

Sunway Bhd

Prime Play on Healthcare and JSSEZ Growth

TP: RM5.60 (+14.3%)

Last Traded: RM4.90

BUY (ESG: ★★★★★)

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The following are key takeaways from Sunway's 3Q24 results briefing:

3Q Results Recap

Sunway maintained its strong performance in 3Q24, building on momentum from the first half of the year. Year-on-year and quarter-on-quarter improvements were seen across most business segments, with healthcare, property development, property investment, and construction serving as key growth drivers. While 9M24 results benefited from a lumpy earnings boost from the completion of Parc Central Residences in Singapore in July 2024, stronger-than-expected contributions from the property and healthcare divisions propelled 9M24 net profit growth, surpassing both our and market expectations.

All Eyes on Healthcare Listing

Sunway Healthcare Group (SHG) achieved robust growth in 9M24, with EBITDA rising 24% YoY to RM35mn, driven by a 10% increase in licensed bed capacity to 1240 beds and an 11% growth in patient census. This performance suggests our 19% EBITDA growth assumption may be conservative. Expansion plans are on track, with Sunway Medical Centre (SMC) Damansara set to open next month and SMC Ipoh in 1Q25. We expect these new hospitals to replicate the success of previous openings, achieving EBITDA positive results within 12 months. These additions will expand SHG's portfolio to five hospitals with approximately 2,500 beds, meeting the growing demand for quality healthcare.

Given the momentum and operational success, we believe that an IPO by early 2026 is highly probable, ahead of the 2027 deadline agreed upon with its strategic partner GIC, which holds a 16% stake in SHG. The IPO is expected to unlock significant value for shareholders and cement SHG's position as a leading healthcare provider.

FY24 Sales Target of RM2.6bn is Intact

Sunway recorded 9M24 property sales of RM1.85bn, representing 71% of its RM2.6bn FY24 sales target (+6% YoY). Looking ahead, Sunway remains confident about achieving and potentially surpassing its sales target, with RM1.2bn worth of new launches planned for 4Q24. Notably, the Novo Place EC project in Singapore (GDV: SGD790mn), launched in November 2024, achieved 57% sales on its launch day.

Johor Property Sales Accelerate Significantly

Johor, particularly Sunway City Iskandar Puteri (SCIP), has become a significant growth driver for Sunway's property development segment. The establishment of the Johor-Singapore Special Economic Zone (JSSEZ) and enhanced connectivity via the Rapid Transit System are set to attract substantial investments, positioning SCIP as a key beneficiary. This has driven Johor's property sales to soar 124% YoY in 9M24, underscoring its rising appeal. Johor's contribution to Sunway's total sales has also grown significantly to 20%, compared to 3–9% over the past five years, marking its increasing prominence within the portfolio. Meanwhile, the Klang Valley remains

Share Information

Bloomberg Code	SWB MK
Stock Code	5211
Listing	Main Market
Share Cap (mn)	5,689.1
Market Cap (RMmn)	27,876.5
52-wk Hi/Lo (RM)	5.10/1.89
12-mth Avg Daily Vol ('000 shrs)	15,315.3
Estimated Free Float (%)	37.3
Beta	1.1

Major Shareholders (%)

Tan Sri Dato' Seri Dr. Jeffery Cheah	(63.6)
EPF	(6.4)

Forecast Revision

	FY24	FY25
Forecast Revision (%)	18.1	15.7
Net profit (RMmn)	924.8	1028.2
Consensus	894.1	975.2
TA's / Consensus (%)	103.4	105.4
Previous Rating	Buy (Maintained)	
Consensus TP (RM)	4.81	

Financial Indicators

	FY24	FY25
Net gearing (%)	52.3	50.9
CFPS (sen)	4.3	6.4
P/CFPS (x)	114.2	76.1
ROE (%)	6.6	7.0
ROA (%)	3.2	3.4
NTA/Share (RM)	2.1	2.2
Price/NTA (x)	2.3	2.2

Share Performance (%)

Price Change	SWB	FBM KLCI
1 mth	9.9	(0.9)
3 mth	20.1	(2.9)
6 mth	30.7	(0.9)
12 mth	150.0	10.8

(12-Mth) **Share Price** relative to the **FBMKLCI**



Source: Bloomberg

the largest contributor at 57% of total sales, with a steady 28% YoY growth. Strong demand for landed homes in SCIP is evident in rising prices. Sunway Aviana Phase I launched in October 2023, was priced at RM430 psf, while Sunway Maple Residence, SCIP's first freehold semi-detached project, debuted in September 2024 at RM550 psf. Following the swift sellout, newer units at Sunway Maple are now priced above RM600 psf, showcasing robust market momentum and SCIP's growing reputation as a prime destination for premium landed properties.

Impact

We raise our FY24-26 net profit forecast by 16-22% to account for stronger contributions from the healthcare and property development segments.

Valuation

We remain positive about Sunway, supported by its strategic exposure to the high-growth healthcare sector and its position as a key beneficiary of the JSSEZ. Despite a 20% share price increase in the past three months, we expect further momentum ahead of the SHG IPO, with potential for share distribution or special dividends, as seen in Sunway Construction's IPO.

Our SOP-derived target price is raised to RM5.60 (from RM4.76), reflecting 1) higher TP for Sunway REIT and 2) rolled forward base year to FY26F to align with the SHG IPO timeline, raising the EV/EBITDA multiple to 25x (from 24x) to reflect SHG's strong growth prospects, supported by its rapid expansion strategy targeting 3,000 beds by 2030. Additionally, we value the property development segment based on FY26F earnings to reflect the anticipated benefits from the RTS completion in 2026 and continued progress in the JSSEZ. These positive adjustments are partially offset by a lower valuation for Sunway Construction following recent target price downgrades.

We maintain a Buy recommendation on the stock.

SOP Valuation Table

	Stake	Value (RM mn)	RM/share*	Valuation Methodology
Property Dev & Inv	100.0%	11,246.2	1.70	22x CY26 Earnings
SunCon	54.6%	3,932.0	0.59	TP of RM5.57
Sunway REIT	40.9%	2,913.5	0.44	TP of RM2.08
Healthcare	84.0%	16,285.5	2.46	25x CY26 EV/EBITDA
Trading & Manufacturing	100.0%	500.8	0.08	12x CY26 Earnings
Quarry & Others	100.0%	356.3	0.05	12x CY26 Earnings
Total		35,234.3	5.33	
ESG		★★★★★	5.0%	
Fair Value			5.60	

Note *: Fully diluted. The calculation of value/share includes the ordinary shares that will be issued upon the mandatory conversion of ICPS.

Source: TA Research

Earnings Summary

Profit and Loss (RM'mn)

FYE Dec	2022	2023	2024F	2025F	2026F
Revenue	5195.0	6139.8	6478.1	7631.1	8154.5
EBITDA	713.6	785.6	832.6	977.6	1047.6
Depreciation	(130.2)	(121.2)	(130.2)	(146.5)	(161.2)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	583.4	664.4	702.4	831.0	886.3
Finance cost	(14.5)	(68.2)	(77.5)	(81.5)	(85.5)
Associate & JV	350.8	397.0	574.9	593.1	651.5
El	64.5	84.6	0.0	0.0	0.0
PBT	919.8	993.2	1199.7	1342.6	1452.3
Tax	(167.0)	(137.7)	(228.0)	(255.1)	(275.9)
MI	(76.1)	(117.8)	(46.9)	(59.3)	(68.3)
Net profit	676.7	737.8	924.8	1028.2	1108.0
Core profit	612.2	653.2	924.8	1028.2	1108.0
Core EPS (sen)	9.5	10.1	13.4	15.2	16.8
DPS (sen)	5.5	5.5	6.5	7.5	8.5

Cash Flow (RM'mn)

FYE Dec	2022	2023	2024F	2025F	2026F
PBT	919.8	993.2	1199.7	1342.6	1452.3
Depr & Amort	130.2	121.2	130.2	146.5	161.2
Change in working assets	494.7	(237.3)	(32.3)	11.8	5.4
Tax	(167.0)	(137.7)	(228.0)	(255.1)	(275.9)
Others	(982.8)	(349.2)	(419.3)	(431.5)	(651.5)
CFO	394.9	390.3	650.4	814.3	691.5
Capex	(410.8)	(258.1)	(300.0)	(300.0)	(300.0)
Property Inv	(104.3)	(86.1)	(86.1)	(86.1)	(86.1)
Others	(554.1)	(128.0)	0.0	0.0	0.0
CFI	(1069.1)	(472.2)	(386.1)	(386.1)	(386.1)
Net Addition/Rpmt	93.2	46.0	500.0	500.0	500.0
Dividend Paid	(322.7)	(326.8)	(424.0)	(495.8)	(562.0)
Others	0.0	676.4	0.0	0.0	0.0
CFF	(160.4)	401.7	76.0	4.2	(62.0)
Change in cash	(834.6)	319.8	340.3	432.4	243.4
FCF/share	(12.5)	(1.3)	4.0	6.0	4.1

Assumptions

FYE Dec	2022	2023	2024F	2025F	2026F
New Property Sales	2024.0	2445.0	2600.0	2600.0	2700.0
Property Margins	10.3	20.5	17.1	17.2	17.2

Note: Following the partial divestment, Sunway Healthcare is presented as discontinued operations in FY21. For FY22 onwards, Sunway will recognise its share of the profit or loss in Sunway Healthcare (84% stake on a fully converted basis) under the equity method of accounting.

Balance Sheet (RM'mn)

FYE Dec	2022	2023	2024F	2025F	2026F
PPE	1,264.0	1,357.7	1,527.4	1,680.9	1,819.7
Land held for dev	1,844.3	2,365.7	2,365.7	2,365.7	2,365.7
Associate & JV	9,343.5	9,795.0	10,214.2	10,645.8	11,297.2
Investment Properties	2,443.1	2,663.7	2,749.8	2,835.9	2,921.9
Goodwill	378.1	388.3	388.3	388.3	388.3
Others	2,905.9	1,962.3	1,962.3	1,962.3	1,962.3
LT Assets	18,179.0	18,532.6	19,207.7	19,878.8	20,755.2
Property dev. Cost	2,328.5	2,528.3	2,528.3	2,528.3	2,528.3
Inventories	196.8	213.7	802.2	945.0	1,009.8
Trade & other receivables	1,957.9	2,790.3	2,330.7	2,745.5	2,933.8
Cash & Cash equivalent	1,957.3	2,300.4	2,640.7	3,073.1	3,316.5
Others	1,438.9	2,247.7	2,247.7	2,247.7	2,247.7
ST Assets	7,879.4	10,080.3	10,549.6	11,539.5	12,036.1
Asset held for sale	0.0	0.0	0.0	0.0	0.0
Total Assets	26,058.4	28,612.9	29,757.3	31,418.4	32,791.3
Trade and other payables	2,490.8	3,102.7	3,199.3	3,768.7	4,027.2
ST Borrowings	4,918.7	6,017.6	6,267.6	6,517.6	6,767.6
Others	194.4	153.4	153.4	153.4	153.4
ST Liabilities	7,603.8	9,273.7	9,620.3	10,439.7	10,948.2
LT Borrowings	4,137.5	3,632.7	3,882.7	4,132.7	4,382.7
Others	755.0	708.5	708.5	708.5	708.5
LT Liabilities	4,892.5	4,341.2	4,591.2	4,841.2	5,091.2
Share Cap	5,393.9	6,160.8	6,649.6	7,138.5	7,383.0
Reserves	7,135.2	7,693.8	7,705.7	7,749.2	8,050.8
Shareholder's Funds	12,529.1	13,854.6	14,355.4	14,887.7	15,433.8
Perps	0.0	0.0	0.0	0.0	0.0
MI	1,032.9	1,143.4	1,190.4	1,249.7	1,318.0
Liabilities + Equities	26,058.4	28,612.9	29,757.3	31,418.4	32,791.3

Ratios

FYE Dec	2022	2023	2024F	2025F	2026F
EPS Growth (%)	59.6	6.3	32.2	13.2	10.5
PER (x)	51.4	48.4	36.6	32.3	29.2
GDPS (sen)	5.5	5.5	6.5	7.5	8.5
Div Yield (%)	1.1	1.1	1.3	1.5	1.7
Net Debt (RM mn)	7098.9	7350.0	7509.6	7577.3	7833.8
Net gearing (x)	0.6	0.5	0.5	0.5	0.5
ROE (%)	5.0	5.0	6.6	7.0	7.3
ROA (%)	2.4	2.4	3.2	3.4	3.5
NTA/share (RM)	2.1	2.1	2.1	2.2	2.3
P/NTA (x)	2.4	2.3	2.3	2.2	2.2

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Sector Recommendation Guideline

OVERWEIGHT: The total return of the sector, as per our coverage universe, exceeds 12%.

NEUTRAL: The total return of the sector, as per our coverage universe, is within the range of 7% to 12%.

UNDERWEIGHT: The total return of the sector, as per our coverage universe, is lower than 7%.

Stock Recommendation Guideline

BUY : Total return of the stock exceeds 12%.

HOLD : Total return of the stock is within the range of 7% to 12%.

SELL : Total return of the stock is lower than 7%.

Not Rated: The company is not under coverage. The report is for information only.

Total Return of the stock includes expected share price appreciation, adjustment for ESG rating and gross dividend. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

Total Return of the sector is market capitalisation weighted average of total return of the stocks in the sector.

ESG Scoring & Guideline

	Environmental	Social	Governance	Average
Scoring	★★★★★	★★★★★	★★★★★	★★★★★
Remark	The group implements a comprehensive programme aiming to reduce to GHG emission, water & waste with relevant targets and deadlines. It implemented a Zero Single Plastic Use Policy in its property division's assets, venues, and events	The group provides a conducive work environment. Promoting diversity and equal opportunity. The company has strict regulations concerning health and safety, collaborating with suppliers and subcontractors to enforce them.	Sunway upholds high standards of corporate governance and transparency to safeguard shareholders' interests. It has an in-house investor relations team that is easily contactable.	

- ★★★★★ (≥80%) : Displayed market leading capabilities in integrating ESG factors in all aspects of operations, management and future directions. +5% premium to target price
- ★★★★ (60-79%) : Above adequate integration of ESG factors into most aspects of operations, management and future directions. +3% premium to target price
- ★★★ (40-59%) : Adequate integration of ESG factors into operations, management and future directions. No changes to target price
- ★★ (20-39%) : Have some integration of ESG factors in operations and management but are insufficient. -3% discount to target price
- ★ (<20%) : Minimal or no integration of ESG factors in operations and management. -5% discount to target price

Disclaimer

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As of Thursday, November 28, 2024, the analyst, Thiam Chiann Wen, who prepared this report, has interest in the following securities covered in this report:
(a) nil

Kaladher Govindan – Head of Research

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