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Higher FY24F sales target of RM2.6bil

BUY

(Maintained)

Rationale for report: Company results

Price	RM2.71
Fair Value	RM3.30
52-week High/Low	RM2.73/RM1.52

Key Changes

Fair value	↑
EPS	↑

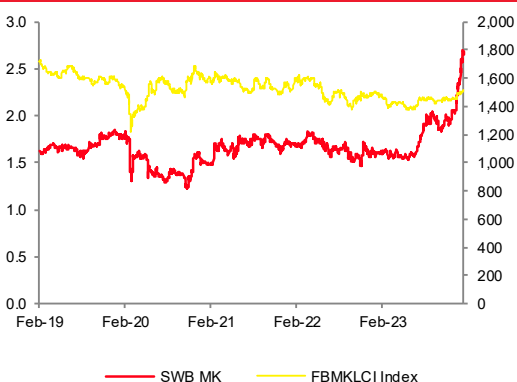
YE to Dec	FY23	FY24F	FY25F	FY26F
Revenue (RM mil)	6,139.8	6,437.4	6,845.0	7,179.2
Core net profit (RM mil)	699.2	764.0	825.8	879.2
FD Core EPS (sen)	12.6	13.8	14.9	15.9
FD Core EPS growth (%)	21.0	9.3	8.1	6.5
Consensus Net Profit (RM mil)	-	771.3	805.8	n/a
DPS (sen)	5.5	6.3	6.8	7.2
PE (x)	21.0	19.2	17.8	16.7
EV/EBITDA (x)	29.4	25.9	24.7	23.8
Div yield (%)	2.0	2.3	2.5	2.7
ROE (%)	5.6	5.9	6.1	6.2
Net Gearing (%)	53.6	55.3	57.1	56.9

Stock and Financial Data

Shares Outstanding (million)	5,536.8
Market Cap (RMmil)	15,004.8
Book Value (RM/Share)	2.50
P/BV (x)	1.1
ROE (%)	5.6
Net Gearing (%)	53.6

Major Shareholders	Sungei Way (49.5%) Cheah Fook Ling (11.0%) EPF (5.3%)
Free Float	34.1
Avg Daily Value (RMmil)	26.7

Price performance	3mth	6mth	12mth
Absolute (%)	41.7	48.0	64.6
Relative (%)	35.5	41.1	61.8



Investment Highlights

- We maintain BUY on Sunway with a higher SOP-based fair value (FV) of RM3.30/share (from RM3.16/share previously). Our FV also reflects a 3% premium for our 4-star ESG rating (Exhibits 5 & 6).
- The higher FV is mainly driven by (i) our recently raised fair value for Sunway Construction to RM3.59/share from RM2.66/share, and (ii) increasing FY24F/FY25F core net profit (CNP) by 6%/9% after accounting for stronger-than-expected revenue and pre-tax margin from property development and healthcare segments.
- Our FV implies FY25F PE of 22x, 1 standard deviation above its 5-year median of 15x. We believe the premium to be reasonable considering the rapid growth of Sunway Healthcare, robust construction arm and its exposure to the dynamic Johor property market.
- Sunway's FY23 CNP of RM699mil came in above our expectation but within consensus. It was 15% above our earlier forecast and 4% above street's.
- The variance to our forecast was mainly due to stronger-than-expected CNP from property development and healthcare segments.
- In FY23, Sunway's property development revenue rose by 22% YoY while PBT grew 36% YoY. This was driven by higher property sales and stronger progress billings from new and ongoing local projects. Its strong unbilled sales of RM4bil currently are expected to be recognised progressively in FY24F-FY26F.
- Sunway's FY23 new sales surged 22% YoY to RM2.4bil, exceeding its earlier target of RM2.3bil (Exhibit 3). The major sales contributors are its projects from Singapore (39%), as well as Sunway Flora Residences (10%) and Velocity TWO (9%) from Malaysia.
- Sunway's FY23 new launches of RM4.4bil (4.4x YoY) has surpassed its earlier target of RM3.5bil. The major projects are The Continuum (RM2bil) and Terra Hills (RM700mil) in Singapore.
- For FY24F, management is setting a higher sales target of RM2.6bil (+7% YoY vs actual FY23 sales) on the back of 9 new launches worth RM2.1bil in Malaysia (88%) and China (12%) (Exhibit 4).

- FY23 property investment's revenue earnings improved 30% YoY from increased visitors to its theme parks and higher hotel occupancy rates. Excluding the fair value gain on revaluation of investment properties and assets of RM68mil, FY23 PBT declined by 2% YoY due to elevated utility charges and increased manpower costs.
- FY23 revenue of the construction segment rose by 32% YoY while PBT increased 6%. This was mainly attributed to higher progress billings from local construction projects.
- Healthcare's FY23 share of net profit grew 9% YoY to RM153mil from the improvement in hospital activities, particularly at Sunway Medical Centre (SMC), Sunway City and SMC Velocity, which mitigated the share of start-up operational losses from SMC Penang and Sunway Sanctuary as well as higher operating costs. Notably, SMC Penang, which opened in November 2022, achieved breakeven at profit after tax (PAT) level in 4QFY23.

In addition, there was a higher share of additional tax payable of RM18mil following the normalisation of SMC Sunway City's tax paying status as its investment tax allowance was fully utilised in FY22.

- On a QoQ comparison, property investment, construction and "other" segments posted a stronger PBT. However, property development PBT slid 2% QoQ due to the recognition of a lumpy development profit of RM46mil from its Singapore property development project in the previous quarter.
- Excluding the fair value gain on revaluation of investment properties and assets of RM68mil, 4QFY23 PBT in property investment rose 25% QoQ from higher contribution from the leisure & hospitality arising from the higher visitorship and occupancy during the festive months and school holidays. Meanwhile, the construction segment's 4QFY23 PBT was 23% higher QoQ due to stronger progress billings of local construction projects. 4QFY23 PBT for other segments rose 15% QoQ mainly due to reversal of provision for impairment of assets of RM20mil for spun pile operation and higher contribution from the community pharmacy business and other businesses.
- Overall, we believe the long-term outlook for Sunway remains bright premised on its:
 - (i) strong unbilled sales of RM4bil (3x FY24F property development revenue),
 - (ii) robust outstanding order book of RM5.3bil (3x FY24F construction revenue), and
 - (iii) upcoming initial public offering of its 84%-owned Sunway Healthcare by 2027, which is expected to be valued at RM13bil-RM14bil.
- The stock currently trades at a compelling FY25F PE of 18x vs. its 5-year peak of 27x.

EXHIBIT 1: EARNINGS SUMMARY

YE to Dec (RM mil)	4QFY22	3QFY23	4QFY23	QoQ %	YoY %	FY22	FY23	YTD %
Revenue	1,531.6	1,539.1	1,868.8	21.4	22.0	5,194.9	6,139.8	18.2
Operating costs	(1,427.3)	(1,394.0)	(1,774.2)	27.3	24.3	(4,775.0)	(5,643.3)	18.2
EBITDA	104.3	145.1	94.5	(34.9)	(9.4)	420.0	496.5	18.2
Other income	133.3	14.3	180.8	>100	35.7	282.8	255.2	(9.8)
Depreciation	(35.7)	(40.3)	16.6	>100	>100	(130.2)	(87.3)	(32.9)
Net finance income	(0.6)	(28.0)	(21.5)	(23.5)	>100	(14.5)	(68.2)	>100
JV/Associate contributions	82.0	156.7	80.0	(49.0)	(2.5)	351.1	397.0	13.1
Profit before tax	283.3	247.8	350.4	41.4	23.7	909.2	993.2	9.2
Taxation	(71.1)	(40.5)	(33.1)	(18.4)	(53.5)	(164.3)	(137.7)	(16.2)
MI	(17.4)	(27.0)	(51.4)	90.7	>100	(76.3)	(117.8)	54.5
Profit after tax	194.9	180.3	265.9	47.5	36.4	668.6	737.8	10.3
Exceptional item	(31.2)	8.6	(50.4)	(>100)	61.6	(90.7)	(38.6)	(57.4)
Core PATMI	163.7	188.9	215.5	14.0	31.6	577.9	699.2	21.0
EPS (sen)	3.3	3.4	4.4	28.0	31.6	10.4	12.6	21.0
EBIT margin (%)	6.8	9.4	5.1	(4.4)	(1.8)	8.1	8.1	0.0
Effective tax rate (%)	25.1	16.4	9.4	(6.9)	(15.6)	18.1	13.9	(4.2)
Core PATMI margin (%)	10.7	12.3	11.5	(0.7)	0.8	11.1	11.4	0.3

Source: AmlInvestment Bank Bhd

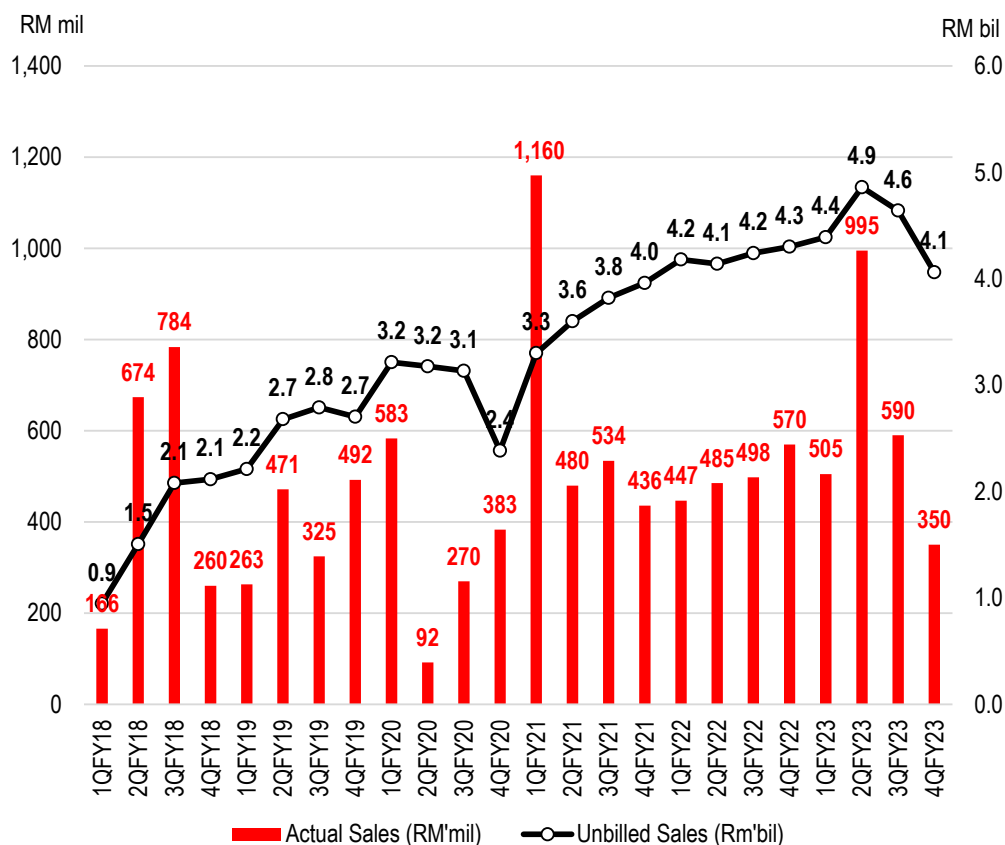
EXHIBIT 2: SEGMENTAL BREAKDOWN

FY31 Dec (RM mil)	4QFY22	3QFY23	4QFY23	QoQ %	YoY %	FY22	FY23	YTD %
Property development	442.7	309.5	499.4	61.3	12.8	1,165.3	1,418.8	21.8
Property investment	230.7	232.8	256.3	10.1	11.1	690.0	898.4	30.2
Construction	291.0	424.0	532.8	25.7	83.1	1,281.6	1,688.9	31.8
Others*	567.3	572.8	580.3	1.3	2.3	2,058.1	2,133.8	3.7
Revenue	1,531.6	1,539.1	1,868.8	21.4	22.0	5,194.9	6,139.8	18.2
Property development	70.4	70.4	69.0	(2.0)	(1.9)	155.3	211.6	36.3
Property investment	51.7	55.2	136.8	>100	>100	235.8	293.0	24.3
Construction	58.7	51.1	62.8	22.9	6.9	186.6	197.9	6.1
Others*	115.7	71.1	81.9	15.1	(29.2)	331.6	290.7	(12.3)
PBT/(LBT)	296.4	247.8	350.4	41.4	18.2	909.2	993.2	9.2
Pretax margin (%)								
Property development	15.9	22.8	13.8	(8.9)	(2.1)	13.3	14.9	1.6
Property investment	22.4	23.7	53.4	29.7	31.0	34.2	32.6	(1.6)
Construction	20.2	12.1	11.8	(0.3)	(8.4)	14.6	11.7	(2.8)
Others*	20.4	12.4	14.1	1.7	(6.3)	16.1	13.6	(2.5)

*Including building materials, community pharmacy business and other segments

Source: AmlInvestment Bank Bhd

EXHIBIT 3: ACTUAL SALES AND UNBILLED SALES



Source: AmInvestment Bank Bhd

EXHIBIT 4: PLANNED LAUNCHES IN 2024

Project	Product Type	Location	GDV (RM'mil)
Kelana Jaya Phase 2	Serviced Apartments & Super Link-house	Kelana Jaya, Selangor	455
Sunway Flora Plot 2 Tower A	Serviced Apartments	Bukit Jalil, Kuala Lumpur	232
Sunway V3 Tower A	Serviced Apartments	Taman Maluri, Kuala Lumpur	566
Sunway Bayu	Landed Homes	Sunway City Ipoh, Ipoh	85
Sunway Wellesley	Townhouses	Bukit Mertajam, Penang	129
Sunway Aviana	Landed Linked Homes	Sunway Iskandar Puteri, Johor	65
Sunway Sakura Phase 2	Landed Semi-D Homes	Sunway Iskandar Puteri, Johor	110
Sunway Maple	Townhouses & Linked Homes	Sunway Iskandar Puteri, Johor	170
Sunway Gardens Phase 3	Condominium	Tianjin, China	243
Total			2,055

Source: Sunway

EXHIBIT 5: RNAV CALCULATIONS

DEVELOPMENT PROPERTIES	Outstanding GDV (RMmil)	NPV @8% (RMmil)	Stake (%)
Selangor/KL			
Sunway Damansara	1,953.3	96.9	60.0
Sunway South Quay	2,486.7	241.1	100.0
Sunway Monterez	38.0	2.2	60.0
Sunway Semenyih	728.6	49.7	70.0
Sunway Cheras	241.8	23.5	100.0
Sunway Duta	120.0	6.5	60.0
Sunway Resort City	660.1	59.4	100.0
Sunway Velocity	1,984.0	151.7	85.0
Sunway Velocity TWO	600.0	32.4	60.0
Sunway Velocity 3	1,200.0	64.4	60.0
Sunway Tower KL 1	240.0	21.6	100.0
Sunway Termuning	265.2	19.1	80.0
Mont Putra, Rawang	156.0	14.0	100.0
Kelana Jaya	1,450.0	130.4	100.0
Jalan Belfield	450.0	40.5	100.0
Lot One, Kajang	236.0	21.2	100.0
USJ 1, Subang Jaya	1,400.0	125.9	100.0
Sri Hartamas	220.0	19.4	70.0
Wangsa Maju-1	40.0	2.0	55.0
Bukit Jalil (Sterling Paradise)	800.0	98.0	100.0
Dengkil (Emerald Tycoon)	813.2	73.1	100.0
Jalan Cochrane	1,150.0	80.8	70.0
Perak			
Sunway City Ipoh	928.4	74.8	96.0
Penang			
Sunway Hills	849.0	70.6	100.0
Sunway Wellesley, Bukit Mertajam	710.5	59.1	100.0
Paya Terubong	1,500.0	124.3	100.0
Sunway Tunas, Balik Pulau	60.0	5.0	100.0
Sunway Betong, Balik Pulau	110.0	9.2	100.0
Johor			
Bukit Lenang	568.4	23.8	80.0
Medini	10,616.0	333.3	60.0
Pendas	18,000.0	565.2	60.0
Singapore			
Flynn Park, Pasir Panjang	2,300.0	68.0	30.0
Thiam Siam Avenue, Tanjong Katong	6,150.0	182.0	30.0
China			
Tianjin Eco-City	688.8	42.1	60.0
Unbilled sales		1,045.0	
Subtotal		4,110.9	
Property (40% discount to RNAV)		2,466.5	
Investment properties		2,663.7	
Sunway Construction (54.56% stake @ AmInvestment Valuation)		2,532.4	
Sunway REIT (40.9% stake @ AmInvestment Valuation)		2,618.7	
Healthcare (84% stake @20x FY25 EV/EBITDA)		8,316.0	
Quarry & building materials (6x FY25 earnings)		198.8	
Trading & manufacturing (6x FY25 earnings)		338.9	
Total SOP		19,135.1	
NAV @ Property development		1,648.8	
Fair value		20,784.0	
Enlarged share base (mil shares)		6,516.6	
Fair value/share (RM)		3.20	
(+) 3% premium for 4-star ESG rating		0.11	
Fair value/share (RM)+ ESG Premium		3.30	

Source: AmInvestment Bank Bhd

EXHIBIT 6: ESG RATING

Overall	★	★	★	★	
Eco-landscaping	★	★	★		
Progress of digitalization	★	★	★		
Employee welfare	★	★	★	★	
Corporate social responsibility	★	★	★	★	★
Strategic direction	★	★	★	★	
Gender diversity	★	★			
Earnings sustainability	★	★	★	★	
Accessibility & transparency	★	★	★		

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star

Source: AmInvestment Bank Bhd

EXHIBIT 7: PB BAND CHART

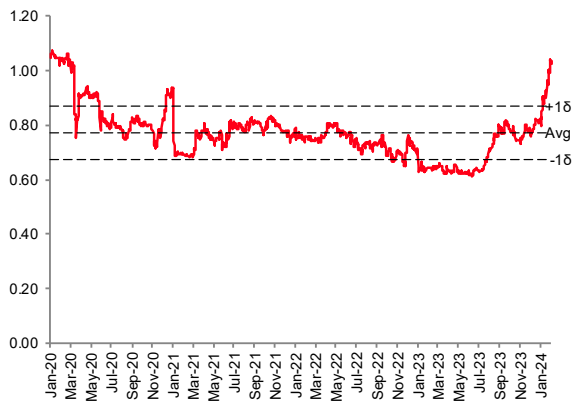


EXHIBIT 8: PE BAND CHART

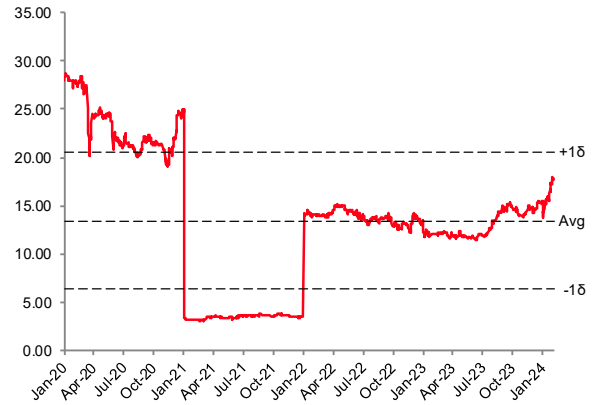


EXHIBIT 9: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY22	FY23	FY24F	FY25F	FY26F
Revenue	5,194.9	6,139.8	6,437.4	6,845.0	7,179.2
EBITDA	702.8	751.7	874.1	938.8	987.7
Depreciation/Amortisation	(130.2)	(141.4)	(148.3)	(157.7)	(165.4)
Operating income (EBIT)	572.6	664.4	725.8	781.1	822.4
Other income & associates	351.1	397.0	423.4	451.7	482.2
Net interest	(14.5)	(68.2)	(10.7)	(11.3)	(11.9)
Exceptional items	-	-	-	-	-
Pretax profit	909.2	993.2	1,138.5	1,221.5	1,292.6
Taxation	(164.3)	(137.7)	(170.8)	(183.2)	(193.9)
Minorities/pref dividends	(76.3)	(117.8)	(137.7)	(146.4)	(153.5)
Net profit	668.6	737.8	830.1	891.9	945.2
Core net profit	577.9	699.2	764.0	825.8	879.2
Balance Sheet (RMmil, YE 31 Dec)	FY22	FY23	FY24F	FY25F	FY26F
Fixed assets	1,265.1	1,357.7	1,423.5	1,513.6	1,587.5
Intangible assets	441.4	454.4	454.4	454.4	454.4
Other long-term assets	16,015.5	16,720.5	17,458.1	18,505.5	19,199.7
Total non-current assets	17,722.0	18,532.6	19,336.0	20,473.6	21,241.6
Cash & equivalent	1,958.1	2,300.4	2,870.9	2,980.4	3,096.4
Stock	3,279.5	3,561.0	3,733.6	3,970.0	4,163.8
Trade debtors	1,754.1	2,790.3	2,925.5	3,110.8	3,262.6
Other current assets	1,349.7	1,428.6	1,693.2	1,709.9	1,723.7
Total current assets	8,341.4	10,080.3	11,223.1	11,771.1	12,246.5
Trade creditors	2,518.2	3,102.7	3,253.1	3,459.1	3,627.9
Short-term borrowings	5,361.0	6,017.6	6,309.3	6,708.8	7,036.3
Other current liabilities	153.9	153.4	323.6	497.8	514.2
Total current liabilities	8,033.0	9,273.7	9,886.0	10,665.7	11,178.5
Long-term borrowings	3,186.2	3,713.3	4,494.9	4,774.4	4,862.8
Other long-term liabilities	1,292.7	627.9	627.9	627.9	627.9
Total long-term liabilities	4,478.9	4,341.2	5,122.8	5,402.3	5,490.7
Shareholders' funds	12,519.6	13,854.6	14,351.6	14,901.9	15,482.0
Minority interests	1,031.8	1,143.4	1,198.8	1,274.8	1,337.0
BV/share (RM)	2.26	2.50	2.59	2.69	2.80
Cash Flow (RMmil, YE 31 Dec)	FY22	FY23	FY24F	FY25F	FY26F
Pretax profit	911.8	993.2	1,138.5	1,221.5	1,292.6
Depreciation/Amortisation	130.2	141.4	148.3	157.7	165.4
Net change in working capital	(443.2)	(631.0)	(530.6)	231.8	37.4
Others	(203.9)	(113.4)	(722.8)	(1,662.4)	(1,269.1)
Cash flow from operations	394.9	390.3	33.4	(51.4)	226.3
Capital expenditure	(110.8)	(96.0)	(65.8)	(90.2)	(73.9)
Net investments & sale of fixed assets	(204.4)	(17.6)	-	-	-
Others	(870.5)	(358.5)	-	-	-
Cash flow from investing	(1,069.1)	(472.2)	(65.8)	(90.2)	(73.9)
Debt raised/(repaid)	370.6	1,075.6	1,073.2	679.1	415.8
Equity raised/(repaid)	-	676.4	-	-	-
Dividends paid	(222.5)	(231.1)	(333.1)	(362.0)	(386.2)
Others	(90.7)	(1,119.3)	(66.0)	(66.0)	(66.0)
Cash flow from financing	(160.4)	401.7	674.1	251.1	(36.4)
Net cash flow	(834.6)	319.8	641.7	109.5	116.0
Net cash/(debt) b/f	2,732.2	1,894.7	2,229.2	2,870.9	2,980.4
Net cash/(debt) c/f	1,894.7	2,229.2	2,870.9	2,980.4	3,096.4
Key Ratios (YE 31 Dec)	FY22	FY23	FY24F	FY25F	FY26F
Revenue growth (%)	39.8	18.2	4.8	6.3	4.9
EBITDA growth (%)	29.5	6.6	16.3	7.4	5.2
Pretax margin (%)	17.6	16.2	17.7	17.8	18.0
Net profit margin (%)	12.9	12.0	12.9	13.0	13.2
Interest cover (x)	39.8	9.7	68.0	68.8	69.1
Effective tax rate (%)	18.3	13.9	15.0	15.0	15.0
Dividend payout (%)	39.7	32.7	40.1	40.6	40.9
Debtors turnover (days)	123	166	166	166	166
Stock turnover (days)	200	203	207	205	207
Creditors turnover (days)	175	167	180	179	180

SOURCE: COMPANY, AMINVESTMENT BANK BHD ESTIMATES

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