

## Sunway Berhad

(5211 | SWB MK) Main | Industrial Products &amp; Services

### Earnings Supported by Property Investment Division


#### KEY INVESTMENT HIGHLIGHTS

- **1QFY23 earnings within expectations**
- **Earnings supported by property investment division**
- **New sales in line**
- **Earnings forecast unchanged**
- **Maintain NEUTRAL with an unchanged TP of RM1.66**

**1QFY23 earnings within expectations.** Sunway Berhad 1QFY23 core net income of RM147.6m came in within expectations, making up 25% and 22% of our and consensus full year estimates respectively. Note that we have excluded one-off items and distribution for Perpetual Sukuk holders in our core net income calculations.

**Earnings supported by property investment division.** Sequentially, 1QFY23 core net earnings were lower at RM147.6m (-36%qoq) mainly due to lower contribution from most of its business division. Notably, property development division recorded lower profit before tax (PBT) due to lower progress billing of its local development projects. On yearly basis, 1QFY23 core net income was higher at RM147.6m (+26.7%yoy). The earnings growth was mainly underpinned by property investment division. Property investment division recorded higher PBT (+49.4%yoy) as income from investment assets spurred by reopening of economy and higher tourist arrival. Meanwhile, PBT of property development division was marginally lower (-1.5%yoy) due to lower earnings recognition from overseas development projects.

**New sales in line.** Sunway Berhad recorded new property sales of RM505m in 1QFY23, lower than new sales of RM590m in 4QFY22. New sales in 1QFY23 were mainly contributed by overseas project in Singapore and China which cumulatively contributed to 56% to total new sales. Meanwhile, new sales in 1QFY23 is within management new sales target of RM2.3b for FY23. Looking ahead, new sales is expected to underpin by launches of local projects. Sunway Berhad launched Sunway Flora in Bukit Jalil and Sunway Dora in Penang in 1QFY23 and take up rates stood at 53% and 73% respectively. On the other hand, unbilled sales were flattish at RM4.39b in 1QFY23.

**Maintain NEUTRAL with an unchanged TP of RM1.66.** We maintain our earnings forecast for FY23F/24F/25F. We also maintain our **TP** for Sunway Berhad at **RM1.66**, based on Sum-of-parts valuation. We continue to see stable earnings outlook for Sunway Berhad due to contribution from property investment division. Nevertheless, we think that positives are largely priced in. Hence, we maintain our **NEUTRAL** call on Sunway Berhad. 

**Maintain NEUTRAL**
**Unchanged Target Price: RM1.66**

#### RETURN STATISTICS

Price @ 24 <sup>th</sup> May 2023 (RM)	1.55
Expected share price return (%)	7.0
Expected dividend yield (%)	3.5
<b>Expected total return (%)</b>	<b>10.5</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-5.5	-4.7
3 months	-2.5	-1.8
12 months	-11.4	-3.8

#### INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	5,523	5,884	6,381
Operating Profit	683	690	726
Profit Before Tax	886	906	954
Core PATAMI	599	616	647
Core EPS	10.21	10.51	11.03
DPS	5.50	5.50	6.00
Dividend Yield	3.5%	3.5%	3.85%

#### KEY STATISTICS

FBM KLCI	1,409.62
Issue shares (m)	4,889.07
Estimated free float (%)	22.16
Market Capitalisation (RM'm)	7,729.24
52-wk price range	RM1.45-RM1.77
3-mth average daily volume (m)	3.33
3-mth average daily value (RM'm)	5.25
Top Shareholders (%)	
Sungei Way Corp Sdn Bhd	57.92
EPF	8.64

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**SUNWAY BERHAD: 1QFY23 RESULTS SUMMARY**

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY23	%YoY	%QoQ	FY23	%YoY
Revenue	1263.7	13.6%	-17.5%	1,263.7	13.6%
EBIT	113.4	68.2%	-46.7%	113.4	68.2%
Core PBT	198.0	22.1%	-38.4%	198.0	22.1%
Net Income	141.6	3.7%	-30.2%	141.6	3.7%
Core Net Income	147.6	26.7%	-36.0%	147.6	26.7%
EPS (sen)	2.41	3.7%	-30.2%	2.4	3.7%
Core EPS (sen)	2.52	26.7%	-36.0%	2.5	26.7%
Net DPS (sen)	0.00	NA	-100.0%	0.0	NA
NTA/share (RM)	2.10	4%	1%	2.1	4.1%
Net Gearing (x)	0.51	NA	NA	0.51	NA
EBIT Margin	9.0%	NA	NA	9.0%	NA
Core PBT Margin	15.7%	NA	NA	15.7%	NA

Source: Company, MIDF Research

**Sum-of-Parts**

Division	Methodology	PER (x)	Stake	Discount	Value (RM m)
Property Development	NPV of profits	n/a	100%	30%	2501.7
Property Investment	Net Book Value	n/a	100%	n/a	2186.3
Construction	18x FY23E PER	18	54%	n/a	1332.7
Sunway REIT	Target Price of RM1.73	n/a	35%	n/a	2043.6
Healthcare	23x FY23 PER	23	84%	n/a	985.2
Trading and manufacturing	12x FY23E PER	12	100%	n/a	125.2
Quarry	12x FY23E PER	12	100%	n/a	575.2
<b>Total SOP</b>					<b>9750.0</b>
Number of shares					5866.0
<b>Target Price (RM)</b>					<b>1.66</b>

**FINANCIAL SUMMARY**

<b>Income Statement (RM'm)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>
Revenue	3,714	5,195	5,523	5,884	6,381
EBIT	539	583	683	690	726
PBT	539	871	886	906	954
Net Income	2,665	677	599	616	647
Core Net Income	452	635	599	616	647
Core EPS (sen)	7.7	10.8	10.2	10.5	11.0
Core PER (x)	20.2	14.4	15.3	14.8	14.1
NTA/share	1.99	2.14	2.36	2.42	2.47
P/NTA	0.79	0.73	0.66	0.64	0.63

<b>Balance Sheet (RM'm)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>
Property, plant and equipment	1,262	1,264	1,283	1,334	1,348
Investment properties	2,186	2,443	2,497	2,173	2,129
Investment in JV	6,192	6,653	6,799	7,010	7,165
Total non-current assets	17,086	18,179	18,561	19,025	19,443
Inventories	2,422	3,280	3,345	3,512	3,590
Cash and bank balances	2,810	1,957	2,302	2,356	2,408
Other assets	2,766	2,642	2,414	2,445	2,415
<b>Total Assets</b>	<b>25,084</b>	<b>26,058</b>	<b>26,622</b>	<b>27,338</b>	<b>27,857</b>
LT Term Loans	4,021	3,537	3,856	4,049	4,332
ST Borrowings	4,093	4,919	5,017	5,293	5,399
Other Liabilities	3,847	4,040	3,901	3,777	3,623
Total Liability	11,962	12,496	12,774	13,118	13,354
Share capital	5,394	5,394	5,394	5,394	5,394
Other Equity	7,728	8,168	8,454	8,826	9,108
Total Equity	13,122	13,562	13,848	14,220	14,502
<b>Equity + Liability</b>	<b>25,084</b>	<b>26,058</b>	<b>26,622</b>	<b>27,338</b>	<b>27,857</b>

<b>Cash Flow (RM'm)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>
<b>Cash flows from operating activities</b>					
Net income before taxation	2852	920	886	906	954
Net cash from operating activities	979	395	391	396	388
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment	-344	-111	-112	-119	-103
Net cash used in investing activities	-1280	-1069	-1090	-971	-738
<b>Cash flows from financing activities</b>					
Net cash from/(used in) financing activities	845	-160	342	368	355
Net increase/(decrease) in cash and cash equivalents	544	-835	-357	-207	5
Cash and cash equivalent at 1 January	2183	2732	1895	1537	1331
Cash and cash equivalent at 1 December	2732	1895	1537	1331	1336

<b>Profitability Margins</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>
EBIT margin	14.5%	11.2%	12.4%	11.7%	11.4%
PBT margin	14.5%	16.8%	16.0%	15.4%	14.9%
PAT margin	71.8%	13.0%	10.8%	10.5%	10.1%
Core PATAMI margin	12.2%	12.2%	10.8%	10.5%	10.1%
ROE	3.8%	5.1%	4.3%	4.3%	4.5%
ROA	1.8%	2.4%	2.3%	2.3%	2.3%

Source: Bloomberg, MIDFR

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### MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

#### ESG RECOMMENDATIONS\* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

\* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology