

"9M24 results were above expectations due to lumpy property earnings in Singapore"

### Share price performance



	1M	3M	12M
Absolute (%)	10.8	19.9	150.8
Rel KLCI (%)	11.8	22.6	127.4

	BUY	HOLD	SELL
Consensus	8	3	1

### Stock Data

Sector	Property
Issued shares (m)	5,689.1
Mkt cap (RMm)/(US\$m)	2,8104/6,293.6
Avg daily vol - 6mth (m)	16.2
52-wk range (RM)	1.89-5.1
Est free float	37.3%
Stock Beta	1.08
Net cash/(debt) (RMm)	(6,409)
ROE (2024E)	5.3%
Derivatives	No
Shariah Compliant	Yes
FTSE4Good Constituent	No
FBM EMAS (Top 200)	Top 25%
ESG Rank	
ESG Risk Rating	8.6 (na yoy)

### Key Shareholders

Sungei Way Corp Sdn	45.0%
Cheah Fook Ling	10.9%
Employees Provident	6.3%
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)

**HOLD (downgrade)**

Up/Downside: -2.8%

**Price Target: RM4.80**

Previous Target (Rating): RM4.40 (BUY)

### Downgrade to HOLD on fair valuations

- Core net profit grew 55% yoy to RM762m in 9M24, mainly driven by higher property development earnings and the lumpy contribution from the completion of an executive condo (EC) project in Singapore (RM124m)
- The group saw slower property pre-sales of RM1.85bn (-11% yoy), dragged down by reduced overseas sales from China and Singapore
- Higher TP of RM4.80 but downgrade to HOLD as we believe most of the positive developments are reflected in the current share price

### Results were above consensus and our expectations

Core net profit of RM762m (+55% yoy) in 9M24 was equivalent to 93-97% of consensus and our previous forecasts of RM783-814m. Revenue (excluding healthcare division) grew 18% yoy to RM5.03bn in 9M24, driven by higher yoy revenue across all divisions. PBT jumped 60% yoy to RM1.03bn in 9M24, primarily driven by a surge in property development earnings (+106% yoy). This was attributable to lumpy earnings from the completion of Parc Central Residences in Singapore (RM124m). Meanwhile, its healthcare division reported PAT of RM149m (+34% yoy), supported by higher in-patient volume (+11% yoy to 1.05m in 9M24) and improved operating performance. Revenue rose 28% qoq to RM2.03bn in 3Q24. Core net profit surged 52% qoq to RM356m on higher sales and progress billings for its property division.

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

Sunway's property pre-sales eased 11% yoy to RM1.85bn in 9M24, compared to RM2.1bn in 9M23, mainly on lower overseas sales (-58% yoy). Sunway is targeting RM2.6bn of pre-sales in 2024E. Launched GDV of RM1.45m in 9M24 amounted to 70% of total planned launches. Unbilled sales of RM4.5bn should support revenue growth over the next 2-3 years. Sunway Construction (SCGB MK, RM4.42, BUY) has secured RM4bn new contracts YTD, with data centres continuing to dominate its portfolio (54% of outstanding order book of RM7.1bn).

### Downgrade to HOLD; most of its positives have been baked in

We downgrade our call on the stock to HOLD on fair valuations. However, there are potential upside risks: (1) prospect of an earlier-than-expected listing and higher-than-expected valuation for Sunway Healthcare Group; (2) higher-than-expected property demand in Sunway City Iskandar Puteri, exemplified by the full take-up of Sunway Maple, a landed residential project launched in September 2024. We raise our core EPS by 4-6% in FY24-26E and our 12-month TP of RM4.80, based on a 10% discount to our lifted RNAV/share of RM5.30 to reflect higher property investment and construction segment valuations. Downside risks: lower-than-expected property sales and healthcare unit valuation.

### Earnings & Valuation Summary

FYE 31 Dec	2022	2023	2024E	2025E	2026E
Revenue (RMm)	5,195.0	6,139.8	7,253.7	9,297.8	9,796.4
EBITDA (RMm)	753.1	865.7	1,211.2	1,344.7	1,467.2
Pretax profit (RMm)	919.8	993.2	1,312.7	1,482.9	1,601.4
Net profit (RMm)	676.7	737.8	972.4	1,099.9	1,194.1
EPS (sen)	13.8	14.9	14.6	16.5	17.9
PER (x)	35.7	33.2	33.8	29.9	27.5
Core net profit (RMm)	716.1	797.6	972.4	1,099.9	1,194.1
Core EPS (sen)	14.6	16.1	14.6	16.5	17.9
Core EPS growth (%)	82.4	9.9	(9.2)	13.1	8.6
Core PER (x)	33.7	30.7	33.8	29.9	27.5
Net DPS (sen)	5.5	5.5	5.5	6.5	7.0
Dividend Yield (%)	1.1	1.1	1.1	1.3	1.4
EV/EBITDA	41.5	36.8	33.1	30.2	27.4

Chg in EPS (%)

5.1

6.0

3.7

Affin/Consensus (x)

1.2

1.2

1.1

Source: Company, Bloomberg, Affin Hwang forecasts

Fig 1: Results comparison

FYE 31 Dec (RMm)	3Q23	2Q24	3Q24	QoQ % chg	YoY % chg	9M23	9M24	YoY % chg	Comment
<b>Revenue</b>	<b>1,539</b>	<b>1,580</b>	<b>2,029</b>	<b>28.4</b>	<b>31.8</b>	<b>4,271</b>	<b>5,028</b>	<b>17.7</b>	9M24: Higher revenue yoy across all divisions
Op costs	(1,371)	(1,368)	(1,790)	30.8	30.6	(3,778)	(4,387)	16.1	
<b>EBITDA</b>	<b>169</b>	<b>212</b>	<b>239</b>	<b>12.8</b>	<b>41.9</b>	<b>493</b>	<b>641</b>	<b>30.1</b>	
<i>EBITDA margin (%)</i>	<i>11.0</i>	<i>13.4</i>	<i>11.8</i>	<i>(1.6 ppt)</i>	<i>0.8 ppt</i>	<i>11.5</i>	<i>12.8</i>	<i>1.2 ppt</i>	
Depn and amort	(40.30)	(36.10)	(37.19)	3.0	(7.7)	(104)	(106)	1.8	
<b>EBIT</b>	<b>128</b>	<b>176</b>	<b>202</b>	<b>14.8</b>	<b>57.4</b>	<b>389</b>	<b>536</b>	<b>37.7</b>	
<i>EBIT margin (%)</i>	<i>8.3</i>	<i>11.1</i>	<i>10.0</i>	<i>(1.2 ppt)</i>	<i>1.6 ppt</i>	<i>9.1</i>	<i>10.7</i>	<i>1.5 ppt</i>	
Interest income	62	86	100	16.3	62.8	187	246	31.7	
Interest expense	(90)	(96)	(96)	(0.1)	6.8	(231)	(277)	20.2	
Associates	157	139	236	69.5	50.4	317	469	47.9	
Forex gain (losses)	(3)	(5)	(4)	(6.3)	42.6	(70)	(2)	(97.3)	Unrealised forex loss on US\$ debt. But partly hedged by derivatives.
Exceptional items	(6)	40	25	(38.5)	NA	50	59	17.3	
<b>Pretax profit</b>	<b>248</b>	<b>341</b>	<b>463</b>	<b>35.7</b>	<b>86.7</b>	<b>643</b>	<b>1,030</b>	<b>60.3</b>	Higher earnings for property development, construction, trading and quarry operations. Boosted by earnings recognition upon completion of an EC project in Singapore
Tax	(41)	(45)	(54)	21.5	33.7	(105)	(135)	28.6	
<i>Tax rate (%)</i>	<i>16.4</i>	<i>13.1</i>	<i>11.7</i>	<i>(1.4 ppt)</i>	<i>(4.6 ppt)</i>	<i>16.3</i>	<i>13.1</i>	<i>(3.2 ppt)</i>	
Minority interests	(27)	(26)	(32)	24.7	20.2	(66)	(77)	16.2	
<b>Net profit</b>	<b>180</b>	<b>270</b>	<b>376</b>	<b>39.0</b>	<b>108.6</b>	<b>472</b>	<b>819</b>	<b>73.5</b>	Above expectation
EPS (sen)	3	4	5	28.5	102.3	7	12	64.0	
<b>Core net profit</b>	<b>189</b>	<b>235</b>	<b>356</b>	<b>51.5</b>	<b>87.7</b>	<b>491</b>	<b>762</b>	<b>55.1</b>	Above expectation, excluding exceptional items.

Source: Affin Hwang, Company

**Fig 2: Segmental revenue breakdown**

FYE 31 Dec (RMm)	3Q23	2Q24	3Q24	QoQ % chg	YoY % chg	9M23	9M24	YoY % chg
Ppty dev	310	372	496	33.3	60.1	919	1,155	25.6
Ppty inv	233	231	272	17.6	16.7	642	734	14.3
Construction	424	381	611	60.2	44.0	1,156	1,364	18.0
Trading	243	255	284	11.5	17.3	695	781	12.5
Quarry	149	112	141	25.6	(5.5)	321	357	11.2
Other	181	229	226	(1.3)	24.5	537	636	18.3
<b>Total</b>	<b>1,539</b>	<b>1,580</b>	<b>2,029</b>	<b>28.4</b>	<b>31.8</b>	<b>4,271</b>	<b>5,028</b>	<b>17.7</b>

Source: Affin Hwang, Company

**Fig 3: Segmental PBT breakdown**

FYE 31 Dec (RMm)	3Q23	2Q24	3Q24	QoQ % chg	YoY % chg	9M23	9M24	YoY % chg
Ppty dev	70	70	185	164.0	162.9	143	294	106.3
Ppty inv	55	86	76	(11.6)	38.1	156	232	48.3
Construction	51	52	70	33.0	36.6	135	165	21.8
Trading	13	10	13	25.2	(2.6)	33	33	(1.9)
Quarry	10	11	13	11.7	22.7	18	35	92.5
Other	47	111	106	(4.3)	123.2	158	273	73.0
<b>Total</b>	<b>248</b>	<b>341</b>	<b>463</b>	<b>35.7</b>	<b>86.7</b>	<b>643</b>	<b>1,030</b>	<b>60.3</b>

Source: Affin Hwang, Company



**Fig 4: Segmental PBT margin**

FYE 31 Dec (%)	3Q23	2Q24	3Q24	QoQ ppt	YoY ppt	9M23	9M24	YoY % chg
Ppty dev	22.8	18.9	37.3	18.5	14.6	15.5	25.5	9.9
Ppty inv	23.7	37.3	28.0	(9.3)	4.3	24.3	31.6	7.2
Construction	12.1	13.8	11.4	(2.3)	(0.6)	11.7	12.1	0.4
Trading	5.5	4.1	4.6	0.5	(0.9)	4.8	4.2	(0.6)
Quarry	6.9	10.0	8.9	(1.1)	2.0	5.6	9.7	4.1
Others	26.2	48.4	46.9	(1.4)	20.8	29.3	42.9	13.5
<b>Total</b>	<b>16.1</b>	<b>21.6</b>	<b>22.8</b>	<b>1.2</b>	<b>6.7</b>	<b>15.1</b>	<b>20.5</b>	<b>5.4</b>

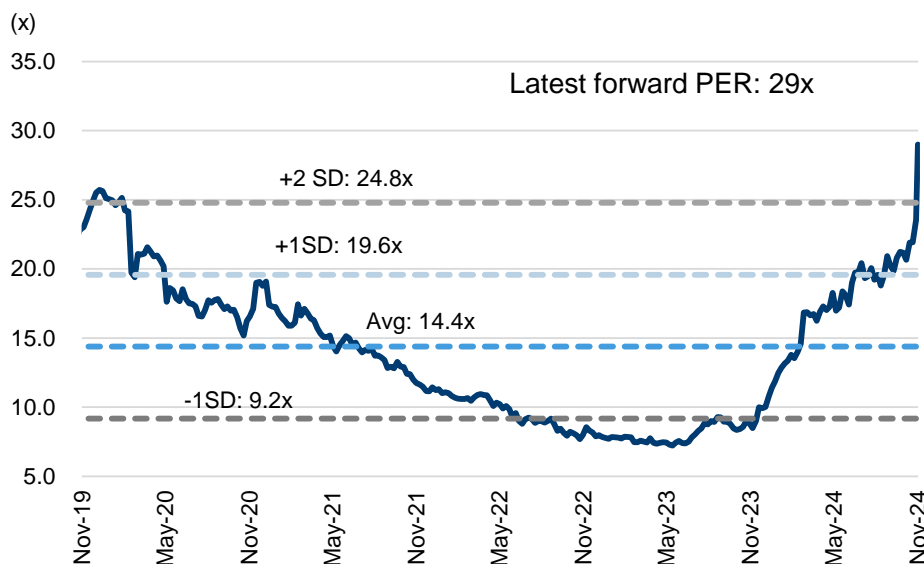
Source: Affin Hwang, Company

**Fig 5: RNAV and target price**

RNAV by business segments	PER (X)	EV/EBITDA (X)	New RNAV (RMm)	Old RNAV (RMm)	Change (%)
Property development			8,978	8,286	8
Property development JV			3,504	3,382	4
Property investment			6,304	5,327	18
Construction	18		4,250	3,883	9
Building materials	14		700	700	0
Quarry	14		420	420	0
Healthcare		20	10,431	10,431	0
<b>Total</b>			<b>34,587</b>	<b>31,910</b>	<b>8</b>
Co. net cash/(debt)			(589.3)	(589.3)	0
<b>RNAV</b>			<b>33,998</b>	<b>31,321</b>	<b>9</b>
Number of shares			4,955	4,955	0
<b>RNAV/share (RM)</b>			<b>6.86</b>	<b>6.32</b>	<b>9</b>
Fully-diluted no. of shares			6,602	6,602	0
<b>Fully-diluted RNAV/share (RM)</b>			<b>5.30</b>	<b>4.90</b>	<b>8</b>
<b>Target price @ 10% discount to RNAV (RM)</b>			<b>4.80</b>	<b>4.40</b>	<b>9</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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