

"1Q24 results were within expectations"

### Share price performance



	1M	3M	12M
Absolute (%)	9.9	35.1	133.1
Rel KLCI (%)	4.9	29.3	105.3

	BUY	HOLD	SELL
Consensus	8	-	2

### Stock Data

Sector	Property
Issued shares (m)	5,630.2
Mkt cap (RMm)/(US\$m)	20,606.7/4,389.5
Avg daily vol - 6mth (m)	13.9
52-wk range (RM)	1.52-3.69
Est free float	27.4%
Stock Beta	0.90
Net cash/(debt) (RMm)	(7,351)
ROE (2024E)	5.3%
Derivatives	No
Shariah Compliant	Yes
FTSE4Good Constituent	No
FBM EMAS (Top 200)	No
ESG Rank	
ESG Risk Rating	8.6 (-0.3 yoy)

### Key Shareholders

Sungei Way Corp Sdn	49.0%
Cheah Fook Ling	11.0%
Employees Provident	5.5%
Active Equity Snd Bhd	3.0%

Source: Bloomberg, Affin Hwang, Bursa Malaysia, ESG Risk Rating Powered by Sustainalytics

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## Sunway Berhad (SWB MK)

**BUY (maintain)**

Up/Downside: +9.3%

**Price Target: RM4.00**

Previous Target (Rating): RM3.75 (BUY)

### Within expectations; a decent start to the year

- Core net profit grew 22% yoy to RM174m in 1Q24, mainly driven by higher property development, quarry and construction earnings
- The group saw slightly slower property pre-sales of RM498m dragged by reduced overseas sales
- Sunway remains a top sector BUY – we lift our 12-month TP to RM4.00, based on an unchanged 10% discount to our higher RNAV after rolling forward our valuation base year to 2025E

### Results were broadly within expectations

Core net profit of RM174m (+21.8% yoy) in 1Q24 is equivalent to 22% of consensus and our initial forecasts of RM783-787m. Revenue (excluding healthcare division) grew 12% yoy to RM1.42bn in 1Q24, driven by higher yoy revenue across all divisions. PBT increased 18% yoy to RM227m in 1Q24, primarily attributed to a 68% yoy surge in property development earnings, fuelled by higher sales and progress billings from new and ongoing local development projects. On a qoq basis, revenue and core net profit fell by 24% and 39%, respectively, primarily due to lower contributions from most business segments, and slower-than-expected overseas sales and progress billings. In 2H24 onwards, the group's property development earnings are expected to be lumpy following the handover of one executive condominium projects (Parc Central Residence) in Singapore.

### Flat property pre-sales but higher new construction contract wins

Sunway's property pre-sales eased 1% yoy to RM498m in 1Q24, compared to RM505m in 1Q23, mainly on lower overseas sales (-55% yoy). With higher planned launches worth RM2.1bn, Sunway is targeting RM2.6bn of pre-sales in 2024E. Unbilled sales of RM4.2bn will support revenue growth over the next 2-3 years. Sunway Construction (SCGB MK, RM3.25, BUY) achieved RM1.7bn in new contract wins in 1Q24, expanding its remaining order book to RM6.3bn.

### Top sector pick; reaffirming our BUY call

Going forward, we foresee Sunway's share price continuing its momentum, fueled by its potential inclusion in the FBMKLCI Index, supported by the broader "Rejuvenating Johor" theme and the highly anticipated listing of its healthcare unit by 2027. We lift our core EPS by 1-3% in 2024-26E to reflect higher construction and property investment earnings. We lift our 12-month TP to RM4.00 (from RM3.75), based on an unchanged 10% discount to our higher RNAV/share of RM4.40 (from RM4.15) to reflect higher property and construction valuations after rolling forward our valuation base year to 2025E. We reaffirm our BUY call as Sunway remains a top sector pick, given its strategic landbank within key growth areas. Downside risks: lower-than-expected property sales and delays in infrastructure project roll out.

### Earnings & Valuation Summary

FYE 31 Dec	2022	2023	2024E	2025E	2026E
Revenue (RMm)	5,195.0	6,139.8	6,595.2	7,403.9	7,597.4
EBITDA (RMm)	753.1	865.7	958.2	1,168.4	1,282.2
Pretax profit (RMm)	919.8	993.2	1,066.3	1,335.0	1,455.7
Net profit (RMm)	676.7	737.8	783.9	983.6	1,077.0
EPS (sen)	13.8	14.9	15.8	19.9	21.7
PER (x)	26.3	24.4	23.0	18.3	16.7
Core net profit (RMm)	716.1	797.6	783.9	983.6	1,077.0
Core EPS (sen)	14.6	16.1	15.8	19.9	21.7
Core EPS growth (%)	82.4	9.9	(1.7)	25.5	9.5
Core PER (x)	24.9	22.6	23.0	18.3	16.7
Net DPS (sen)	5.5	5.5	5.5	6.5	7.0
Dividend Yield (%)	1.5	1.5	1.5	1.8	1.9
EV/EBITDA	33.1	29.3	26.0	21.3	19.0
Chg in EPS (%)			+0.9	+2.7	+1.0
Affin/Consensus (x)			1.0	1.1	1.1

Source: Company, Bloomberg, Affin Hwang forecasts

**Fig 1: Results comparison**

FYE 31 Dec (RMm)	1Q23	4Q23	1Q24	QoQ % chg	YoY % chg	Comment
<b>Revenue</b>	<b>1,264</b>	<b>1,869</b>	<b>1,419</b>	<b>(24.1)</b>	<b>12.3</b>	1Q24: Higher revenue yoy for all segments except its others segment due to lower contributions from building material and community pharmacy business. Operational losses from the start-up of Sunway Sanctuary and higher operating cost
Op costs	(1,117)	(1,521)	(1,226)	(19.4)	9.8	
<b>EBITDA</b>	<b>147</b>	<b>348</b>	<b>193</b>	<b>(44.5)</b>	<b>31.4</b>	
<i>EBITDA margin (%)</i>	<i>11.6</i>	<i>18.6</i>	<i>13.6</i>	<i>(5.0 ppt)</i>	<i>2.0 ppt</i>	
Depn and amort	(32)	(37.51)	(32.49)	(13.4)	1.3	
<b>EBIT</b>	<b>115</b>	<b>310</b>	<b>160</b>	<b>(48.3)</b>	<b>39.8</b>	
<i>EBIT margin (%)</i>	<i>9.1</i>	<i>16.6</i>	<i>11.3</i>	<i>(5.3 ppt)</i>	<i>2.2 ppt</i>	
Interest income	58	73	59	(19.0)	1.6	
Interest expense	(62)	(95)	(85)	(9.9)	36.7	
Associates	83	80	94	17.9	13.9	
Forex gain (losses)	13	35	(44)	(226.8)	(437.9)	Unrealised forex loss on USD debt. But partly hedged by derivatives.
Exceptional items	(14)	(53)	42	(180.0)	(395.3)	
<b>Pretax profit</b>	<b>192</b>	<b>350</b>	<b>227</b>	<b>(35.3)</b>	<b>18.2</b>	Higher earnings for property development, construction, trading and quarry operations. But lower property investment earnings.
Tax	(33)	(33)	(36)	8.0	7.4	
<i>Tax rate (%)</i>	<i>17.3</i>	<i>9.4</i>	<i>15.8</i>	<i>6.3 ppt</i>	<i>(1.6 ppt)</i>	
Minority interests	(17)	(51)	(19)	(63.6)	9.3	
<b>Net profit</b>	<b>142</b>	<b>266</b>	<b>172</b>	<b>(35.2)</b>	<b>21.6</b>	Within expectation
EPS (sen)	2	4	2	(48.3)	14.6	
<b>Core net profit</b>	<b>143</b>	<b>284</b>	<b>174</b>	<b>(38.7)</b>	<b>21.8</b>	Within expectation, excluding exceptional items.

Source: Affin Hwang, Company

**Fig 2: Segmental revenue breakdown**

FYE 31 Dec (RMm)	1Q23	4Q23	1Q24	QoQ % chg	YoY % chg
Ppty dev	248	499	288	(42.4)	16.1
Ppty inv	210	256	231	(9.8)	10.1
Construction	328	533	372	(30.1)	13.6
Trading	224	260	241	(7.2)	7.7
Quarry	78	125	105	(16.0)	34.0
Other	176	195	181	(7.2)	3.2
<b>Total</b>	<b>1,264</b>	<b>1,869</b>	<b>1,419</b>	<b>(24.1)</b>	<b>12.3</b>

Source: Affin Hwang, Company

**Fig 3: Segmental PBT breakdown**

FYE 31 Dec (RMm)	1Q23	4Q23	1Q24	QoQ % chg	YoY % chg
Ppty dev	23	69	39	(43.8)	68.2
Ppty inv	67	137	69	(49.2)	3.2
Construction	40	63	42	(32.5)	7.2
Trading	29	12	9	(25.2)	(68.9)
Quarry	10	9	11	18.2	15.7
Other	24	60	56	(6.8)	136.9
<b>Total</b>	<b>192</b>	<b>350</b>	<b>227</b>	<b>(35.2)</b>	<b>18.2</b>

Source: Affin Hwang, Company

**Fig 4: Segmental PBT margin**

FYE 31 Dec (%)	1Q23	4Q23	1Q24	QoQ ppt	YoY ppt
Ppty dev	9.3	13.8	13.5	(0.3)	4.2
Ppty inv	32.0	53.4	30.0	(23.3)	(2.0)
Construction	12.0	11.8	11.4	(0.4)	(0.7)
Trading	12.9	4.6	3.7	(0.9)	(9.1)
Quarry	12.3	7.5	10.6	3.1	(1.7)
Others	13.5	30.9	31.1	0.1	17.5
<b>Total</b>	<b>15.2</b>	<b>18.8</b>	<b>16.0</b>	<b>(2.8)</b>	<b>0.8</b>

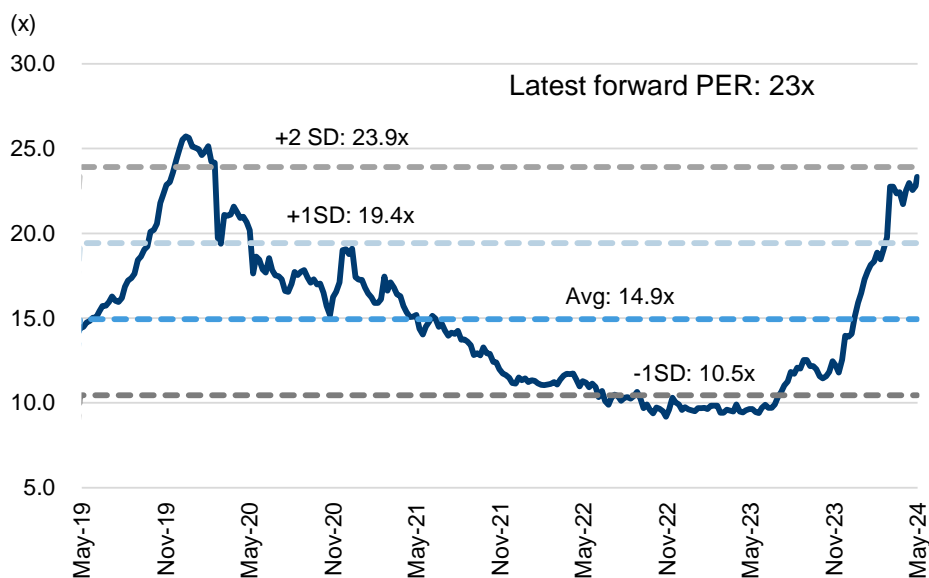
Source: Affin Hwang, Company

**Fig 5: RNAV and target price**

RNAV by business segments	PER	EV/EBITDA	New RNAV (RMm)	Old RNAV (RMm)	Change (%)
	(X)	(X)			
Property development			8,204	6,858	20
Property development JV			3,382	3,162	7
Property investment			5,291	5,291	0
Construction	18		3,059	2,970	3
Building materials	14		700	700	0
Quarry	14		420	420	0
Healthcare		20	7,602	7,602	0
<b>Total</b>			<b>28,659</b>	<b>27,002</b>	<b>6</b>
Co. net cash/(debt)			(589.3)	(589.3)	0
<b>RNAV</b>			<b>28,070</b>	<b>26,413</b>	<b>6</b>
Number of shares			4,955	4,955	0
<b>RNAV/share (RM)</b>			<b>5.67</b>	<b>5.33</b>	<b>6</b>
Fully-diluted no. of shares			6,602	6,602	0
<b>Fully-diluted RNAV/share (RM)</b>			<b>4.40</b>	<b>4.16</b>	<b>6</b>
<b>Target price @ 10% discount to RNAV (RM)</b>			<b>4.00</b>	<b>3.75</b>	<b>6</b>

Source: Affin Hwang forecasts

**Fig 6: 12-month forward PER**



Source: Bloomberg, Affin Hwang forecasts

## Important Disclosures and Disclaimer

### Equity Rating Structure and Definitions

<b>BUY</b>	Total return is expected to exceed +10% over a 12-month period
<b>HOLD</b>	Total return is expected to be between -5% and +10% over a 12-month period
<b>SELL</b>	Total return is expected to be below -5% over a 12-month period
<b>NOT RATED</b>	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

*The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.*

<b>OVERWEIGHT</b>	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
<b>NEUTRAL</b>	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
<b>UNDERWEIGHT</b>	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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