

HLIB Research

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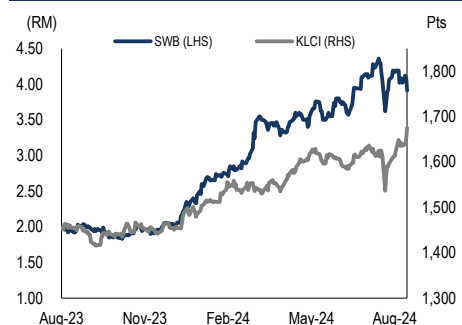
BUY (Maintain)

Target Price: RM4.51
Previously: RM4.51
Current Price: RM3.91

Capital upside	15.3%
Dividend yield	1.6%
Expected total return	16.9%

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	-10.3	8.0	94.5
Relative	-13.0	3.5	68.9

Stock information

Bloomberg Ticker	SWB MK
Bursa Code	5211
Issued Shares (m)	5,657
Market cap (RM m)	22,119
3-mth avg. volume ('000)	16,337
SC Shariah-compliant	Yes
F4GBM Index member	Yes
ESG rating	★ ★ ★ ★

Major shareholders

Sungei Way Corp Sdn Bhd	45.2%
Tan Sri Jeffrey Cheah	10.9%
EPF	6.0%

Earnings summary

FYE (Dec)	FY23	FY24f	FY25f
PATMI – core (RM m)	648.0	727.4	736.8
EPS – core (sen)	11.5	12.9	13.0
P/E (x) – FD	34.1	30.4	30.0

Sunway

On track for a record year

Sunway reported 2Q24 core PATAMI of RM175.1m (+2.8% QoQ; +29.9% YoY), which brought 1H24's sum to RM345.4m (+25.1% YoY) – this was within expectations. The good results showing was supported by improvements across all segments, particularly in property development and healthcare. Maintain forecasts and BUY call with an unchanged TP of RM4.51 based on SOP-derived valuation. With the group's widening exposure in the Malaysian economy, the stock provides a good proxy to the domestic economy which is currently entering a new phase of growth. Additionally Sunway's recent inclusion to the MSCI Malaysia Index enhances the stock's visibility among global investors, particularly institutional investors who track or benchmark against MSCI indices.

Within expectations. Sunway reported 2Q24 core PATAMI of RM175.1m (+2.8% QoQ; +29.9% YoY), which brought 1H24's sum to RM345.4m (+25.1% YoY), making up 47.5% of our and 43.3% of consensus full-year forecasts. We deem the results to be within expectations as we expect lumpy profit recognition from its Singapore property project amounting to around RM120-130m to be recognized in 3Q24. 1H24 core PATAMI was arrived at after including payment to ICPS holders of -RM25.7m and subtracting net EIs amounting to +RM71.6m mainly from FV gain on redemption of perpetual notes by an associate (+RM62.4m), FV gain of IP under SunREIT (+RM27m) and net impairment on financial and contract assets (-RM17.0m).

Dividend. 2 sen, ex-date: 18 Sep 2024 (2Q23: 2 sen). 1H24: 2 sen (1H23: 2 sen). The group also declared 1H24 preferential dividend of 2.625 sen, ex-date: 18 Sep 2024.

QoQ. Core PATAMI was flattish at +2.8%. Excluding payment to ICPS holders of RM25.7m, core PATAMI would have improved by +17.9%. This improvement was mainly driven by (i) property development (PBT: +42.9%) due to higher sales (+37.9%) and commencement of billings from The Continuum in Singapore; and (ii) healthcare (share of profit: +34%) due to lower performance in preceding quarter which was impacted by lower patient volume as a result of festive seasons and school holiday period.

YoY/YTD. Core PATAMI increased significantly by +29.9% YoY and +25.1% YTD driven by across the board improvement in all segments.

Property development. In 2Q24, Sunway recorded effective new sales of RM571m (+37.9% QoQ; -37.9% YoY), which brought 1H24's sum to RM985m (-28.1% YoY), making up 46.9% of its FY24 effective sales target of RM2.1bn. The group launched RM811m of GDV in 1H24 (-73.6% YoY). Effective unbilled sales as at 2Q24 stood at RM3.92bn (+5.9% QoQ), representing 2.76x of its FY23 property development revenue. As at 30 June 2024, the accumulated progressive profits from Parc Central Tampines amounts to RM123m, expected to be recognized in 3Q24.

Healthcare. Healthcare reported 2Q24 share of net profit of RM49.3m (+34% QoQ; +30.8% YoY), which brought 1H24's sum to RM86.1m (+29.4% YoY). The strong YTD performance was due to stronger operational performance from all its three hospitals as a result of higher bed capacity of 1,158 beds (from 1,085 beds in 1H23) and higher visitor volume.

Construction. SunCon's current order book stands at RM7.4bn (2.8x cover on FY23 revenue). Earnings are expected to accelerate in 2H24 as billings from its key DC project pick up. SunCon has been invited to potentially participate in advance

technology facilities projects in the ASEAN region, opening up possibilities of regional penetration into a rapidly growing sector.

Forecast. Unchanged.

Maintain **BUY** with an unchanged **TP** of **RM4.51** based on SOP-derived valuation. We highlight potential upside to our fair value from potential M&A opportunities in its healthcare segment which we understand had recently submitted a bid for Island Hospital in Penang. The group's prospects remain bright anchored by three main growth pillars, namely healthcare, property development and construction. With the group's widening exposure in the Malaysian economy, the stock provides a good proxy to the domestic economy which is currently entering a new phase of growth. Additionally Sunway's recent inclusion to the MSCI Malaysia Index (effective 30 Aug 2024) enhances the stock's visibility among global investors, particularly institutional investors who track or benchmark against MSCI indices.

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	3,879.7	3,940.3	3,699.8
Placement in funds	535.5	825.3	825.3	825.3	825.3
Receivables	1,241.6	1,900.2	1,882.5	1,845.5	2,001.7
Inventories	697.6	765.8	863.2	846.2	917.8
Others	21,630.6	22,795.5	21,904.0	22,495.9	23,504.2
Assets	26,063.4	28,583.8	29,354.7	29,953.1	30,948.9
Payables	1,312.3	1,565.3	1,697.3	1,664.0	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	13,982.1	14,272.9
Shareholder's equity	12,519.7	13,850.4	14,255.1	14,628.2	15,220.1
Minority interest	1,031.8	1,149.9	1,234.1	1,342.8	1,455.8
Perpetual bond	-	-	-	-	-
Equity	13,551.5	15,000.3	15,489.2	15,971.0	16,675.9

Cash Flow Statement

FYE Dec	FY22	FY23	FY24f	FY25f	FY26f
Profit before taxation	909.2	993.3	972.4	1,005.7	1,238.6
D&A	130.2	141.4	179.0	192.1	203.8
Working capital	(1,314.0)	(777.8)	1,453.8	(150.2)	(584.2)
Taxation	(170.1)	(164.2)	(109.5)	(134.5)	(165.3)
JV and Associates	(221.2)	(226.1)	(389.0)	(313.1)	(414.9)
Perpetual bond	-	-	(51.3)	(25.7)	-
Others	1,002.7	492.3	-	-	-
CFO	336.8	459.0	2,055.4	574.3	278.0
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)	(363.7)	(368.4)
Others	(648.7)	(298.6)	-	-	-
CFF	(585.9)	415.9	(172.7)	(213.7)	(218.4)
Net cash flow	(832.3)	316.4	1,582.7	60.6	(240.4)
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	4,005.0	4,065.5
Ending cash	1,958.1	2,297.0	3,879.7	3,940.3	3,699.8

Income statement

FYE Dec	FY22	FY23	FY24f	FY25f	FY26f
Revenue	5194.9	6136.2	5415.1	5308.6	5757.9
Operating cost	(4491.9)	(5327.9)	(4578.7)	(4415.7)	(4768.7)
EBITDA	703.1	808.3	836.3	892.9	989.3
D&A	(130.5)	(141.7)	(179.0)	(192.1)	(203.8)
Net Interest	(14.5)	(70.9)	(201.1)	(140.4)	(96.8)
JV & Associates	351.1	397.7	516.2	445.3	549.9
Pretax profit	909.2	993.3	972.4	1005.7	1238.6
Taxation	(164.3)	(137.7)	(109.5)	(134.5)	(165.3)
Minority Interest	(76.3)	(117.8)	(84.2)	(108.7)	(113.0)
ICPS payment	(51.3)	(51.3)	(51.3)	(25.7)	0.0
Reported PATAMI	668.6	737.9	727.4	736.8	960.3
Exceptionals	50.5	38.6	0.0	0.0	0.0
Core Earning	566.7	648.0	727.4	736.8	960.3
Basic shares (m)	5657.0	5657.0	5657.0	5657.0	5657.0
Consensus core PATMI			797.5	885.5	993.4
HLIB/ Consensus			91%	83%	97%

Valuation ratios

FYE Dec	FY22	FY23	FY24f	FY25f	FY26f
Net DPS (sen)	5.5	5.5	6.2	6.3	8.2
Yield (%)	1.4	1.4	1.6	1.6	2.1
Core EPS (sen)	10.0	11.5	12.9	13.0	17.0
P/E (x)	39.0	34.1	30.4	30.0	23.0
Market capitalization (m)	22119.0	22119.0	22119.0	22119.0	22119.0
Net cash (m)	(6562.2)	(6527.8)	(5095.1)	(5184.5)	(5575.0)
Net gearing (%)	48.4%	43.5%	32.9%	32.5%	33.4%
BV / share	2.4	2.7	2.7	2.8	2.9
P/BV (x)	1.6	1.5	1.4	1.4	1.3
ROA (%)	2.2	2.3	2.5	2.5	3.1
ROE (%)	4.2	4.3	4.7	4.6	5.8
Enterprise value	28681.1	28646.8	27214.1	27303.5	27694.0
EV/ EBITDA (x)	40.8	35.4	32.5	30.6	28.0

HLIB Research, Company

Figure #1 Quarterly results comparison

FYE Dec (RM m)	2Q23	1Q24	2Q24	QoQ	YoY	1H23	1H24	YoY
Revenue	1,468.2	1,183.2	1,579.9	11.3%	7.6%	2,731.9	2,998.9	9.8%
Property Development	362.1	287.7	371.9	29.2%	2.7%	609.9	659.6	8.2%
Property Investment	199.4	231.2	231.0	-0.1%	15.8%	409.3	462.1	12.9%
Construction	404.1	372.5	381.1	2.3%	-5.7%	732.0	753.6	2.9%
Trading/Manufacturing	227.8	241.4	255.2	5.7%	12.0%	451.9	496.6	9.9%
Quarry	94.5	104.8	111.9	6.8%	18.5%	172.7	216.8	25.5%
Investment	1.9	2.4	2.3	-7.9%	17.1%	4.2	4.7	12.0%
Others	178.4	179.0	226.5	26.6%	27.0%	351.9	405.5	15.2%
EBIT	140.0	158.4	211.6	33.5%	51.1%	253.4	370.0	46.0%
Net Interest	(14.6)	(26.0)	(9.6)	-63.1%	-34.2%	(18.6)	(35.6)	91.0%
Share of Associates/JCE	77.6	94.3	139.1	47.5%	79.3%	160.3	233.3	45.6%
PBT	203.0	226.7	341.0	50.4%	68.0%	395.0	567.7	43.7%
Property Development	49.1	38.8	70.1	80.8%	42.9%	72.1	108.9	51.0%
Property Investment	33.9	69.4	59.2	-14.8%	74.8%	124.0	128.6	3.7%
Construction	44.5	42.4	52.4	23.8%	17.8%	84.0	94.8	12.8%
Trading/Manufacturing	10.1	9.0	10.5	16.4%	3.4%	19.7	19.4	-1.4%
Quarry	4.4	11.1	11.2	0.8%	154.4%	7.9	22.3	182.6%
Healthcare	37.7	36.8	49.3	34.0%	30.8%	66.6	86.1	29.4%
Investment	8.6	6.6	39.8	498.9%	360.0%	15.3	46.4	204.0%
Others	14.7	12.6	21.6	71.2%	46.7%	28.3	34.1	20.5%
PAT	172.2	190.9	296.5	55.3%	72.1%	331.0	487.4	47.3%
MI	(22.3)	(18.7)	(26.0)	38.8%	16.6%	(39.4)	(44.7)	13.4%
Payment to ICPS holders	(25.7)	-	(25.7)	#DIV/0!	0.0%	(25.7)	(25.7)	0.0%
PATAMI	149.9	172.2	270.5	57.0%	80.4%	291.6	442.7	51.8%
EI	(10.5)	1.9	69.7	3508.2%	-761.6%	(10.3)	71.6	-797.1%
Core Earnings	134.8	170.3	175.1	2.8%	29.9%	276.2	345.4	25.1%

				ppts change	ppts change			ppts change
EBIT margin	9.5%	11.2%	13.4%	2.2	3.9	9%	12%	3.1
PBT margin	13.8%	16.0%	21.6%	5.6	7.8	14%	19%	4.5
PAT margin	9.2%	12.0%	11.1%	(0.9)	1.9	10%	12%	1.4

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Figure #2 SOP table

Division	Stake	Value (RM m)	RM/share	Methodology
Construction (SunCon)	54.56%	3,939	0.65	based on TP of RM5.60
Sunway REIT	40.88%	2,716	0.45	based on TP of RM1.94
Property Development & Investment	100%	8,404	1.39	based on 40% discount to RNAV
Healthcare	84%	11,641	1.92	based on 22x of FY25 EV/EBITDA
Trading/Manufacturing	100%	344	0.06	10X trailing P/E
Quarry	100%	242	0.04	10X trailing P/E
		27,286	4.51	

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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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