

Sunway Berhad

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

Lumpy Earnings Recognition from Singapore Project

KEY INVESTMENT HIGHLIGHTS

- **9MFY24 earnings above expectations**
- **Lumpy earnings recognition from Singapore project**
- **9MFY24 new property sales at RM1.85b**
- **Earnings forecast revised upwards**
- **Maintain BUY with a revised TP of RM4.92**

9MFY24 earnings above expectations. Sunway Berhad 9MFY24 core net income of RM734.5m came in above expectations, making up 91% and 88% of our and consensus full year estimates respectively. The positive deviation was mainly attributed to the stronger than expected earnings contribution from property development division.

Lumpy earnings recognition from Singapore project. On sequential basis, 3QFY24 core net income jumped to RM346.8m (+58.9%qoq) as earnings were boosted by higher contribution from property development division. Profit before tax (PBT) of property development division surged by 164%qoq mainly due to lumpy earnings recognition from Parc Central Residences in Singapore which was completed in July 2024. The higher sequential earnings were also driven by higher contribution of healthcare division (+27.8%qoq) as performance of three operating hospitals improved.

Stellar earnings. On yearly basis, 3QFY24 core net income was higher (+80.8%yoy), bringing 9MFY24 core net income higher at RM734.5m (+44.8%yoy). The higher earnings were underpinned by improved earnings contribution from most of its core business divisions namely property development, property investment, construction and healthcare. PBT of property development division was higher (+106%yoy) due to higher earnings recognition from local projects and lumpy earnings recognition from Singapore project. Similarly, PBT of property investment division was higher (+48%yoy) due to better performance of theme park, hotels and malls. Meanwhile, healthcare division was resilient mainly due to increased licensed bed from SMC Penang.

9MFY24 new property sales at RM1.85b. Sunway Berhad recorded new property sales of RM50m in 3QFY24, lifting total new sales to RM1.85b in 9MFY24 which made up 71% of new sales target of RM2.6b. Moving forward, new sales momentum in 4QFY24 is expected to sustain by planned launch with total GDV of RM1.2b in 4QFY24. Planned launches in 4QFY24 are Novo Place (GDV: RM918m) in Singapore, Sunway Bayu (RM106m) in Perak, Sunway Wellesley (GDV: RM129m) in Penang and Sunway Gardens (Phase 3) (GDV: RM74m) in China. Meanwhile, property unbilled sales were unchanged at RM4.5b in 3QFY24.

Maintain NEUTRAL
Revised Target Price: RM4.92
 (Previously RM4.24)

RETURN STATISTICS

Price @ 26 Nov 2024 (RM)	4.94
Expected share price return (%)	-0.1
Expected dividend yield (%)	1.4
Expected total return (%)	1.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	10.8	11.8
3 months	17.6	22.6
12 months	150.8	127.4

INVESTMENT STATISTICS


FYE Dec	2024E	2025F	2026F
Revenue	6,991	6,877	6,921
Operating Profit	1,016	844	878
Profit Before Tax	1,044	865	867
Core PATAMI	924	842	882
Core EPS	14.37	13.08	13.72
DPS	7.00	7.00	7.00
Dividend Yield	1.42%	1.42%	1.42%

KEY STATISTICS

FBM KLCI	1,603.15
Issue shares (m)	4,889
Estimated free float (%)	37.27
Market Capitalisation (RM'm)	28,104
52-wk price range	RM1.89-RM5.1
3-mth average daily volume (m)	0.20
3-mth average daily value (RM'm)	1.59
Top Shareholders (%)	
Sungei Way Corp Sdn Bhd	44.95
Cheah Fook Ling	10.86
Employees Provident Fund Board	6.28

Analyst

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Maintain NEUTRAL with a revised TP of RM4.92. We revise our earnings forecast for FY24F/25F/26F by +14.3%/+3.8%/+4.4% as we factor in higher contribution from property development division. We revise our **TP** for Sunway Berhad to **RM4.92** from RM4.24 as we update our SOP valuation. We are pegging 23x EV EBITDA to healthcare division in view of the stellar performance of the division. We continue to see that listing of healthcare division will provide catalyst in the medium term. Nevertheless, we maintain our **NEUTRAL** call on Sunway Berhad at this juncture as upside is limited. 

SUNWAY BERHAD: 3QFY24 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY24	%YoY	%QoQ	FY24	%YoY
Revenue	2029.0	31.8%	28.4%	5,027.8	17.7%
EBIT	222.4	86.7%	5.1%	592.4	59.0%
Core PBT	433.4	67.1%	50.0%	946.1	39.5%
Net Income	376.1	108.6%	39.0%	818.8	73.5%
Core Net Income	346.8	80.8%	58.9%	734.5	44.8%
EPS (sen)	5.67	86.6%	38.1%	12.4	55.6%
Core EPS (sen)	5.23	61.7%	57.8%	11.1	29.9%
Net DPS (sen)	0.00	NA	-100.0%	2.0	0.0%
NTA/share (RM)	2.16	2%	1%	2.2	1.6%
Net Gearing (x)	0.44	NA	NA	0.44	NA
EBIT Margin	11.0%	NA	NA	11.8%	NA
Core PBT Margin	21.4%	NA	NA	18.8%	NA

Sum-of-Parts

Division	Methodology	Multiple	Stake	Discount	Value (RM m)
Property Development	NPV of profits	n/a	100%	10%	6325.8
Property Investment	Net Book Value	n/a	100%	n/a	2678.0
Construction	Target Price of RM4.46	n/a	54%	n/a	3128.3
Sunway REIT	Target Price of RM1.98	n/a	35%	n/a	2338.9
Healthcare	23x EV EBITDA	23	84%	n/a	13620.6
Trading and manufacturing	13x PER @ FY25E	13	100%	n/a	285.3
Quarry & Others	13x PER @ FY25E	13	100%	n/a	460.3
Total SOP					28837.2
Number of shares					5866.0
Target Price (RM)					4.92

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	5,195	6,140	6,991	6,877	6,921
EBIT	579	664	1,016	844	878
PBT	890	953	1,044	865	867
Net Income	673	738	924	842	882
Core Net Income	655	698	924	842	882
Core EPS (sen)	11.2	10.8	14.4	13.1	13.7
Core PER (x)	44.3	45.5	34.4	37.8	36.0
NTA/share	2.14	2.15	2.40	2.45	2.55
P/NTA	2.31	2.29	2.05	2.02	1.94

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	19,052	19,471	19,899
Inventories	3,280	3,561	3,739	3,821	3,905
Cash and bank balances	1,957	2,300	2,424	2,477	2,532
Other assets	2,642	4,219	4,242	4,265	4,239
Total Assets	26,058	28,613	29,456	30,034	30,575
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	3,827	3,713	3,532
Total Liability	12,496	13,615	13,990	14,270	14,504
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	29,456	30,034	30,575

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
Cash flows from operating activities					
Net income before taxation	920	993	1044	865	867
Net cash from operating activities	395	390	403	395	387
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	415	492	569
Cash and cash equivalent at 1 January	2732	1895	2230	2645	3137
Cash and cash equivalent at 1 December	1895	2230	2645	3137	3706

Profitability Margins	2022A	2023A	2024E	2025F	2026F
EBIT margin	11.1%	10.8%	14.5%	12.3%	12.7%
PBT margin	17.1%	15.5%	14.9%	12.6%	12.5%
PAT margin	13.0%	12.0%	13.2%	12.2%	11.0%
Core PATAMI margin	12.6%	11.4%	13.2%	12.2%	11.0%
ROE	5.2%	5.0%	6.0%	5.3%	5.4%
ROA	2.5%	2.4%	3.1%	2.8%	2.8%

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