

27 Nov 2024

## Hold

**Price**  
 RM4.94

**Target Price**  
 RM5.05 (from RM5.00)

### Market Data

|                          |             |
|--------------------------|-------------|
| Bloomberg Code           | SWB MK      |
| No. of shares (m)        | 5,676.3     |
| Market cap (RMm)         | 28,040.9    |
| 52-week high/low (RM)    | 4.56 / 1.82 |
| Avg daily turnover (RMm) | 74.4        |
| KLCI (pts)               | 1,610.5     |

Source: Bloomberg, CIMB Securities

### Major Shareholder (%)

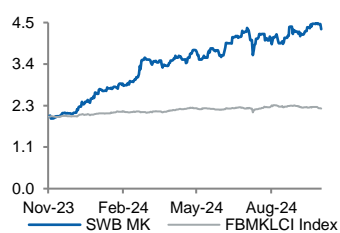
|                           |         |
|---------------------------|---------|
| Tan Sri Dr. Jeffrey Cheah | (60.5%) |
| EPF                       | (6.5%)  |

Free Float 33.0

Source: Bloomberg, CIMB Securities

### Performance

|                | 3M  | 6M   | 12M   |
|----------------|-----|------|-------|
| Absolute (%)   | 1.6 | 24.5 | 133.5 |
| Rel Market (%) | 1.6 | 21.8 | 133.5 |



Source: Bloomberg, CIMB Securities

### Analyst

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# Sunway

## Solid all-round performance

Sunway's 9M24 core profit of RM736m (+56% yoy) exceeded expectations, accounting for 90% of both our previous forecast and consensus' estimates. Sunway's 3Q24 core profit surged 71% qoq, fuelled by a RM123m gain from the completion of Parc Residences in Jul 2024 and solid performances across most of its key operating divisions. However, we downgrade the stock to a Hold as it offers limited upside from current levels (total return: 3.5%), having gained 130% YTD.

### Financial highlights

| FYE Dec               | 2022    | 2023    | 2024F   | 2025F   | 2026F   |
|-----------------------|---------|---------|---------|---------|---------|
| Revenue (RMm)         | 5,194.9 | 6,136.2 | 6,630.8 | 7,457.0 | 8,082.6 |
| Core net profit (RMm) | 555.6   | 655.2   | 871.9   | 936.9   | 1,112.5 |
| Core EPS (Sen)        | 11.4    | 10.3    | 13.8    | 14.5    | 16.8    |
| EPS growth (%)        | 70.4    | (9.7)   | 34.8    | 4.6     | 16.3    |
| DPS (Sen)             | 5.5     | 5.5     | 5.5     | 7.0     | 9.0     |
| Core PE (x)           | 43.5    | 48.2    | 35.7    | 34.2    | 29.4    |
| Div yield (%)         | 1.1     | 1.1     | 1.1     | 1.4     | 1.8     |
| ROE (%)               | 5.4     | 5.6     | 6.5     | 6.2     | 7.2     |
| Net Gearing (%)       | 52.9    | 53.9    | 38.3    | 38.6    | 39.5    |
| PBV(x)                | 1.9     | 1.9     | 2.0     | 2.1     | 2.1     |

Source: Company, CIMB Securities

### 9M24 performance exceeds expectations

Sunway's 3Q24 core profit surged 71% qoq, fuelled by a RM123m gain from the completion of Parc Residences in Singapore (Jul 2024) and solid performances across its key operating divisions — save for the property investment unit. Sunway also declared a second interim DPS of 3.5 sen, bringing total DPS to 5.5 sen. Excluding the fair value gain of RM27m for Sunway REIT's (Buy, TP: RM2.09) newly acquired investment properties, property investment profits would have expanded 27% qoq to RM76m. Similarly, the 9M24 core profit of RM736m (+56% yoy) exceeded expectations, accounting for 90% of both our previous forecast and consensus' estimates. The positive variance was largely driven by (i) higher-than-expected contributions from its healthcare and quarry segments; and (ii) higher interest income. On a segmental basis, property development activities contributed the most to the group's core pre-tax profits, at RM294m, or 31% of the total.

### Replenished land bank with three quality sites

For FY24F YTD, Sunway has committed to forking out RM1.5bn in three new land deals, which include a 35% stake in two plots in Singapore (Tampines and Tengah Plantation Close). They will complement an estimated RM1.2bn worth of new property launches that the group has lined up for 4Q24 (Novo Place [Singapore]; Sunway Bayu [Ipoh]; Sunway Wellesley, [Penang]; and Sunway Gardens Phase 3 [Tianjin, China]). As of 30 Sept 2024, its unbilled sales stood at RM4.5bn, or 1.4x its FY23 property development revenue.

### Meets lower-end of revised orderbook target

Sunway Construction (Sun Con) (RM4.40, not covered) has successfully secured RM4bn worth of orders YTD, meeting the lower end of its revised new order book target of RM4–5bn for FY24F. This is backed by an outstanding order book of RM7.1bn and an active tender book of RM10.6bn. Some of its upcoming job prospects include the Penang LRT project and the Penang International Airport expansion, as well as Automated Technology Facilities in Malaysia and within the ASEAN region.

### Healthcare: Two new hospitals coming up

Sunway's healthcare segment's 9M24 EBITDA rose 24% yoy to RM335m, underpinned by a 11% yoy increase in total patient census and higher bed occupancy levels (76% versus 73% in 9M23). On the other hand, healthcare EBITDA margins remained fairly stable (25% versus 26% in 9M23) despite higher depreciation or finance costs and capex incurred to support its aggressive expansion plans. Further out, the planned opening of SMC Damansara (Dec 2024) and SMC Ipoh (1Q25) will expand its hospital portfolio to five hospitals (increasing bed capacity to about 2,500 beds versus 1,240 beds currently).

**Priced to perfection; downgrade to Hold**

Owing to its robust 9M24 performance, we raise our core FY24F, FY25F, and FY26F profit projections by 6.3%, 2.9%, and 3.1% to RM872m, RM937m, and RM1.1bn, respectively (mainly to reflect (i) higher contributions from its healthcare and quarry segments; and (i) higher interest income), and lift our TP to RM5.05 from RM5.00 (pegged at an unchanged 10% to its SOTP). Our revised TP also reflects (i) the updated market values for Sunway REIT and Sun Con, and (ii) a slight reduction in the FY24F DPS forecast to 5.5 sen (from 6 sen). Nevertheless, we downgrade the stock from Buy to Hold as it only offers limited upside of 3.5% from current levels. Key re-rating catalysts: further value-unlocking moves for its healthcare business and more construction wins. Key risk factor: sudden spike in input costs.

**Exhibit 1: Financial results**

| YE 31 Dec (RM m)                  | 9M23           | 9M24           | % YoY       | 2Q24           | 3Q24           | % QoQ       |
|-----------------------------------|----------------|----------------|-------------|----------------|----------------|-------------|
| <b>Turnover</b>                   | <b>4,271.0</b> | <b>5,027.8</b> | <b>17.7</b> | <b>1,579.9</b> | <b>2,029.0</b> | <b>28.4</b> |
| <b>EBIT</b>                       | <b>372.5</b>   | <b>509.5</b>   | <b>36.8</b> | <b>149.2</b>   | <b>202.0</b>   | <b>35.4</b> |
| Interest Income                   | 183.9          | 246.2          |             | 86.4           | 100.5          |             |
| Interest Expense                  | (230.6)        | (277.2)        |             | (96.0)         | (95.9)         |             |
| Pre-associates/JV Profit          | 325.8          | 478.5          |             | 139.6          | 206.5          |             |
| Associates/JVs                    | 317.0          | 469.0          |             | 139.1          | 235.7          |             |
| Pre-exceptionals Profit           | 642.8          | 947.6          |             | 278.6          | 442.2          |             |
| Exceptionals                      | 0.0            | 82.8           |             | 62.4           | 20.4           |             |
| <b>Pretax profit</b>              | <b>642.8</b>   | <b>1,030.4</b> | <b>60.3</b> | <b>341.0</b>   | <b>462.7</b>   | <b>35.7</b> |
| Taxation                          | (104.6)        | (134.5)        |             | (44.6)         | (54.2)         |             |
| Minorities                        | (66.4)         | (77.1)         |             | (26.0)         | (32.4)         |             |
| <b>Net Profit</b>                 | <b>471.9</b>   | <b>818.8</b>   | <b>73.5</b> | <b>270.5</b>   | <b>376.1</b>   | <b>39.0</b> |
| <b>Core Net Profit</b>            | <b>471.9</b>   | <b>735.9</b>   | <b>56.0</b> | <b>208.1</b>   | <b>355.6</b>   | <b>70.9</b> |
| Core EPS (sen)                    | 7.8            | 11.1           |             | 3.1            | 5.3            |             |
| Gross DPS (sen)                   | 2.0            | 5.5            |             | 2.0            | 3.5            |             |
| BV/share (RM)                     | 2.19           | 2.21           |             | 2.15           | 2.21           |             |
| EBIT Margin (%)                   | 8.7            | 10.1           |             | 9.4            | 10.0           |             |
| Pretax Margin (%)                 | 15.1           | 20.5           |             | 21.6           | 22.8           |             |
| Tax Rate (%)                      | 16.3           | 13.1           |             | 13.1           | 11.7           |             |
| <b>Segmental Breakdown (RM m)</b> |                |                |             |                |                |             |
| <b>Revenue</b>                    |                |                |             |                |                |             |
| Property development              | 919.4          | 1,155.3        | 25.7        | 371.9          | 495.7          | 33.3        |
| Property investment               | 642.1          | 733.9          | 14.3        | 231.0          | 271.7          | 17.6        |
| Construction                      | 1,156.0        | 1,364.3        | 18.0        | 381.1          | 610.7          | 60.2        |
| Trading & manufacturing           | 694.5          | 781.1          | 12.5        | 255.2          | 284.5          | 11.5        |
| Quarry                            | 321.5          | 357.4          | 11.2        | 111.9          | 140.6          | 25.6        |
| Healthcare                        | 0.0            | 0.0            | nm          | 0.0            | 0.0            | nm          |
| Investment holding & others       | 537.5          | 635.9          | 18.3        | 228.8          | 225.7          | (1.3)       |
| <b>Total</b>                      | <b>4,271.0</b> | <b>5,027.8</b> | <b>17.7</b> | <b>1,579.9</b> | <b>2,029.0</b> | <b>28.4</b> |
| <b>Pre-tax profit</b>             |                |                |             |                |                |             |
| Property development              | 142.6          | 294.1          | 106.3       | 70.1           | 185.1          | 164.0       |
| Property investment               | 156.3          | 231.8          | 48.3        | 86.2           | 76.2           | (11.6)      |
| Construction                      | 135.1          | 164.6          | 21.8        | 52.4           | 69.8           | 33.0        |
| Trading & manufacturing           | 33.1           | 32.5           | (1.9)       | 10.5           | 13.1           | 25.2        |
| Quarry                            | 18.1           | 34.8           | 92.5        | 11.2           | 12.5           | 11.7        |
| Healthcare                        | 111.0          | 149.2          | 34.4        | 49.3           | 63.0           | 27.8        |
| Investment holding & others       | 46.6           | 123.5          | 164.8       | 61.3           | 42.9           | (30.0)      |
| <b>Total</b>                      | <b>642.8</b>   | <b>1,030.4</b> | <b>60.3</b> | <b>341.0</b>   | <b>462.7</b>   | <b>35.7</b> |
| <b>Pre-tax margin (%)</b>         |                |                |             |                |                |             |
| Property development              | 15.5           | 25.5           |             | 18.9           | 37.3           |             |
| Property investment               | 24.3           | 31.6           |             | 37.3           | 28.0           |             |
| Construction                      | 11.7           | 12.1           |             | 13.8           | 11.4           |             |
| Trading & manufacturing           | 4.8            | 4.2            |             | 4.1            | 4.6            |             |
| Quarry                            | 5.6            | 9.7            |             | 10.0           | 8.9            |             |
| Healthcare                        | nm             | nm             |             | nm             | nm             |             |
| Investment holding & others       | 8.7            | 19.4           |             | 26.8           | 19.0           |             |
| <b>Total</b>                      | <b>15.1</b>    | <b>20.5</b>    |             | <b>21.6</b>    | <b>22.8</b>    |             |

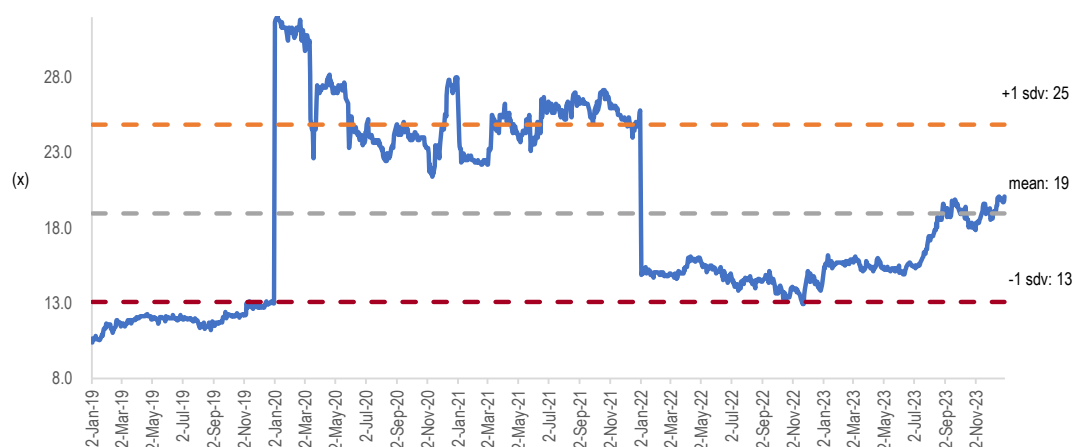
Source: Company, CIMB Securities

## Exhibit 2: SOTP calculation

| Division  | Method                            | Stake (%) | Value (RM m)    | Value (RM/share) | % of NAV     |
|---|-----------------------------------|-----------|-----------------|------------------|--------------|
| Property development                              | RNAV                              | various   | 11,151.5        | 1.68             | 30.2         |
| Property investment                               | various                           | various   | 4,513.2         | 0.68             | 12.2         |
| Healthcare  | 24x FY25F EV/EBITDA               | 84.0      | 10,889.5        | 1.65             | 29.5         |
| Trading & manufacturing                           | 15x FY25F net profit              | 100.0     | 619.9           | 0.09             | 1.7          |
| Quarry  | 16x FY25F net profit              | 100.0     | 711.0           | 0.11             | 1.9          |
| Others  | FY23 net book value               | n/a       | 2,730.6         | 0.41             | 7.4          |
| Sunway Construction                               | Market value                      | 64.6      | 3,675.1         | 0.56             | 10.0         |
| Sunway REIT                                       | Market value                      | 40.9      | 2,590.8         | 0.39             | 7.0          |
| Company level net debt                            | As of 31 Dec 2023                 |           | (292.2)         | (0.04)           | (0.8)        |
| Proceeds from conversion of warrants, ESOS & ICPS | Warrants exercise price of RM1.35 |           | 306.8           | 0.05             | 0.8          |
| <b>NAV</b>  |                                   |           | <b>36,896.2</b> | <b>5.57</b>      | <b>100.0</b> |
| FD no of shares (m)                               |                                   |           | 6,618.6         |                  |              |
| <b>NAV/share</b>                                  |                                   |           | <b>5.57</b>     |                  |              |
| <b>TP (less 10% discount)</b>                     |                                   |           | <b>5.05</b>     |                  |              |
| Upside (%)  |                                   |           | 2.1             |                  |              |
| FY25F dividend yield (%)                          |                                   |           | 1.4             |                  |              |
| <b>Total Return (%)</b>                           |                                   |           | <b>3.5</b>      |                  |              |
| Discount to SOP (%)                               |                                   |           | (11.4)          |                  |              |
| Implied PE at TP                                  |                                   |           | 34.9            |                  |              |

Source: Company, Bloomberg, CIMB Securities

## Exhibit 3: Historical PE band



Source: Company, Bloomberg, CIMB Securities

## Exhibit 4: Historical P/BV band



Source: Company, Bloomberg, CIMB Securities

**Income Statement**

| <b>FYE Dec (RMm)</b>      | <b>2022</b>    | <b>2023</b>    | <b>2024F</b>   | <b>2025F</b>   | <b>2026F</b>   |
|---------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Revenue</b>            | <b>5,194.9</b> | <b>6,136.2</b> | <b>6,630.8</b> | <b>7,457.0</b> | <b>8,082.6</b> |
| <b>EBITDA</b>             | <b>589.8</b>   | <b>725.4</b>   | <b>871.4</b>   | <b>1,072.3</b> | <b>1,310.2</b> |
| Depreciation/Amortisation | (130.2)        | (141.4)        | (147.8)        | (155.9)        | (164.3)        |
| Operating income (EBIT)   | 459.6          | 583.9          | 723.6          | 916.3          | 1,145.9        |
| Other income & associates | 351.1          | 397.7          | 487.9          | 417.9          | 478.6          |
| Net interest              | (14.5)         | (70.9)         | (9.2)          | (9.5)          | (35.3)         |
| Exceptional items         | 113.0          | 82.7           | 62.4           | 0.0            | 0.0            |
| <b>Pretax profit</b>      | <b>909.2</b>   | <b>993.3</b>   | <b>1,264.7</b> | <b>1,324.8</b> | <b>1,589.1</b> |
| Taxation                  | (164.3)        | (137.7)        | (216.5)        | (240.7)        | (285.4)        |
| Minorities/pref dividends | (76.3)         | (117.8)        | (113.9)        | (147.1)        | (191.2)        |
| <b>Net profit</b>         | <b>668.6</b>   | <b>737.9</b>   | <b>934.3</b>   | <b>936.9</b>   | <b>1,112.5</b> |
| <b>Core net profit</b>    | <b>555.6</b>   | <b>655.2</b>   | <b>871.9</b>   | <b>936.9</b>   | <b>1,112.5</b> |

**Balance Sheet**

| <b>FYE Dec (RMm)</b>               | <b>2022</b>     | <b>2023</b>     | <b>2024F</b>    | <b>2025F</b>    | <b>2026F</b>    |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Fixed assets                       | 1,265.1         | 1,357.7         | 1,388.7         | 1,412.0         | 1,437.5         |
| Intangible assets                  | 441.4           | 454.4           | 454.0           | 454.2           | 454.9           |
| Other long-term assets             | 16,015.5        | 16,827.0        | 17,314.7        | 17,842.5        | 18,551.1        |
| <b>Total non-current assets</b>    | <b>17,722.0</b> | <b>18,639.1</b> | <b>19,157.5</b> | <b>19,708.7</b> | <b>20,443.5</b> |
| Cash & equivalent                  | 1,896.5         | 2,230.6         | 3,725.8         | 3,377.9         | 2,955.0         |
| Stock                              | 3,279.5         | 3,435.1         | 2,881.2         | 3,194.1         | 3,388.1         |
| Trade debtors                      | 3,037.0         | 4,145.1         | 3,088.3         | 3,473.1         | 3,764.5         |
| Other current assets               | 66.8            | 67.5            | 67.5            | 67.5            | 67.5            |
| <b>Total current assets</b>        | <b>8,279.8</b>  | <b>9,878.3</b>  | <b>9,762.9</b>  | <b>10,112.7</b> | <b>10,175.1</b> |
| Trade creditors                    | 2,538.1         | 3,105.9         | 2,750.3         | 3,194.1         | 3,388.1         |
| Short-term borrowings              | 5,332.0         | 5,986.5         | 6,481.2         | 6,319.0         | 6,210.0         |
| Other current liabilities          | 101.3           | 82.8            | 82.8            | 82.8            | 82.8            |
| <b>Total current liabilities</b>   | <b>7,971.4</b>  | <b>9,175.2</b>  | <b>9,314.3</b>  | <b>9,595.9</b>  | <b>9,680.9</b>  |
| Long-term borrowings               | 3,186.2         | 3,712.8         | 2,908.1         | 2,945.3         | 2,962.3         |
| Other long-term liabilities        | 692.7           | 629.1           | 629.1           | 629.1           | 629.1           |
| <b>Total long-term liabilities</b> | <b>3,878.9</b>  | <b>4,341.9</b>  | <b>3,537.1</b>  | <b>3,574.4</b>  | <b>3,591.4</b>  |
| <b>Shareholders' funds</b>         | <b>12,519.7</b> | <b>13,850.4</b> | <b>14,805.1</b> | <b>15,240.3</b> | <b>15,744.3</b> |
| Minority interests                 | 1,631.8         | 1,149.9         | 1,263.8         | 1,410.9         | 1,602.1         |

**Cash flow Statement**

| <b>FYE Dec (RMm)</b>                   | <b>2022</b>    | <b>2023</b>    | <b>2024F</b>   | <b>2025F</b>   | <b>2026F</b>     |
|--|----------------|----------------|----------------|----------------|------------------|
| Pretax profit                          | 909.2          | 993.3          | 1,264.7        | 1,324.8        | 1,589.1          |
| Depreciation/Amortisation              | 130.2          | 141.4          | 147.8          | 155.9          | 164.3            |
| Net change in working capital          | (1,258.0)      | (695.8)        | 1,255.0        | (253.8)        | (291.4)          |
| Others                                 | 555.4          | 20.0           | (695.2)        | (649.2)        | (728.6)          |
| <b>Cash flow from operations</b>       | <b>336.8</b>   | <b>459.0</b>   | <b>1,972.3</b> | <b>577.7</b>   | <b>733.4</b>     |
| Capital expenditure                    | (901.2)        | (765.0)        | (308.3)        | (389.3)        | (520.5)          |
| Net investments & sale of fixed assets | 218.5          | 210.0          | 130.0          | 100.0          | 100.0            |
| Others                                 | 99.5           | (3.4)          | 342.2          | 334.3          | 309.6            |
| <b>Cash flow from investing</b>        | <b>(583.2)</b> | <b>(558.4)</b> | <b>163.9</b>   | <b>45.0</b>    | <b>(110.9)</b>   |
| Debt raised/(repaid)                   | 358.6          | 581.1          | (310.0)        | (125.0)        | (92.0)           |
| Equity raised/(repaid)                 | 0.0            | 676.4          | 227.3          | 0.0            | 0.0              |
| Dividends paid                         | (222.5)        | (231.1)        | (206.8)        | (501.8)        | (608.5)          |
| Others                                 | (722.1)        | (610.6)        | (351.4)        | (343.8)        | (345.0)          |
| <b>Cash flow from financing</b>        | <b>(585.9)</b> | <b>415.9</b>   | <b>(640.9)</b> | <b>(970.6)</b> | <b>(1,045.5)</b> |
| <b>Net cash flow</b>                   | <b>(832.3)</b> | <b>316.4</b>   | <b>1,495.2</b> | <b>(347.9)</b> | <b>(423.0)</b>   |
| <b>Cash b/f</b>                        | <b>2,732.2</b> | <b>1,895.4</b> | <b>2,226.5</b> | <b>3,721.8</b> | <b>3,373.9</b>   |
| <b>Cash c/f</b>                        | <b>1,895.4</b> | <b>2,226.5</b> | <b>3,721.8</b> | <b>3,373.9</b> | <b>2,950.9</b>   |

**Key Ratios**

| <b>FYE Dec</b>            | <b>2022</b> | <b>2023</b> | <b>2024F</b> | <b>2025F</b> | <b>2026F</b> |
|---------------------------|-------------|-------------|--------------|--------------|--------------|
| Revenue growth (%)        | 39.8        | 18.1        | 8.1          | 12.5         | 8.4          |
| EBITDA growth (%)         | 17.5        | 16.2        | 19.1         | 17.8         | 19.7         |
| Pretax margins (%)        | 12.9        | 12.0        | 14.1         | 12.6         | 13.8         |
| Net profit margins (%)    | 31.8        | 8.2         | 78.5         | 96.9         | 32.4         |
| Interest cover (x)        | 18.1        | 13.9        | 17.1         | 18.2         | 18.0         |
| Effective tax rate (%)    | 40.2        | 36.6        | 36.1         | 49.4         | 53.5         |
| Net dividend payout (%)   | 198         | 214         | 199          | 161          | 163          |
| Debtors turnover (days)   | 272         | 275         | 241          | 209          | 214          |
| Stock turnover (days)     | 240         | 232         | 224          | 205          | 214          |
| Creditors turnover (days) | 17.5        | 16.2        | 19.1         | 17.8         | 19.7         |

Source: Bloomberg, CIMB Securities

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|----------------------|---|
| <b>Buy</b>           | The stock's total return is expected to exceed 10% over the next twelve (12) months.  |
| <b>Hold</b>          | The stock's total return is expected to be between 0% and positive 10% over the next twelve (12) months.  |
| <b>Reduce</b>        | The stock's total return is expected to fall below 0% or more over the next twelve (12) months.   |
|                      | <i>Note: The total expected return of a stock is defined as the sum of: the percentage difference between the target price and the current price; and the forward net dividend yields of the stock. Stock price targets have an investment horizon of twelve (12) months.</i> |
| <b>Sector Rating</b> | <b>Definition</b>   |
| <b>Overweight</b>    | An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.   |
| <b>Neutral</b>       | A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.  |
| <b>Underweight</b>   | An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.  |

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