,820.2	13,635.6
Shareholders Equity	12,030.4	12,529.1	13,151.9	13,659.0	14,183.6
Minority Interest	1,091.9	1,032.9	1,032.9	1,032.9	1,032.9
Total shareholder equity	13,122.3	13,562.0	14,184.8	14,691.9	15,216.5
Total liabilities and equity	25,084.3	26,058.4	27,755.6	28,512.2	28,852.1
CASH FLOW (MYR m)					
Pretax profit	463.9	919.8	1,207.5	1,156.5	1,200.4
Depreciation & amortisation	0.0	0.0	37.9	42.1	46.3
Adj net interest (income)/exp	132.9	202.2	(171.3)	(190.7)	(200.7)
Change in working capital	107.4	(443.2)	876.0	(909.8)	(478.6)
Cash taxes paid	(105.3)	(170.6)	(289.8)	(277.6)	(288.1)
Other operating cash flow	(2,008.5)	(113.3)	0.0	0.0	0.0
Cash flow from operations	978.7	394.9	1,660.3	(179.5)	279.3
Capex	(580.2)	(487.5)	(487.5)	(487.5)	(487.5)
Free cash flow	398.5	(92.6)	1,172.8	(667.1)	(208.2)
Dividends paid	(152.0)	(222.5)	(374.0)	(303.6)	(290.7)
Equity raised / (purchased)	0.2	1.0	0.0	0.0	0.0
Change in Debt	1,203.7	340.7	0.0	0.0	0.0
Other invest/financing cash flow	(993.1)	(891.2)	0.0	0.0	0.0
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	457.4	(864.5)	798.8	(970.6)	(498.9)

FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Key Ratios					
Growth ratios (%)					
Revenue growth	15.8	39.8	43.1	7.0	(4.8)
EBITDA growth	40.9	78.0	95.7	1.1	6.2
EBIT growth	40.9	78.0	89.2	0.7	6.0
Pretax growth	(5.4)	98.3	31.3	(4.2)	3.8
Reported net profit growth	645.8	(74.6)	24.3	(5.1)	3.1
Core net profit growth	(12.5)	73.1	25.7	(5.4)	3.3
Profitability ratios (%)					
EBITDA margin	8.8	11.2	15.4	14.5	16.2
EBIT margin	8.8	11.2	14.8	14.0	15.6
Pretax profit margin	12.5	17.7	16.2	14.5	15.9
Payout ratio	5.5	47.7	30.0	30.0	30.0
DuPont analysis					
Net profit margin (%)	71.7	13.0	11.3	10.0	10.9
Revenue/Assets (x)	0.1	0.2	0.3	0.3	0.3
Assets/Equity (x)	2.1	2.1	2.1	2.1	2.0
ROAE (%)	24.7	5.5	6.5	6.0	5.9
ROAA (%)	1.6	2.5	3.0	2.7	2.7
Leverage & Expense Analysis					
Asset/Liability (x)	2.1	2.1	2.0	2.1	2.1
Net gearing (%) (incl per ps)	45.0	52.3	44.4	49.5	51.1
Net gearing (%) (excl. per ps)	45.0	52.3	44.4	49.5	51.1
Net interest cover (x)	na	40.3	6.4	5.8	5.9
Debt/EBITDA (x)	nm	15.5	7.9	7.8	7.4
Capex / revenue (%)	15.6	9.4	6.6	6.1	6.4
Net debt / (net cash)	5,905.2	7,098.9	6,300.1	7,270.7	7,769.7

Source: Company; Maybank IBG Research

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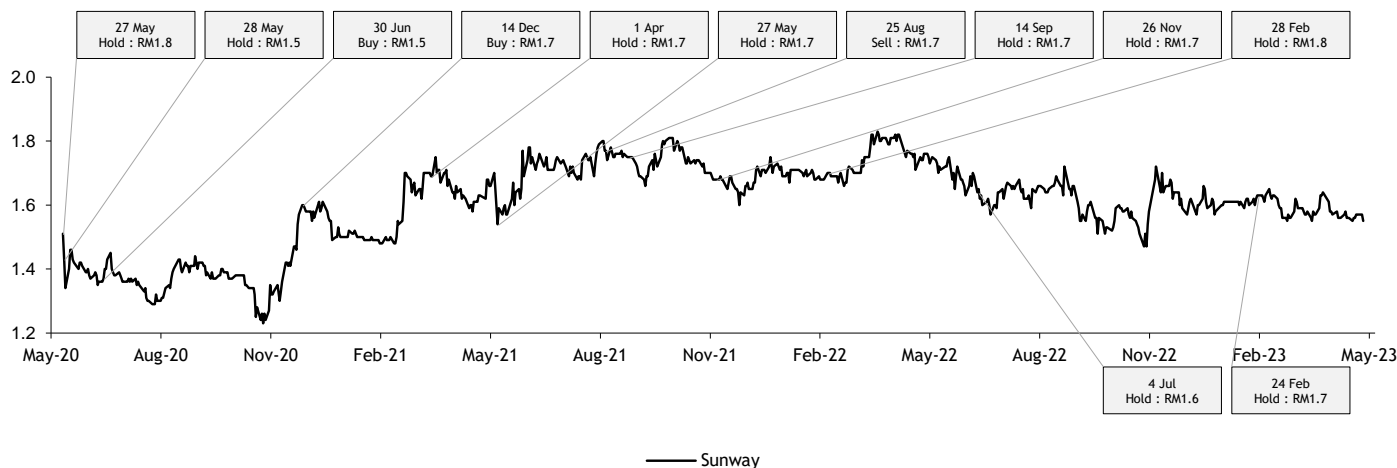
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