

HLIB Research

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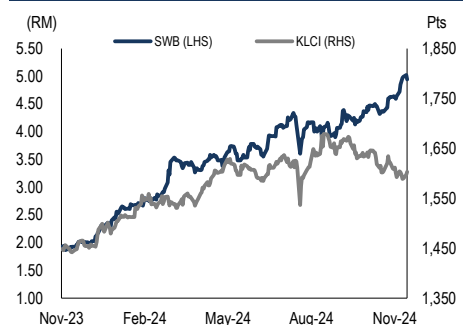
BUY (Maintain)

Target Price: RM5.75
Previously: RM5.45
Current Price: RM4.94

Capital upside	16.4%
Dividend yield	1.5%
Expected total return	17.9%

Sector coverage: Property

Company description: Sunway is a conglomerate that engages in property development, property investment, construction, leisure and hospitality, education, trading and manufacturing, building materials and healthcare.

Share price


Historical return (%)	1M	3M	12M
Absolute	10.8	21.1	152.0
Relative	11.8	24.8	127.7

Stock information

Bloomberg Ticker	SWB MK
Bursa Code	5211
Issued Shares (m)	5,689
Market cap (RM m)	28,104
3-mth avg. volume ('000)	16,329
SC Shariah-compliant	Yes
F4GBM Index member	Yes
ESG rating	★ ★ ★ ★

Major shareholders

Sungei Way Corp Sdn Bhd	45.0%
Tan Sri Jeffrey Cheah	10.9%
EPF	6.4%

Earnings summary

FYE (Dec)	FY23	FY24f	FY25f
PATMI – core (RM m)	648.0	863.3	880.9
EPS – core (sen)	11.4	15.2	15.5
P/E (x) – FD	43.4	32.6	31.9

Sunway

Hitting the ball out of the park

Sunway reported 3Q24 core PATAMI of RM350.2m which brought 9M24 sum to RM695.6m (+49.5% YoY). The results were well above expectations, making up 86.7% of our and 84.3% of consensus full-year forecasts, respectively. The positive deviation was due to stronger-than-expected performance from property development and healthcare segments. We revise our FY24/25/26 forecasts upwards by +7.6%/+3.2%/+3.4% to account for accelerated property development launches and higher property sales as well as stronger contributions from the healthcare segment. Maintain BUY with a higher TP of RM5.75 (from RM5.45) based on SOP-valuation. The stock provides a good proxy to the domestic economy which is now entering a new phase of growth.

Well above expectations. Sunway reported 3Q24 core PATAMI of RM350.2m (+100% QoQ; +85.3% YoY), which brought 9M24 sum to RM695.6m (+49.5% YoY). The results were well above expectations, making up 86.7% of our and 84.3% of consensus full-year forecasts, respectively. The positive deviation was due to stronger-than-expected performance from property development and healthcare segments. 9M24 core PATAMI was arrived at after including payment to ICPS holders of -RM25.7m and subtracting net EIs amounting to +RM97.6m mainly from FV gain on redemption of perpetual notes by an associate (+RM62.4m), FV gain of IP under SunREIT (+RM27m), net gain on disposal of PPE, associate and JV (+RM27.3m) and net impairment on financial and contract assets (-RM20.4m).

Dividend. None (3Q23: none). 9M24: 2 sen (9M23: 2 sen).

QoQ. Core PATAMI surged +100%. Excluding payment to ICPS holders of RM25.7m in 2Q24, core PATAMI still showed a strong improvement of 74.4%. This increase was mainly driven by (i) property development (PBT: +164%) due to lumpy recognition of share of profit from Singapore EC Parc Central Residence amounting to RM124m; (ii) construction (PBT: +33%) due to accelerated progress in DC projects; and (iii) healthcare (share of profit: +27.8%) driven by better census performance across all three operating hospitals.

YoY/YTD. Core PATAMI surged by +85.3% YoY and +49.5% YTD mainly driven by (i) property development (+162.9% YoY and +106.3% YTD in PBT); (ii) construction (+36.6% YoY and +21.8% YTD in PBT); and (iii) healthcare (+41.8% YoY and 34.4% YTD in share of profit). The improvement in these segments were for the same reasons as above.

Property development. In 3Q24, Sunway recorded effective new sales of RM485m (-15.1% QoQ; -1.0% YoY), which brought 9M24 sum to RM1.47bn (-21.0% YoY), making up 70% of its FY24 effective full-year sales target of RM2.1bn. The group is well on track to exceed its sales target as its Novo Place EC project in Singapore that was launched in Nov-24 already achieved effective sales of ~RM523m. The group launched RM1.45bn of GDV in 9M24 (-58.6% YoY). In 4Q24, the group has a sizeable launch pipeline of RM1.2bn GDV comprising of Novo Place (RM918m), Sunway Bayu in Ipoh (RM106m), Sunway Wellesley in Penang (RM129m) and Sunway Gardens Phase 3 in Tianjin China (RM74m).

Property investment. We anticipate SunREIT's earnings growth to be fueled by the newly reopened "Oasis" area in Sunway Pyramid, which has doubled rental revenue, along with recent acquisitions of six hypermarkets (Apr 2024), Sunway 163 Mall and Prai Industrial (Oct 2024), and the soon to be acquired Sunway Kluang Mall (end-Nov 2024). The redevelopment of Sunway Piers, a 300k sqft tourism-focused mall in Port Klang, is also underway, targeting completion in early 2027. Further contributions are expected from Sunway group's property investments beginning in

2H25, with new developments like Sunway South Quay office towers, Sunway Square mall, Equalbase Sunway 103° Industrial Park, as well as Sunway Ipoh Mall with a completion target of 1H27.

Healthcare. Healthcare reported 3Q24 share of net profit of RM63.0m (+27.8% QoQ; +41.8% YoY), which brought 9M24 sum to RM149.2m (+34.4% YoY). The strong YTD performance was due to stronger operational performance from all its three hospitals supported by (i) higher number of licensed beds of 1,240 (from 1,119 beds in 9M23) due to additions in SMC Penang; and (ii) better census performance compared to SPLY. SMC Damansara targets to open in Dec-24, while SMC Ipoh targets to open in 1Q25.

Construction. Sunway's construction arm's current order book stands at RM7.1bn (2.7x cover on FY23 revenue). It has recently passed on Sunway Serene Phase 2 (RM411m) in favour of reserving construction capacity for higher margins and accelerated DC projects. This is backed by its RM10.6bn external project tenders where a majority comprises of DC projects.

Forecast. Despite recently upgrading our FY24-26 forecasts in our update report dated 18 Nov, Sunway's earnings still exceeded our expectations. As a result, we are revising our FY24/25/26 forecasts upwards by +7.6%/+3.2%/+3.4% to account for accelerated property development launches and higher property sales as well as stronger contributions from the healthcare segment.

Maintain **BUY** with a higher **TP** of **RM5.75** (from RM5.45) based on SOP valuation, factoring a lower RNAV discount of 15% (from 20%) for property and a higher healthcare EV/EBITDA multiple of 25x (from 24x) pegged to our revised FY26 EBITDA. Our lower RNAV discount is on account of the group's accelerated development in the segment, while the higher EV/EBITDA multiple reflects the segment's strong growth prospects. With the group's widening exposure in the Malaysian economy, owning the stock is tantamount to owning a piece of the domestic economy which is now entering a new phase of growth.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Dec	FY22	FY23	FY24f	FY25f	FY26f
Cash	1,958.1	2,297.0	3,934.3	3,472.3	3,790.1
Placement in funds	535.5	825.3	825.3	825.3	825.3
Receivables	1,241.6	1,900.2	1,882.5	1,977.6	2,001.7
Inventories	697.6	765.8	863.2	906.8	917.8
Others	21,630.6	22,795.5	21,979.0	23,091.4	23,579.5
Assets	26,063.4	28,583.8	29,484.3	30,273.4	31,114.5
Payables	1,312.3	1,565.3	1,697.3	1,783.1	1,804.8
Debt	9,055.7	9,650.1	9,800.1	9,950.1	10,100.1
Others	2,143.9	2,368.0	2,368.0	2,368.0	2,368.0
Liabilities	12,511.9	13,583.5	13,865.5	14,101.2	14,272.9
Shareholder's equity	12,519.7	13,850.4	14,391.1	14,840.3	15,403.5
Minority interest	1,031.8	1,149.9	1,227.8	1,331.9	1,438.1
Perpetual bond	-	-	-	-	-
Equity	13,551.5	15,000.3	15,618.8	16,172.2	16,841.5

Cash Flow Statement

FYE Dec	FY22	FY23	FY24f	FY25f	FY26f
Profit before taxation	909.2	993.3	1,102.4	1,172.3	1,286.5
D&A	130.2	141.4	179.0	192.1	203.8
Working capital	(1,314.0)	(777.8)	1,453.8	(744.3)	9.9
Taxation	(170.1)	(164.2)	(122.7)	(174.5)	(176.7)
JV and Associates	(221.2)	(226.1)	(464.0)	(313.1)	(415.2)
Perpetual bond	-	-	(38.5)	(12.9)	-
Others	1,002.7	492.3	-	-	-
CFO	336.8	459.0	2,110.0	119.6	908.3
Capex	(329.6)	(335.5)	(300.0)	(300.0)	(300.0)
Others	(253.6)	(222.9)	-	-	-
CFI	(583.2)	(558.4)	(300.0)	(300.0)	(300.0)
Changes in debt	333.7	1,037.2	150.0	150.0	150.0
Shares issued	-	-	-	-	-
Dividends	(270.9)	(322.7)	(322.7)	(431.7)	(440.4)
Others	(648.7)	(298.6)	-	-	-
CFF	(585.9)	415.9	(172.7)	(281.7)	(290.4)
Net cash flow	(832.3)	316.4	1,637.3	(462.0)	317.8
Forex	(4.5)	14.7	-	-	-
Others	(133.1)	(125.3)	(125.3)	(125.3)	(125.3)
Beginning cash	2,928.0	2,091.2	2,422.3	4,059.6	3,597.6
Ending cash	1,958.1	2,297.0	3,934.3	3,472.3	3,790.1

Income statement

FYE Dec	FY22	FY23	FY24f	FY25f	FY26f
Revenue	5194.9	6136.2	5415.1	5688.6	5757.9
Operating cost	(4491.9)	(5327.9)	(4523.7)	(4630.7)	(4708.7)
EBITDA	703.1	808.3	891.3	1057.9	1049.3
D&A	(130.5)	(141.7)	(179.0)	(192.1)	(203.8)
Net Interest	(14.5)	(70.9)	(201.1)	(138.8)	(109.2)
JV & Associates	351.1	397.7	591.2	445.3	550.2
Pretax profit	909.2	993.3	1102.4	1172.3	1286.5
Taxation	(164.3)	(137.7)	(122.7)	(174.5)	(176.7)
Minority Interest	(76.3)	(117.8)	(77.8)	(104.1)	(106.2)
ICPS payment	(51.3)	(51.3)	(38.5)	(12.9)	0.0
Reported PATAMI	668.6	737.9	863.3	880.9	1003.6
Exceptionals	50.5	38.6	0.0	0.0	0.0
Core Earning	566.7	648.0	863.3	880.9	1003.6
Basic shares (m)	5689.1	5689.1	5689.1	5689.1	5689.1
Consensus core PATMI			824.6	932.4	1040.0
HLIB/ Consensus			105%	94%	97%

Valuation ratios

FYE Dec	FY22	FY23	FY24f	FY25f	FY26f
Net DPS (sen)	5.5	5.5	7.4	7.5	8.6
Yield (%)	1.1	1.1	1.5	1.5	1.7
Core EPS (sen)	10.0	11.4	15.2	15.5	17.6
P/E (x)	49.6	43.4	32.6	31.9	28.0
Market capitalization (m)	28104.0	28104.0	28104.0	28104.0	28104.0
Net cash (m)	(6562.2)	(6527.8)	(5040.5)	(5652.5)	(5484.7)
Net gearing (%)	48.4%	43.5%	32.3%	35.0%	32.6%
BV / share	2.4	2.6	2.7	2.8	3.0
P/BV (x)	2.1	1.9	1.8	1.7	1.7
ROA (%)	2.2	2.3	2.9	2.9	3.2
ROE (%)	4.2	4.3	5.5	5.4	6.0
Enterprise value	34666.2	34631.8	33144.5	33756.5	33588.7
EV/ EBITDA (x)	49.3	42.8	37.2	31.9	32.0

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Figure #1 Quarterly results comparison

FYE Dec (RM m)	3Q23	2Q24	3Q24	QoQ	YoY	9M23	9M24	YoY
Revenue	1,539.1	1,344.1	2,029.0	28.4%	31.8%	4,271.0	5,027.8	17.7%
Property Development	309.5	371.9	495.7	33.3%	60.1%	919.4	1,155.3	25.7%
Property Investment	232.8	231.0	271.7	17.6%	16.7%	642.1	733.9	14.3%
Construction	424.0	381.1	610.7	60.2%	44.0%	1,156.0	1,364.3	18.0%
Trading/Manufacturing	242.6	255.2	284.5	11.5%	17.3%	694.5	781.1	12.5%
Quarry	148.8	111.9	140.6	25.6%	-5.5%	321.5	357.4	11.2%
Investment	12.9	2.3	2.7	19.2%	-79.2%	17.1	7.4	-56.8%
Others	168.5	226.5	223.0	-1.5%	32.4%	520.4	628.5	20.8%
EBIT	119.1	211.6	222.4	5.1%	86.7%	372.5	592.4	59.0%
Net Interest	(28.0)	(9.6)	4.6	N.M.	N.M.	(46.7)	(31.0)	-33.5%
Share of Associates/JCE	156.7	139.1	235.7	69.5%	50.4%	317.0	469.0	47.9%
PBT	247.8	341.0	462.7	35.7%	86.7%	642.8	1,030.4	60.3%
Property Development	70.4	70.1	185.1	164.0%	162.9%	142.6	294.1	106.3%
Property Investment	55.2	86.2	49.2	-42.9%	-10.8%	179.2	204.8	14.3%
Construction	51.1	52.4	69.8	33.0%	36.6%	135.1	164.6	21.8%
Trading/Manufacturing	13.4	10.5	13.1	25.2%	-2.6%	33.1	32.5	-1.9%
Quarry	10.2	11.2	12.5	11.7%	22.7%	18.1	34.8	92.5%
Healthcare	44.4	49.3	63.0	27.8%	41.8%	111.0	149.2	34.4%
Investment	(1.5)	39.8	18.9	-52.6%	N.M.	13.8	65.3	374.1%
Others	4.5	21.6	24.1	11.6%	432.2%	32.9	58.2	77.1%
PAT	207.3	296.5	408.5	37.8%	97.1%	538.2	895.9	66.4%
MI	(27.0)	(26.0)	(32.4)	N.M.	N.M.	(66.4)	(77.1)	N.M.
Payment to ICPS holders	-	(25.7)	-	N.M.	0.0%	(25.7)	(25.7)	0.0%
PATAMI	180.3	270.5	376.1	39.0%	108.6%	471.9	818.8	73.5%
EI	(8.7)	69.7	25.9	-62.8%	N.M.	(18.9)	97.6	N.M.
Core Earnings	189.0	175.1	350.2	100.0%	85.3%	465.2	695.6	49.5%

				ppts change	ppts change			ppts change
EBIT margin	7.7%	13.4%	11.0%	(2.4)	3.2	9%	12%	3.1
PBT margin	16.1%	21.6%	22.8%	1.2	6.7	15%	20%	5.4
PAT margin	12.3%	11.1%	17.3%	6.2	5.0	11%	14%	2.9

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Figure #2 SOP table

Division	Stake	Value (RM m)	RM/share	Methodology
Construction (SunCon)	54.56%	3,939	0.59	based on TP of RM5.60
Sunway REIT	40.88%	2,744	0.41	based on TP of RM1.96
Property Development & Investment	100%	12,506	1.89	based on 15% discount to RNAV
Healthcare	84%	17,231	2.60	based on 25x of FY26 EV/EBITDA
Trading/Manufacturing	100%	413	0.06	12x trailing P/E
Quarry	100%	291	0.04	12x trailing P/E
Building materials, pharmacy and others	100%	1,005	0.15	based on FY23 book value
		38,129	5.75	

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Stock rating guide

BUY	Expected absolute return of +10% or more over the next 12 months.
HOLD	Expected absolute return of -10% to +10% over the next 12 months.
SELL	Expected absolute return of -10% or less over the next 12 months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
NOT RATED	Stock is not or no longer within regular coverage.

Sector rating guide

OVERWEIGHT	Sector expected to outperform the market over the next 12 months.
NEUTRAL	Sector expected to perform in-line with the market over the next 12 months.
UNDERWEIGHT	Sector expected to underperform the market over the next 12 months.

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