

27 November 2024

Property | Real Estate

Sunway (SWB MK)

Buy (Maintained)

Parc Central Lifts 3Q24 Earnings; Keep BUY

Target Price (Return): MYR5.75 (+16%)
 Price (Market Cap): MYR4.94 (USD6,311m)
 ESG score: 3.4 (out of 4)
 Avg Daily Turnover (MYR/USD) 68.7m/15.9m

- **BUY, new MYR5.75 TP from MYR5.00, 16% upside with c.1% FY24F yield.** Sunway's 3Q24 results are in line. 3Q earnings were largely driven by the completion of Parc Central Residences in Singapore, with MYR124m in accumulated development profit recognised. As its 9M24 property sales totalled MYR1.85bn, Sunway is on track to meet its full-year target of MYR2.6bn. We raise our TP, as Sunway Healthcare Group (SHG) may be worth more – in view of the recent re-rating of listed healthcare stocks – supported by strong earnings. We now value SHG at 26x EV/EBITDA.
- **3Q24 results.** Despite the flattish QoQ growth in EBIT for the property development segment, the property investment, construction, trading and quarry divisions all registered 15-33% sequential growth during the quarter. The completion of Parc Central Residences in Singapore further lifted JV income in 3Q24. Meanwhile, the healthcare segment also reported higher revenue and EBIT growth of 9% and 27% QoQ, driven by higher licensed bed capacity from Sunway Medical Centre (SMC) Penang and higher demand for medical treatment from all existing hospitals. In the pipeline, SMC Damansara and SMC Ipoh are slated to be opened in Dec 2024 and 1Q25, bringing total bed capacity to about 2,500 beds from 1,240 beds presently.
- **Decent sales in 3Q24.** New property sales amounted to MYR579m vs MYR773m in 2Q24. 9M24 sales of MYR1.85bn was mainly contributed by projects in Singapore (MYR364m), Velocity 3 (MYR291m), Aviana (MYR233m), Jernih Residence (MYR201m) and Flora (MYR189m). In Singapore, while the take-up rate for Terra Hills remained stagnant at 42%, sales at The Continuum improved to 57% from 42% in 2Q24. Sales for projects in Malaysia also improved. Sunway Alishan is now 78% sold (from 66% in 2Q24), while Sunway Flora in Bukit Jalil Tower B is 57% sold (from 46% in 2Q24). Velocity 3 Tower B (GDV: MYR373m), launched in May 2024, achieved a take-up rate of 58% (from 46% in 2Q24). Projects in Sunway Iskandar continued to be in demand. Sunway Maple, launched in Sep 2024, is 73% sold. The project comprises 156 units of 2-storey terrace homes and has a GDV of MYR182m. Novo Place (first Tengah Plantation land) was well-received, with 57% of sales clocked recently, on the day of its launch. In the pipeline: Sunway Bayu in Ipoh (GDV: MYR106m) and Sunway Wellesley townhouse in Penang (GDV: MYR129m), will be launched in Dec 2024.
- **Forecast.** We increase FY24-26F earnings by 3%, 4% and 4%. Sunway's unbilled sales and outstanding construction orderbook stood at MYR4.5bn and MYR7.07bn in 3Q24, compared with MYR4.5bn and MYR7.4bn in 2Q24.
- **Higher TP.** Our TP includes a 8% ESG premium applied to Sunway's intrinsic value, as its ESG score of 3.4 is four notches above the country median.

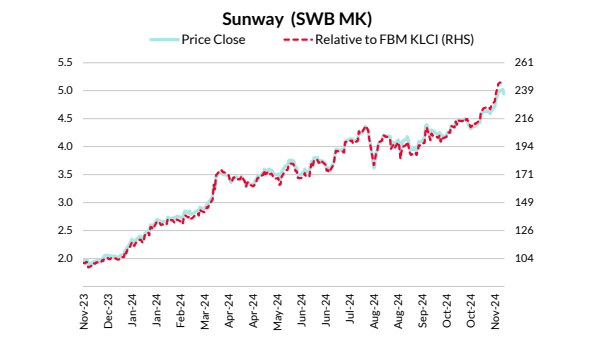
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	139.8	10.8	19.9	31.4	150.8
Relative	130.0	12.1	22.4	32.8	140.9
52-wk Price low/high (MYR)				1.90	-5.02



Source: Bloomberg

Forecasts and Valuation	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Total turnover (MYRm)	5,195	6,140	6,753	7,190	7,526
Recurring net profit (MYRm)	677	816	873	915	961
Recurring net profit growth (%)	155.1	20.6	7.0	4.7	5.1
Recurring EPS (MYR)	0.12	0.14	0.14	0.15	0.15
DPS (MYR)	0.06	0.05	0.06	0.06	0.07
Recurring P/E (x)	42.83	35.96	34.61	33.38	32.08
P/B (x)	2.31	2.12	2.10	2.04	1.99
Dividend Yield (%)	1.1	1.0	1.1	1.2	1.3
Return on average equity (%)	5.5	5.6	6.2	6.2	6.3
Net debt to equity (%)	52.3	43.4	42.8	40.9	37.1

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 group pared down 40,131 tonnes of CO₂e over 2015-2019, and 1% of its electricity is from renewable sources (in 2019). Its main townships also have more than 40% open space, with greenscapes and bluescapes incorporated.

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 raised MYR275k to support medical treatment costs for cancer patients from the B40 group.

G: EXCELLENT

56% of board members are independent directors. Sunway has an easily accessible in-house investor relations team that regularly 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	0.15	0.15
Property	EPS	0.12	0.12	0.14	0.15	0.15
Sunway	DPS	0.06	0.05	0.06	0.06	0.07
SWB MK	BVPS	2.14	2.33	2.35	2.42	2.48
Buy	Return on average equity (%)	5.5	5.6	6.2	6.2	6.3
	Return on average assets (%)	2.6	2.7	3.0	3.0	3.1
Valuation basis						
Our SOP valuation comprises:	Valuation metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
i. 20% discount to RNAV for the property arm;	Recurring P/E (x)	42.83	35.96	34.61	33.38	32.08
ii. 13x P/E for the trading/building materials division;	P/B (x)	2.3	2.1	2.1	2.0	2.0
iii. 26x EV/EBITDA for the healthcare business;	Dividend Yield (%)	1.1	1.0	1.1	1.2	1.3
iv. With a 0% holding company discount applied.	EV/EBITDA (x)	52.00	45.92	43.96	40.10	38.51
Key drivers	Income statement (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
i. New property sales increasing;	Total turnover	5,195	6,140	6,753	7,190	7,526
ii. Disposal of investment properties.	Gross profit	1,353	1,514	1,679	1,817	1,908
	EBITDA	714	806	868	961	1,002
	Depreciation and amortisation	(130)	(141)	(130)	(137)	(140)
	Operating profit	583	664	738	824	862
	Net interest	(14)	(68)	18	(8)	(3)
	Pre-tax profit	920	993	1,180	1,288	1,354
	Taxation	(167)	(138)	(212)	(271)	(284)
	Reported net profit	677	738	873	915	961
	Recurring net profit	677	816	873	915	961
Key risks	Cash flow (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Weaker-than-expected market conditions	Change in working capital	(661)	(449)	(134)	(216)	(166)
	Cash flow from operations	145	426	815	744	827
	Capex	(373)	(455)	(571)	(332)	(92)
	Cash flow from investing activities	(929)	(159)	(427)	(101)	217
	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	2,267	2,378
	Net change in cash	(722)	1,353	(42)	179	546
	Ending balance cash	2,095	3,312	2,272	2,445	2,925
Company Profile	Balance sheet (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Sunway is a well-known developer in the Klang Valley. Its flagship project, Bandar Sunway, is a well-established integrated township. The company has successfully transformed mining land to a matured residential and commercial cluster.	Total cash and equivalents	1,959	3,140	3,092	3,204	3,594
	Tangible fixed assets	17,677	17,980	18,420	18,615	18,567
	Intangible assets	441	454	454	454	454
	Total other assets	61	99	336	538	720
	Total assets	26,058	28,613	29,713	30,677	31,552
	Short-term debt	4,919	6,018	6,018	6,018	6,018
	Total long-term debt	4,137	3,633	3,766	3,843	3,870
	Total liabilities	12,496	13,615	14,084	14,401	14,612
	Shareholders' equity	12,529	13,855	14,391	14,935	15,491
	Minority interests	1,033	1,143	1,238	1,341	1,449
	Total equity	13,562	14,998	15,629	16,276	16,940
	Total liabilities & equity	26,058	28,613	29,713	30,677	31,552
	Key metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Revenue growth (%)	39.9	18.2	10.0	6.5	4.7
	Recurring net profit growth (%)	155.1	20.6	7.0	4.7	5.1
	Recurrent EPS growth (%)	155.1	19.1	3.9	3.7	4.1
	Gross margin (%)	26.0	24.7	24.9	25.3	25.4
	Recurring net profit margin (%)	13.0	13.3	12.9	12.7	12.8
	Dividend payout ratio (%)	47.7	40.0	38.5	40.5	42.2

Source: Company data, RHB

Results At a Glance

Figure 1: Quarterly results review

FYE Dec (MYR mil)	3Q23	2Q24	3Q24	QoQ (%)	YoY (%)	9M23	9M24	YoY (%)	Comments
Turnover	1,539.1	1,579.9	2,029.0	28.4	31.8	4,271.0	5,027.8	17.7	
Prop dev	309.5	371.9	495.7	33.3	60.1	919.4	1,155.3	25.7	Revenue was higher QoQ, driven by higher sales and progress billings from ongoing local property projects.
Prop invt	232.8	231.0	271.7	17.6	16.7	642.1	733.9	14.3	The higher revenue was driven by higher visitorships at the theme parks, increased occupancy rates and room rates for hotels.
Construction	424.0	381.1	610.7	60.2	44.0	1,156.0	1,364.3	18.0	Revenue was higher QoQ, mainly due to accelerated construction progress in data centre projects.
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 holdings	12.9	2.3	2.7	n.m.	n.m.	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	
EBIT Margin (%)	7.7%	13.4%	11.0%			8.7%	11.8%		
Prop dev	2.8	51.4	50.5	(1.8)	1672.3	61.7	135.4	119.3	
Prop invt	42.5	44.7	59.5	33.1	40.1	116.4	158.4	36.1	
Construction	57.4	54.6	62.9	15.3	9.7	150.0	167.3	11.6	
Trading & Manufacturing	14.4	13.3	16.2	21.4	11.9	37.8	41.0	8.5	
Quarry	10.3	10.0	12.1	20.9	17.3	19.9	32.9	65.5	
Investment holdings	(9.2)	21.0	4.1	n.m.	(144.0)	(40.5)	14.3	(135.3)	
Others	0.9	16.6	17.2	3.8	1847.4	27.3	43.1	58.2	
Exceptional items	0.0	96.0	0.0	n.m.	n.m.	(3.1)	96.0	n.m.	
Finance cost	(28.0)	(9.6)	4.6	(147.6)	(116.3)	(46.7)	(31.0)	(33.5)	
Asso & jv	156.7	139.1	235.7	69.5	50.4	317.0	469.0	47.9	The higher JV income was driven by the recognition of accumulated profit of about MYR124m as an executive condominium project Parc Central Residences in Singapore was completed in July 2024.
Other Income	0.0	0.0	0.0	n.m.	n.m.	0.0	0.0	0.0	
Pretax profit	247.8	341.0	462.7	35.7	86.7	642.8	1,030.4	60.3	Headline PBT in 2Q24 was boosted by a fair value gain of MYR62.5m arising from the redemption of an investment and share of fair value gain of MYR27m from the newly acquired investment properties under the REIT.
PBT margin (%)	16.1%	21.6%	22.8%			15.1%	20.5%		
Tax	(40.5)	(44.6)	(54.2)	21.5	33.7	(104.6)	(134.5)	28.6	
Tax (%)	16.4%	13.1%	11.7%			16.3%	13.1%		
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.	(66.4)	(77.1)	16.2	
Net profit	180.3	270.5	376.1	39.0	108.6	471.9	818.8	73.5	
Core net profit	180.3	174.5	376.1	115.6	108.6	468.8	722.8	54.2	Within expectations.
Net margin (%)	11.7	11.0	18.5						
EPS (sen)	2.6	4.1	5.3			7.1	7.1		
NTA (RM)	2.19	2.19	2.21			2.19	2.19		
DPS (sen)	0.0	2.0	0.0			2.0	2.0		
EBIT margin:									
Prop dev	0.9%	13.8%	10.2%			6.7%	6.7%		
Prop invt	18.3%	19.4%	21.9%			18.1%	18.1%		
Construction	13.5%	14.3%	10.3%			13.0%	13.0%		
Trading & Manufacturing	6.0%	5.2%	5.7%			5.4%	5.4%		
Quarry	6.9%	8.9%	8.6%			6.2%	6.2%		
Investment holdings	n.m.	n.m.	n.m.			n.m.	n.m.		
Others	0.5%	7.3%	7.7%			5.2%	5.2%		

Source: Company data, RHB

Figure 2: RNAV estimate

Developments	Remaining Landbank (acre)	Remaining GDV (MYR m)	Effective stake	NPV @ 9%	
Selangor/KL					
Sunway Damansara	13.19	938.30	60%	75.8	
Sunway South Quay	32.90	2,486.70	100%	321.8	
Sunway Monterez	4.40	38.00	60%	2.8	
Sunway Semenyih	523.11	728.59	70%	47.6	
Sunway Cheras	2.92	4.50	100%	0.4	
Sunway Dutra	3.16	120.00	60%	6.4	
Sunway Resort City	7.7	660	100%	96.2	
Sunway Living Space (Sri Hartamas)	5.09	850.00	100%	86.0	
Sunway Velocity 2	1.01	80.00	60%	4.3	
Sunway Velocity 3	5.50	1,200.00	60%	81.6	
New land in Cochrane	5.52	1,150.00	100%	135.5	
Sunway Tower KL 1	0.92	240.00	100%	20.5	
Sunway Termuning	31.20	13.59	80%	0.8	
Mont Putra, Rawang	158.00	156.00	100%	13.3	
Kelana Jaya	13.96	860.00	100%	70.4	
Sunway Belfield	1.65		100%	-	
Jernih Residence, Kajang	2.44	264.00	60%	12.4	
USJ 1	14.80	1,400.00	100%	114.5	
Mutiara Bukit Jalil	8.02	697.00	100%	54.8	
Kuang land	245.00	2,000.00	100%	140.4	
Dengkil (Emerald Tycoon)	61.23	813.90	100%	41.2	
Taman Taynton (next to Sunway Alishan)	17.58	3,200.00	100%	152.9	
Perak					
Sunway City Ipoh	324.1	3,746.38	96%	503.6	
Penang					
Sunway Wellesley, Bukit Mertajam	50.66	710.47	100%	69.1	
Paya Terubong	19.79	1,500.00	100%	133.6	
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%	76.9	
The Continuum Tanjong Katong	6.06	7,480.00	30%	114.7	
Tengah Plantation Close 1	4.06	2,591.50	35%	70.3	
Tengah Plantation Close 2	5.00	2,982.00	35%	74.2	
Tampines mixed-use	5.80	4,995.00	35%	127.0	
Johor					
Bukit Lenang	30.48	850.00	80%	88.1	
Medini	530.44	10,505.00	60%	606.8	
Pendas	1,071.47	18,000.00	100%	1,225.8	
China					
Tianjin Phase 3	5.87	688.80	60%	29.5	
Unbilled sales				585.0	
TOTAL	4,045.11	85,168.59		5,224.39	
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	180.0	112.0	100%	68.0	
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	3,040.0	908.5	59%	1,257.6	
Sunway Citrine Hub	42.0	42.0	60%	0.0	
Sunway Geo Avenue	100.0	47.0	100%	53.0	
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				6,572.35	
Shareholders' equity (ex cons. & healthcare)				13,854.57	
Total				20,426.92	
Discount to Property RNAV				20%	
Discounted Property RNAV				16,341.54	
Other divisions					
	Market value (MYR m)	Book value (MYR m)	Est. FY25 earnings (MYR m)	PE target (x)	Equity value surplus (MYR m)
40.9% Sunway REIT	2,717.4	1,479.0			1,238.45
54.6% Sunway Construction	3,882.6	844.0			3,038.57
Others			148	13	1,924.00
			Est. FY25 EBITDA	EV/EBITDA (x)	Equity value
84% Sunway Healthcare			568.6	26	11,829.60
Total					34,372.16
ESOS proceeds					151.21
Warrants conversion @ MYR1.35					227.26
Total RNAV					34,750.63
Holding company discount					0%
Discounted RNAV					34,750.63
Share base (mil) incl. warrants & ICPS					6,525.86
Intrinsic value					5.33
ESG premium					8%
TP (MYR)					5.75

Source: RHB

Emissions And ESG

Trend analysis

In FY22, Scope 1 emissions increased to 65,329 tonnes of CO₂e (FY21: 53,765 tonnes of CO₂e) and Scope 2 emissions increased to 55,813 tonnes of CO₂e (FY21: 42,307 tonnes of CO₂e).

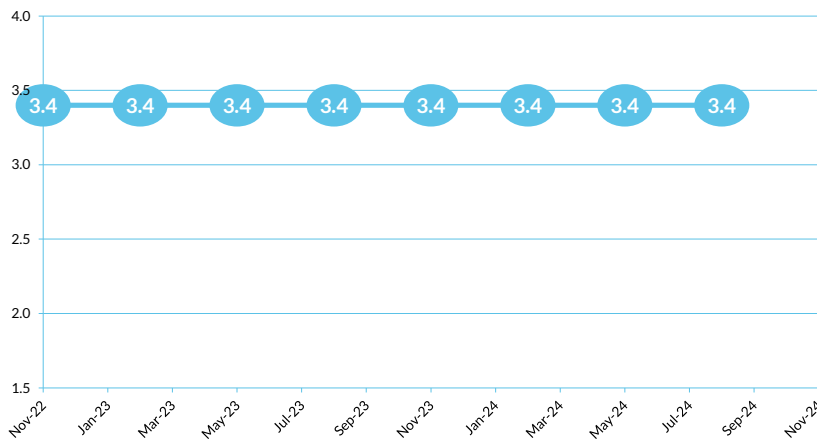
Emissions (tCO ₂ e)	Dec-21	Dec-22	Dec-23
Scope 1	53,765	65,329	na
Scope 2	42,307	55,813	na
Scope 3	41,432	64,603	na
Total emissions	137,504	185,745	na

Source: Company data, RHB

Latest ESG-Related Developments

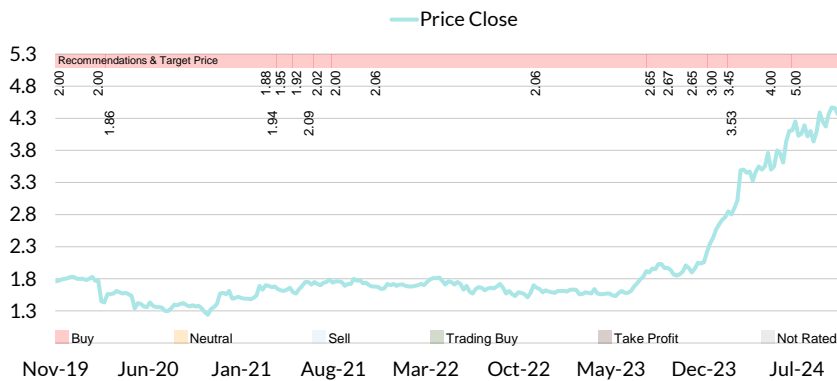
- Sunway is a constituent of the FTSE4Good Bursa Malaysia Index.
- It aims to be carbon-neutral by 2050.

ESG Rating History



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-07-18	Buy	5.00	4.09
2024-05-22	Buy	4.00	3.66
2024-02-22	Buy	3.53	2.80
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

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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