

Sunway Berhad

(5211 | SWB MK) Main | Industrial Products & Services

Solid Earnings


KEY INVESTMENT HIGHLIGHTS

- **1HFY24 earnings within expectations**
- **Solid earnings in 1HFY24**
- **New sales on track**
- **Earnings forecast revised upwards**
- **Maintain NEUTRAL with a revised TP of RM4.15**

1HFY24 earnings within expectations. Sunway Berhad's 1HFY24 core net income of RM387.1m came in within expectations, making up 51% and 49% of our consensus full year estimates respectively. Sunway Berhad announced first interim dividend of 2sen per share.

Solid earnings in 1HFY24. Sequentially, 2QFY24 core net income was higher at RM218.3m (+29.5%qoq) due to earnings recognition from ongoing local projects and projects in Singapore. On yearly basis, 2QFY24 core net income was higher (+30.3%yoy), bringing cumulative earnings in 1HFY24 higher at RM387.1m (+22.7%yoy). The higher earnings were underpinned by improved performance of most of its core business divisions. Profit before tax (PBT) of property development division was higher (+51%yoy) due to higher progress billing of local project and earnings recognition of Singapore project. Similarly, PBT of property investment division was higher as retail and leisure industry continue to recover. Meanwhile, healthcare division remains solid due to resilient performance of its three operating hospitals.

New sales on track. Sunway Berhad recorded new property sales of RM802m in 2QFY24, higher than new sales of RM498m in 1QFY24. That brought total new sales to RM1.3b, well on track to achieve new sales target of RM2.6b for FY24. Looking ahead, new sales momentum in 2HFY24 is expected to sustain by planned launch with total GDV of RM1.2b in 2HFY24. Key launches in 2HFY24 include Kelana Jaya Phase 2 (GDV: RM455m) and Sunway Flora Plot 2 Tower A (GDV: RM232m). Meanwhile, property unbilled sales increased to RM4.5b in 2QFY24 from RM4.2b in 1QFY24.

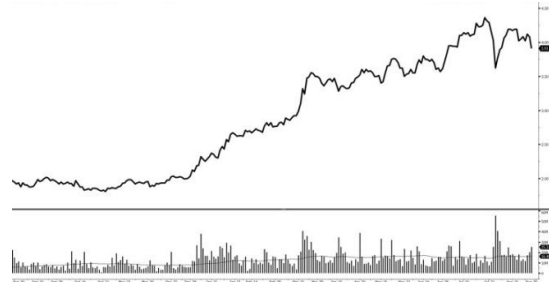
Maintain NEUTRAL with a revised TP of RM4.15. We revise our earnings forecast for FY24F/25F/26F by +7.2%/+4.3%/+1.2% as we factor in earnings contribution from Singapore project which will be completed in 2HFY24. Our **TP** for Sunway Berhad is revised to **RM4.15** from RM3.98 as we update valuation of construction division in our sum-of-parts valuation. We see that listing of healthcare division will provide catalyst in the medium term. We maintain our **NEUTRAL** call on Sunway Berhad as we think positives are largely priced in at this juncture. 

Maintain NEUTRAL
Revised Target Price: RM4.15
(Previously RM3.98)

RETURN STATISTICS

Price @ 28 Aug 2024 (RM)	3.91
Expected share price return (%)	+6.1
Expected dividend yield (%)	+1.7
Expected total return (%)	+7.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-8.0	-11.4
3 months	8.3	1.9
12 months	94.5	67.7

INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	6,922	6,808	6,846
Operating Profit	832	795	819
Profit Before Tax	859	816	808
Core PATAMI	809	811	845
Core EPS	12.58	12.61	13.14
DPS	6.50	7.00	7.00
Dividend Yield	1.7%	1.8%	1.8%

KEY STATISTICS

FBM KLCI	1,675.24
Issue shares (m)	5,536
Estimated free float (%)	36.89
Market Capitalisation (RM'm)	22,118
52-wk price range	RM1.82-RM4.42
3-mth average daily volume (m)	16.12
3-mth average daily value (RM'm)	63.11
Top Shareholders (%)	
Sungei Way Corp Sdn Bhd	45.21
Cheah Fook Ling	10.92
Employees Provident Fund Board	5.97

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SUNWAY BERHAD: 2QFY24 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY24	%YoY	%QoQ	FY24	%YoY
Revenue	1579.9	7.6%	11.3%	2,998.9	9.8%
EBIT	211.6	51.1%	33.5%	370.0	46.0%
Core PBT	288.8	31.0%	29.5%	512.1	22.2%
Net Income	270.5	80.4%	57.0%	442.7	51.8%
Core Net Income	218.3	30.3%	29.5%	387.1	22.7%
EPS (sen)	4.11	61.7%	54.1%	6.8	36.7%
Core EPS (sen)	3.31	16.9%	27.1%	5.9	10.6%
Net DPS (sen)	2.00	0.0%	NA	2.0	0.0%
NTA/share (RM)	2.14	2%	0%	2.1	1.9%
Net Gearing (x)	0.49	NA	NA	0.49	NA
EBIT Margin	13.4%	NA	NA	12.3%	NA
Core PBT Margin	18.3%	NA	NA	17.1%	NA

Sum-of-Parts

Division	Methodology	Multiple	Stake	Discount	Value (RM m)
Property Development	NPV of profits	n/a	100%	10%	4,306.5
Property Investment	Net Book Value	n/a	100%	n/a	2,678.0
Construction	Target Price of RM4.46	n/a	54%	n/a	3,128.3
Sunway REIT	Target Price of RM1.70	n/a	35%	n/a	2,008.2
Healthcare	22x EV EBITDA	22	84%	n/a	11,457.6
Trading and manufacturing	13x FY24E PER	13	100%	n/a	285.3
Quarry & Others	13x FY24E PER	13	100%	n/a	460.3
Total SOP					24,324.1
Number of shares					5,866.0
Target Price (RM)					4.15

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	5,195	6,140	6,922	6,808	6,846
EBIT	579	664	832	795	819
PBT	890	953	859	816	808
Net Income	673	738	809	811	845
Core Net Income	655	698	809	811	845
Core EPS (sen)	11.2	10.8	12.6	12.6	13.1
Core PER (x)	35.0	36.0	31.1	31.0	29.8
NTA/share	2.14	2.15	2.40	2.45	2.54
P/NTA	1.83	1.82	1.63	1.60	1.54

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
Property, plant and equipment	1,264	1,358	1,412	1,426	1,440
Investment properties	2,443	2,664	2,317	2,271	2,226
Investment in JV	6,653	7,105	7,326	7,487	7,652
Total non-current assets	18,179	18,533	18,996	19,414	19,841
Inventories	3,280	3,561	3,739	3,821	3,905
Cash and bank balances	1,957	2,300	2,391	2,444	2,497
Other assets	2,642	4,219	4,312	4,286	4,263
Total Assets	26,058	28,613	29,438	29,965	30,507
LT Term Loans	3,537	3,633	3,814	4,081	4,367
ST Borrowings	4,919	6,018	6,349	6,476	6,605
Other Liabilities	4,040	3,965	3,809	3,644	3,463
Total Liability	12,496	13,615	13,971	14,201	14,435
Share capital	5,394	6,161	6,161	6,161	6,161
Other Equity	8,168	8,837	9,306	9,603	9,911
Total Equity	13,562	14,998	15,466	15,764	16,071
Equity + Liability	26,058	28,613	29,438	29,965	30,507

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
Cash flows from operating activities					
Net income before taxation	920	993	859	816	808
Net cash from operating activities	395	390	398	391	383
Cash flows from investing activities					
Acquisition of property, plant and equipment	-111	-96	-102	-88	-76
Net cash used in investing activities	-1069	-472	-420	-319	-243
Cash flows from financing activities					
Net cash from/(used in) financing activities	-160	402	432	417	425
Net increase/(decrease) in cash and cash equivalents	-835	320	410	488	565
Cash and cash equivalent at 1 January	2732	1895	2230	2640	3128
Cash and cash equivalent at 1 December	1895	2230	2640	3128	3693

Profitability Margins	2022A	2023A	2024E	2025F	2026F
EBIT margin	11.1%	10.8%	12.0%	11.7%	12.0%
PBT margin	17.1%	15.5%	12.4%	12.0%	11.8%
PAT margin	13.0%	12.0%	11.7%	11.9%	11.0%
Core PATAMI margin	12.6%	11.4%	11.7%	11.9%	11.0%
ROE	5.2%	5.0%	5.2%	5.1%	5.2%
ROA	2.5%	2.4%	2.7%	2.7%	2.7%

Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology