

22 February 2024

Property | Real Estate

Sunway (SWB MK)

Buy (Maintained)

Highest-Ever Revenue Since Listing In 2011; BUY

Target Price (Return): MYR3.53 (30.2%)
 Price (Market Cap): MYR2.71 (USD3,104m)
 ESG score: 3.4 (out of 4)
 Avg Daily Turnover (MYR/USD) 25.7m/5.46m

- Maintain BUY with new TP of MYR3.53 (from MYR3.45), 30% upside, c.2% yield.** Sunway's 4Q23 results beat expectations, driven by strong growth from key business segments. For 2024, management has set a higher sales target of MYR2.6bn (vs MYR2.44bn achieved in FY23). We like Sunway not only for its strategic exposure in Iskandar Malaysia and the upcoming listing of its healthcare unit, but also for Sunway Construction's (SCGB MK, BUY, TP: MYR3.34) promising job prospects. Our higher TP reflects our latest TP for SCGB.
- 4Q23 results.** Property development, property investment, and construction divisions saw stronger revenue and EBIT, as billings were higher and occupancy and visitorship were much better during the quarter. JV income was higher in 3Q23 due to the recognition of MYR46.3m development profit as Parc Canberra in Singapore was completed. Meanwhile, share of net profit from the healthcare segment was lower QoQ, dragged by higher operating expenses, interest, and tax expenses. Note that Sunway Medical Centre Penang achieved breakeven at the PAT level during the quarter. A second interim dividend of 3.5 sen was declared, bringing full-year DPS to 5.5 sen (2022: 5.5 sen).
- Encouraging sales in 2023.** New property sales reached MYR350m in 4Q23 vs MYR590m in 3Q23. Full-year property sales achieved MYR2.44bn (2022: MYR2.02bn), of which Singapore projects contributed MYR944m. Sales for Terra Hills and The Continuum in Singapore were slow, as the take-up rate for Terra Hills stayed at 39%, while The Continuum improved slightly to 37% from 33% in 3Q23, as tightening measures were announced in Apr 2023 after both projects were launched. However, projects in Johor saw encouraging sales. Bungalow units in Sunway Lenang Heights were 58% sold (launched in Nov 2023), while terrace homes in Sunway City Iskandar Puteri were 99% and 83% sold for Phase 1 and 2. Sunway plans to roll out MYR2.1bn worth of projects in 2024, including landed homes in Iskandar Puteri with a combined GDV of MYR345m, high-rise projects in Kelana Jaya (GDV: MYR455m), Bukit Jalil (GDV: MYR232m), and Taman Maluri (GDV: MYR566m).
- Forecast.** Parc Central is expected to be completed in 1H24, and the accumulated progressive profits from this project stand at MYR108.9m. Unbilled sales and outstanding construction orderbook are at MYR4.06bn and MYR5.3bn vs MYR4.64bn and MYR5.8bn in 3Q23. In view of the strong earnings prospects from the healthcare, construction, and property development segments, we raise our FY24-25F earnings by 12-14%.
- ESG.** Our SOP valuations include a 8% ESG premium.

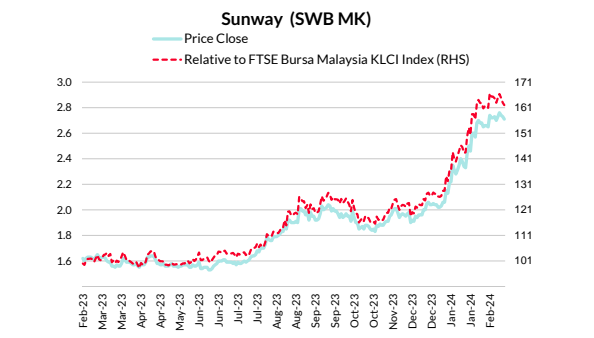
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	31.6	11.1	36.9	42.6	67.3
Relative	24.9	6.7	30.8	35.6	62.0
52-wk Price low/high (MYR)				1.53	-2.76



Source: Bloomberg

Forecasts and Valuation	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Total turnover (MYRm)	5,195	6,140	6,409	6,724	7,041
Recurring net profit (MYRm)	677	816	850	886	924
Recurring net profit growth (%)	155.1	20.6	4.1	4.2	4.3
Recurring EPS (MYR)	0.12	0.14	0.14	0.14	0.15
DPS (MYR)	0.06	0.05	0.06	0.06	0.07
Recurring P/E (x)	23.50	19.73	19.51	18.91	18.31
P/B (x)	1.27	1.16	1.15	1.13	1.10
Dividend Yield (%)	2.0	1.8	2.0	2.2	2.4
Return on average equity (%)	5.5	5.6	6.0	6.1	6.1
Net debt to equity (%)	52.3	43.4	41.7	39.3	35.6

Source: Company data, RHB

Overall ESG Score: 3.4 (out of 4)

E: EXCELLENT

Sunway City is a Green Building Index (GBI) certified township. The company managed to avoid 40,131 tonnes of CO₂e from 2015-2019, and 1% of its electricity is from renewable sources (in 2019). Its main townships also have more than 40% open space, with greenescapes and bluescapes.

S: EXCELLENT

Sunway has made donations to aid the underserved communities in the B40 group, people with disabilities, youth, women, children and senior citizens. The Good Run in Oct 2019 managed to raise MYR275k to support medical treatment costs for cancer patients of the B40 group.

G: EXCELLENT

56% of board members are independent. Sunway has an in-house investor relations team that is easily accessible, and holds investor meetings, embodying good transparency and disclosure practices.

Financial Exhibits

Asia	Financial summary (MYR)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Malaysia	Recurring EPS	0.12	0.14	0.14	0.14	0.15
Property	EPS	0.12	0.12	0.14	0.14	0.15
Sunway	DPS	0.06	0.05	0.06	0.06	0.07
SWB MK	BVPS	2.14	2.33	2.35	2.41	2.47
Buy	Return on average equity (%)	5.5	5.6	6.0	6.1	6.1
	Return on average assets (%)	2.6	2.7	2.9	3.0	3.0
Valuation basis	Valuation metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
30% discount to property RNAV, 10x P/E for trading/building material division, 20x EV/EBITDA for healthcare division, and 10% holding co discount	Recurring P/E (x)	23.50	19.73	19.51	18.91	18.31
	P/B (x)	1.3	1.2	1.2	1.1	1.1
	Dividend Yield (%)	2.0	1.8	2.0	2.2	2.4
	EV/EBITDA (x)	33.67	29.48	29.11	26.63	25.73
Key drivers	Income statement (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
i. New property sales;	Total turnover	5,195	6,140	6,409	6,724	7,041
ii. Disposal of investment properties.	Gross profit	1,353	1,514	1,574	1,704	1,780
	EBITDA	714	806	836	918	947
	Depreciation and amortisation	(130)	(141)	(130)	(136)	(138)
	Operating profit	583	664	706	783	809
	Net interest	(14)	(68)	18	(8)	(2)
	Pre-tax profit	920	993	1,148	1,247	1,301
	Taxation	(167)	(138)	(207)	(262)	(273)
	Reported net profit	677	738	850	886	924
	Recurring net profit	677	816	850	886	924
Key risks	Cash flow (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
i. Weaker-than-expected market conditions	Change in working capital	(661)	(449)	36	(155)	(156)
	Cash flow from operations	145	426	959	771	793
	Capex	(373)	(455)	(532)	(257)	(44)
	Cash flow from investing activities	(929)	(159)	(388)	(27)	264
	Dividends paid	(323)	(295)	(337)	(371)	(406)
	Cash flow from financing activities	62	1,087	(431)	(464)	(498)
	Cash at beginning of period	2,817	1,959	2,314	2,441	2,640
	Net change in cash	(722)	1,353	140	280	559
	Ending balance cash	2,095	3,312	2,454	2,721	3,199
Company Profile	Balance sheet (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
A well-known developer in the Klang Valley. Its flagship project - Bandar Sunway is a well-established integrated township. The company has successfully transformed a mining land to a matured residential and commercial cluster	Total cash and equivalents	1,959	3,140	3,266	3,465	3,860
	Tangible fixed assets	17,677	17,980	18,382	18,503	18,410
	Intangible assets	441	454	454	454	454
	Total other assets	61	99	336	538	720
	Total assets	26,058	28,613	29,491	30,341	31,155
	Short-term debt	4,919	6,018	6,018	6,018	6,018
	Total long-term debt	4,137	3,633	3,758	3,822	3,839
	Total liabilities	12,496	13,615	13,888	14,124	14,315
	Shareholders' equity	12,529	13,855	14,368	14,883	15,401
	Minority interests	1,033	1,143	1,235	1,335	1,439
	Total equity	13,562	14,998	15,603	16,218	16,840
	Total liabilities & equity	26,058	28,613	29,491	30,341	31,155
	Key metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Revenue growth (%)	39.9	18.2	4.4	4.9	4.7
	Recurring net profit growth (%)	155.1	20.6	4.1	4.2	4.3
	Recurrent EPS growth (%)	155.1	19.1	1.1	3.2	3.3
	Gross margin (%)	26.0	24.7	24.6	25.3	25.3
	Recurring net profit margin (%)	13.0	13.3	13.3	13.2	13.1
	Dividend payout ratio (%)	47.7	40.0	39.6	41.9	43.9

Source: Company data, RHB

Results At A Glance

Figure 1: Quarterly results

FYE Dec (MYR mil)	4Q22	3Q23	4Q23	QoQ (%)	YoY (%)	FY22	FY23	YoY (%)	Comments
Turnover	1,531.6	1,539.1	1,868.8	21.4	22.0	5,195.0	6,139.8	18.2	
Prop dev	442.7	309.5	499.4	61.3	12.8	1,165.3	1,418.8	21.8	Revenue was higher QoQ due to higher sales and progress billings from new and ongoing local projects..
Prop invt	230.7	232.8	256.3	10.1	11.1	690.0	898.4	30.2	Revenue was stronger due to year-end festive season and hence higher visitorship and occupancy.
Construction	291.0	424.0	532.8	25.7	83.1	1,281.6	1,688.9	31.8	The higher sequential revenue was mainly due to higher progress billings from local projects.
Trading & Manufacturing	233.5	242.6	260.1	7.2	11.4	902.1	954.6	5.8	
Quarry	123.4	148.8	124.8	(16.1)	1.1	406.2	446.3	9.9	
Investment holdings	6.5	12.9	6.6	n.m.	n.m.	19.3	23.7	22.6	
Others	204.0	168.5	188.9	12.1	(7.4)	730.5	709.2	(2.9)	
EBIT	212.7	119.1	291.9	145.0	37.2	583.4	664.4	13.9	
EBIT Margin (%)	13.9%	7.7%	15.6%			11.2%	10.8%		
Prop dev	65.9	2.8	55.1	1834.2	(16.5)	120.1	116.8	(2.7)	The lower EBIT YoY was mainly due to slower billings during the initial stage of construction for a few local projects.
Prop invt	67.7	42.5	124.4	192.8	83.8	200.4	240.8	20.1	EBIT was boosted by net fair value gains from revaluation of investment properties of MYR67.9m in 4Q23.
Construction	67.4	57.4	81.9	42.7	21.5	190.1	231.8	21.9	
Trading & Manufacturing	10.9	14.4	13.9	(4.1)	27.3	46.6	51.6	10.8	
Quarry	5.8	10.3	8.6	(15.9)	48.2	16.0	28.5	78.1	
Investment holdings	(34.1)	(9.2)	(24.3)	n.m.	(28.8)	(88.4)	(64.7)	(26.8)	
Others	29.1	0.9	32.3	3560.8	11.1	98.6	59.5	(39.6)	
Exceptional items	10.1	0.0	78.3	n.m.	n.m.	17.6	75.2	n.m.	
Finance cost	(0.6)	(28.0)	(21.5)	(23.5)	3495.0	(14.5)	(68.2)	370.9	
Asso & jv	81.8	156.7	80.0	(49.0)	(2.3)	350.8	397.0	13.2	The higher JV income was attributed to the recognition of development profit of MYR46.3m as Parc Canberra in Singapore was completed in 3Q23.
Other Income	0.0	0.0	0.0	n.m.	n.m.	0.0	0.0	0.0	
Pretax profit	293.9	247.8	350.4	41.4	19.2	919.8	993.2	8.0	
PBT margin (%)	19.2%	16.1%	18.8%			17.7%	16.2%		
Tax	(73.7)	(40.5)	(33.1)	(18.4)	(55.1)	(167.0)	(137.7)	(17.5)	
Tax (%)	25.1%	16.4%	9.4%			18.2%	13.9%		
PAT	220.2	207.3	317.3	53.1	44.1	752.8	855.6	13.6	
MI	(17.2)	(27.0)	(51.4)	-	n.m.	(53.8)	(117.8)	119.0	
Net profit	203.0	180.3	265.9	47.5	31.0	699.1	737.8	5.5	
Core net profit	213.1	180.3	344.2	90.9	61.5	716.7	816.2	13.9	Above expectations.
Net margin (%)	13.9	11.7	18.4						
EPS (sen)	3.5	2.6	4.4			8.1	8.1		
NTA (RM)	2.14	2.19	2.15			2.14	2.14		
DPS (sen)	3.5	0.0	3.5			2.0	2.0		
EBIT margin:									
Prop dev	14.9%	0.9%	11.0%			10.3%	10.3%		
Prop invt	29.3%	18.3%	48.5%			29.0%	29.0%		
Construction	23.2%	13.5%	15.4%			14.8%	14.8%		
Trading & Manufacturing	4.7%	6.0%	5.3%			5.2%	5.2%		
Quarry	4.7%	6.9%	6.9%			3.9%	3.9%		
Investment holdings	n.m.	n.m.	n.m.			n.m.	n.m.		
Others	14.2%	0.5%	17.1%			13.5%	13.5%		

Source: Company data, RHB

Figure 2: RNAV estimate

Developments	Remaining Landbank (acre)	Remaining GDV (MYR m)	Effective stake	NPV @ 10%	
Selangor/KL					
Sunway Damansara	13.19	938.30	60%	66.0	
Sunway South Quay	32.90	2,486.70	100%	279.7	
Sunway Monterez	4.40	38.00	60%	2.8	
Sunway Semenyih	523.11	728.59	70%	46.8	
Sunway Cheras	2.92	4.50	100%	0.4	
Sunway Duta	3.16	120.00	60%	6.3	
Sunway Resort City	7.7	660	100%	84.3	
Sunway Living Space (Sri Hartamas)	5.09	850.00	100%	84.5	
Sunway Velocity 2	1.01	80.00	60%	3.4	
Sunway Velocity 3	5.50	1,200.00	60%	65.8	
New land in Cochrane	5.52	1,150.00	100%	109.6	
Sunway Tower KL 1	0.92	240.00	100%	20.0	
Sunway Termuning	31.20	13.59	80%	0.8	
Mont Putra, Rawang	158.00	156.00	100%	13.0	
Kelana Jaya	13.96	860.00	100%	62.9	
Sunway Belfield	1.65		100%	-	
Jernih Residence, Kajang	2.44	264.00	60%	11.0	
USJ 1	14.80	1,400.00	100%	111.4	
Mutiara Bukit Jalil	8.02	697.00	100%	52.9	
Kuang land	245.00	2,000.00	100%	124.3	
Dengkil (Emerald Tycoon)	61.23	813.90	100%	39.2	
Perak					
Sunway City Ipoh	324.1	3,746.38	96%	494.9	
Penang					
Sunway Hills	80.70		100%	-	
Sunway Wellesley, Bukit Mertajam	50.66	710.47	100%	56.7	
Paya Terubong	19.79	1,500.00	100%	107.7	
Sunway Tunas, Balik Pulau	9.37	20.60	100%	1.6	
Sunway Betong, Balik Pulau	19.87	16.80	100%	1.3	
S'pore					
Terra Hills Pasir Panjang	4.79	2,873.00	30%	75.3	
The Continuum Tanjong Katong	6.06	7,480.00	30%	112.0	
Tengah Plantation Close 1	4.06	2,591.50	35%	67.7	
Tengah Plantation Close 2	5.00	2,982.00	35%	71.1	
Johor					
Bukit Lenang	30.48	850.00	80%	70.5	
Medini	530.44	10,505.00	60%	471.2	
Pendas	1,071.47	18,000.00	100%	1,004.7	
China					
Tianjin Phase 3	5.87	688.80	60%	26.0	
Unbilled sales				391.0	
TOTAL	4,086.03	76,973.59		4,172.79	
Investment properties					
	Est. market value (MYR m)	Book value (MYR m)	Equity interest	Net surplus (MYR m)	
Monash University Campus	375.0	375.0	100%	0	
Monash U Residence	465.0	465.0	100%	0	
Sunway Geo Tower	168.0	112.0	100%	56.0	
Sunway Hotel Georgetown	60.0	37.6	100%	22.4	
Sunway Hotel Phnom Penh	17.0	17.0	53%	0	
Sunway Hotel Hanoi	1.0	1.0	100%	0	
Sunway Giza	52.0	52.0	60%	0	
Sunway Velocity Mall	1,900.0	908.5	59%	585.0	
Sunway Velocity Hotel	112.0	112.0	39%		
Sunway Citrine Hub	42.0	42.0	60%	0.0	
Sunway Geo Avenue	94.0	47.0	100%	47.0	
Sunway Big Box retail hub	220.0	220.0	100%	0.0	
Sunway Visio Tower	100.0	100.0	100%	0.0	
Sunway V Office	160.0	160.0	100%	0.0	
Subtotal				4,836.15	
Shareholders' equity (ex cons. & healthcare)				12,872.54	
Total				17,708.69	
Discount to Property RNAV				30%	
Discounted Property RNAV				12,396.08	
Other divisions					
	Market value (MYR m)	Book value (MYR m)	Est. FY24 earnings (MYR m)	PE target (x)	Equity value surplus (MYR m)
40.9% Sunway REIT	2,437.3	1,479.0			958.30
54.6% Sunway Construction	2,357.8	844.0			1,513.78
Others			85	10	850.00
84% Sunway Healthcare			451.4	20.1	6,781.92
Total					22,500.08
ESOS proceeds					151.21
Warrants conversion @ MYR1.56					1,044.44
Total RNAV					23,695.73
Holding company discount					10%
Discounted RNAV					21,326.16
Share base (mil) incl. warrants & ICPS					6,525.86
Intrinsic value					3.27
ESG premium					8%
TP (MYR)					3.53

Source: RHB

Emissions And ESG

Trend analysis

In FY22, Scope 1 emissions: Increased to 65,329 tonnes of CO2 equivalents (FY21: 53,765 tonnes of CO2 equivalents) and Scope 2 increased to 55,813tn (FY21: 42,307 tonnes of CO2 equivalents).

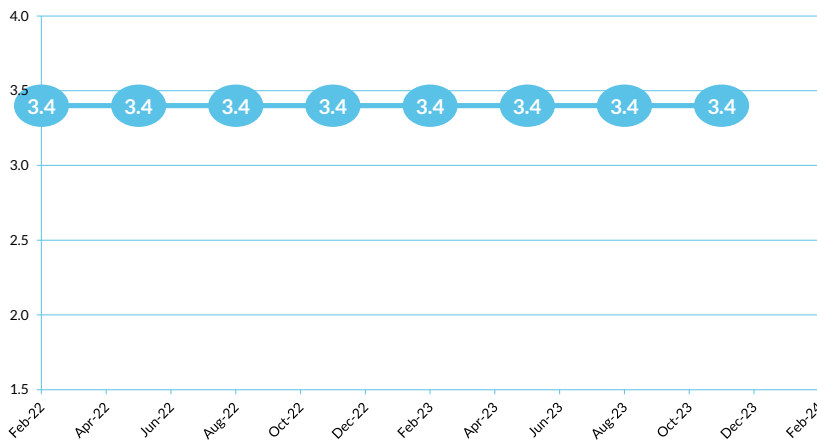
Emissions (tCO2e)	Dec-21	Dec-22	Dec-23
Scope 1	53,765	65,329	na
Scope 2	42,307	55,813	na
Scope 3	41,432	64,603	na
Total emissions	137,504	185,745	na

Source: Company data, RHB

Latest ESG-Related Developments

- Sunway is a constituent of FTSE4Good Bursa Malaysia Index.
- It aims to be carbon neutral by 2050.

ESG Rating History



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-02-16	Buy	3.45	2.76
2024-01-07	Buy	3.00	2.22
2023-11-22	Buy	2.65	1.94
2023-09-28	Buy	2.67	1.99
2023-08-17	Buy	2.65	1.92
2023-01-12	Buy	2.06	1.61
2022-11-28	Buy	2.06	1.58
2022-08-24	Buy	2.06	1.66
2022-05-26	Buy	2.06	1.74
2021-11-25	Buy	2.06	1.68
2021-08-25	Buy	2.00	1.77
2021-07-13	Buy	2.02	1.71
2021-06-24	Buy	2.09	1.73
2021-05-26	Buy	1.92	1.66
2021-04-19	Buy	1.95	1.64

Source: RHB, Bloomberg

RHB Guide to Investment Ratings

Buy:	Share price may exceed 10% over the next 12 months
Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
Sell:	Share price may fall by more than 10% over the next 12 months
Not Rated:	Stock is not within regular research coverage

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