

# Sunway Bhd

Targeting RM2.6bn Sales in FY24

**TP: RM3.29** (+21.4%)

Last Traded: RM2.71

**BUY (ESG: ★★★★★)**

Thiam Chiann Wen

Tel: +603-2167 9615

cwthiam@ta.com.my

www.taonline.com.my

## Review

- Sunway's FY23 core net profit of RM653.2mn came in within expectations, accounting for 98% and 97% of ours and consensus' full-year forecasts, respectively. We derived our core net profit after excluding 1) the provision for impairment on investment in an associate of RM3.1mn, 2) fair value gain on investment properties of RM67.9mn, and 3) a reversal of provision for impairment of assets of RM19.8mn related to the spun pile operation under the building materials segment.
- A second interim dividend of 3.5sen/share was declared in 4Q23, bringing the full-year dividend declared to 5.5sen/share. This maintains the same dividend quantum as declared in FY22.
- **YoY:** FY23 revenue reached a record high of RM6.1bn, marking an 18% YoY increase. However, core net profit showed a more moderate 7% YoY growth at RM653.2mn, primarily due to higher finance costs. The property development segment notably contributed to this performance, with a 22% rise in revenue and a 36% surge in PBT. The growth was supported by strong property sales, increased progress billing from ongoing and new local development projects, and the recognition of a RM46.3mn share of development profit from Parc Canberra in Singapore upon completion in 3Q23.
- **QoQ:** Sunway's 4Q23 core net profit decreased by 1.2% QoQ to RM178.2mn, despite a robust 21% growth in revenue. The decrease in sequential earnings can be attributed to the preceding quarter's strong earnings from JVs, which were boosted by the lumpy recognition of the share of development profit of Parc Canberra.
- Sunway's 4Q23 property sales experienced a 40% decline both YoY and QoQ, totaling RM353mn. However, FY23 sales jumped 21% YoY to RM2.44bn, surpassing the management's target of RM2.3bn but aligning with our sales assumptions of RM2.4n. Notably, Singapore projects accounted for 39% of the total sales in FY23.

## Impact

- Upon factoring in the actual FY23 results and revising our sales assumptions to RM2.6bn for FY24 (previously RM2.5bn), our earnings projections for FY24 and FY25 are adjusted higher by 2.5% and 3.9%, respectively. Additionally, we introduce our FY26 net profit forecast of RM872.7mn, reflecting EPS earnings growth of 5.3% YoY, driven by new sales assumptions of RM2.7bn.

## Outlook

- Sunway is targeting new sales of RM2.6bn this year (+6% YoY), underpinned by planned launches worth RM2.1bn – see **Figure 1** and other existing projects. Of the RM2.1bn new launches, 88% are comprised projects in Malaysia, with the balance 12% from China.

## Share Information

Bloomberg Code	SWB MK
Stock Code	5211
Listing	Main Market
Share Cap (mn)	5,491.8
Market Cap (RMmn)	14,882.9
52-wk Hi/Lo (RM)	2.79/1.52
12-mth Avg Daily Vol ('000 shrs)	7,107.7
Estimated Free Float (%)	26.1
Beta	0.9

## Major Shareholders (%)

Tan Sri Dato' Seri Dr. Jeffery Cheah (63.6)
EPF (5.2)

## Forecast Revision

	FY24	FY25
Forecast Revision (%)	2.5	3.9
Net profit (RMmn)	778.1	854.1
Consensus	789.8	832.6
TA's / Consensus (%)	98.5	102.6
Previous Rating	Buy (Maintained)	
Consensus Target Price (RM)	2.82	

## Financial Indicators

	FY24	FY25
Net gearing (%)	53.2	52.5
CFPS (sen)	2.8	3.8
P/CFPS (x)	97.9	71.9
ROE (%)	5.5	5.9
ROA (%)	2.7	2.8
NTA/Share (RM)	2.1	2.2
Price/NTA (x)	1.3	1.3

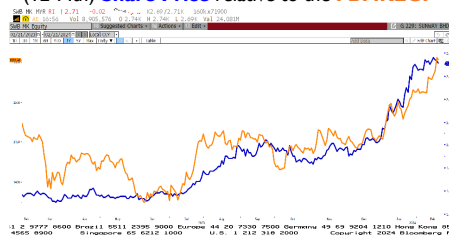
## Scorecard

	% of FY	
vs TA	98.0	Within
vs Consensus	97.0	Within

## Share Performance (%)

Price Change	SWB	FBM KLCI
1 mth	11.1	4.4
3 mth	36.9	6.1
6 mth	42.6	7.0
12 mth	67.3	5.3

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



Source: Bloomberg

- With unbilled sales of RM4.1bn and an outstanding construction order book of RM3.5bn (external jobs only), Sunway has earnings visibility for the next 3-4 years.
- In our view, Sunway is well-positioned to benefit from the strengthening domestic economy. We believe the leisure, hotel, and healthcare segments will see positive impacts from the recovery of inbound leisure tourism and medical tourism as international travel normalises. The healthcare sector, a key growth driver, is expected to perform strongly, supported by the expansion of existing capacity and the upcoming launch of SMC Damansara and SMC Ipoh in 4Q24 and 1Q25, respectively, adding 600 beds to the current 1,148 licensed beds.
- Looking ahead, we expect the upcoming Rapid Transit System (RTS) rail link and the potential establishment of the Johor-Singapore Special Economic Zone to bode positively for Sunway City Iskandar Puteri. Positioned strategically between Puteri Harbour and the Second Link to Singapore, this flagship township development is expected to thrive. The positive sentiment is already evident in the strong sales performance of Sunway Aviana, a landed development within Sunway City Iskandar Puteri, launched in October 2023, achieving an impressive 99% and 83% take-up rate for its Phase 1 and Phase 2 projects.

### Valuation

- Factoring in the earnings revision as well as the new TP for SunCon, we arrive at a new TP of RM3.29 (RM3.18 previously), based on SOP valuation. Maintain Buy.

### SOP Valuation Table

	(RM mn)			
Property Dev & Inv	100.0%	6,670.2	1.01	16x CY25 Earnings
SunCon	54.6%	1,948.3	0.29	TP of RM2.76
Sunway REIT	40.9%	2,521.3	0.38	TP of RM1.80
Healthcare	84.0%	9,996.0	1.51	20x CY25 EV/EBITDA
Trading & Manufacturing	100.0%	364.8	0.06	10x CY25 Earnings
Quarry & Others	100.0%	247.5	0.04	10x CY25 Earnings
<b>Total</b>		<b>21,748.2</b>	<b>3.29</b>	

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

Figure 1: 2024 Planned Launches

Development	Location	Type	GDV (RM mn)
Kelana Jaya Phase 2	Kelana Jaya, Selangor	Serviced Apartments & Super Link House	455
Sunway Flora Plot 2 Tower A	Bukit Jalil, Kuala Lumpur	Serviced Apartments	232
Sunway V3 Tower A	Taman Maluri, Kuala Lumpur	Serviced Apartments	566
Sunway Bayu	Sunway City Ipoh, Ipoh	Landed Homes	85
Sunway Wellesley	Bukit Mertajam, Penang	Townhouses	129
Sunway Aviana	Sunway Iskandar Puteri, Johor	Landed Linked Homes	65
Sunway Sakura Phase 2	Sunway Iskandar Puteri, Johor	Landed Semi-D Homes	110
Sunway Maple	Sunway Iskandar Puteri, Johor	Townhouses & Linked Homes	170
Sunway Gardens Phase 3	Tianjin, China	Condominium	243
<b>Total</b>			<b>2,055</b>

Source: Sunway, TA Research

**Earnings Summary (RM mn)**

<b>YE Dec 31 (RM'mn)</b>	<b>2022</b>	<b>2023</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Revenue	5,195.0	6,139.8	6,199.2	6,382.4	6,527.8
EBITDA	713.6	785.6	745.1	805.2	854.4
EBITDA margin (%)	13.7	12.8	12.0	12.6	13.1
Pretax profit	855.3	908.6	1,028.0	1,116.1	1,141.0
Reported Net profit	676.7	737.8	778.1	854.1	872.7
Net profit -a dj	612.2	653.2	778.1	854.1	872.7
Net profit a djusted for preferential dividend	558.9	601.8	726.8	828.5	872.7
EPS (sen) #	10.6	11.6	11.1	12.5	13.2
EPS - a dj (sen) #	9.5	10.1	11.1	12.5	13.2
EPS Growth (Core) (%)	59.6	6.3	10.0	12.5	5.3
PER (x)	28.4	26.8	24.3	21.6	20.5
GDPS (sen)	5.5	5.5	6.0	6.0	6.0
Div Yield (%)	2.0	2.0	2.2	2.2	2.2
ROE (%)	5.0	5.0	5.5	5.9	5.8

<sup>^</sup> Restated

# EPS after preference dividend payment

Note: Following the partial divestment, Sunway Healthcare is presented as discontinued operations in FY20 & 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.

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### 4Q23 Results Analysis (RM mn)

YE 31 Dec (RM'mn)	4Q22	3Q23	4Q23	QoQ (%)	YoY (%)	FY22	FY23	YoY(%)	
<b>Revenue</b>	<b>1,531.6</b>	<b>1,539.1</b>	<b>1,868.8</b>	<b>21.4</b>	<b>22.0</b>	<b>5,195.0</b>	<b>6,139.8</b>	<b>18.2</b>	
Property Development	442.7	309.5	499.4	61.3	12.8	1,165.3	1,418.8	21.8	
Property Investment	230.7	232.8	256.3	10.1	11.1	690.0	898.4	30.2	
Construction	291.0	424.0	532.8	25.7	83.1	1,281.6	1,688.9	31.8	
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	
Others	210.4	181.4	195.4	7.7	(7.1)	749.8	732.9	(2.3)	
<b>Operating profits</b>	<b>212.7</b>	<b>119.1</b>	<b>291.9</b>	<b>145.0</b>	<b>37.2</b>	<b>578.7</b>	<b>664.4</b>	<b>14.8</b>	
Finance income	61.6	61.7	73.2	18.6	18.8	187.7	257.1	37.0	
Finance costs	(62.2)	(89.8)	(94.7)	5.4	52.2	(202.2)	(325.2)	60.9	
Associates	3.0	39.0	19.9	(49.0)	561.7	119.2	130.1	9.2	
JV	78.8	117.8	60.1	(49.0)	(23.7)	231.7	266.9	15.2	
EI	13.8	0.0	87.7	nm	535.5	64.5	84.6	31.2	
PBT	293.9	247.8	350.4	41.4	19.2	915.1	993.2	8.5	
<b>Core PBT</b>	<b>280.1</b>	<b>247.8</b>	<b>262.7</b>	<b>6.0</b>	<b>(6.2)</b>	<b>855.3</b>	<b>908.6</b>	<b>6.2</b>	
Property Development	70.4	70.4	69.0	(2.0)	(1.9)	155.3	211.6	36.3	
Property Investment	75.7	55.2	68.9	24.8	(9.0)	235.7	228.2	(3.2)	
Construction	58.7	51.1	62.8	22.9	6.9	186.6	197.9	6.1	
Trading & Manufacturing	9.1	13.4	12.0	(10.6)	32.2	41.4	45.1	8.9	
Quarry	5.1	10.2	9.4	(7.8)	83.5	13.7	27.5	101.0	
Healthcare*	35.0	44.4	41.7	(6.2)	19.1	140.0	152.7	9.1	
Others	26.1	3.0	(1.1)	(135.2)	(104.1)	82.6	45.6	(44.9)	
Tax	(73.7)	(40.5)	(33.1)	(18.4)	(55.1)	(165.8)	(137.7)	(17.0)	
MI	(17.2)	(30.0)	(51.4)	71.6	198.1	(76.1)	(120.8)	58.6	
<b>Net profit</b>	<b>203.0</b>	<b>180.3</b>	<b>265.9</b>	<b>47.5</b>	<b>31.0</b>	<b>676.7</b>	<b>737.8</b>	<b>9.0</b>	
<b>Core net profit</b>	<b>189.2</b>	<b>180.3</b>	<b>178.2</b>	<b>(1.2)</b>	<b>(5.8)</b>	<b>612.2</b>	<b>653.2</b>	<b>6.7</b>	
Preferential dividends on ICPS	0.0	(25.7)	0.0	nm	nm	(51.3)	(51.3)	0.0	
<b>Net profit less preferential dividend</b>	<b>203.0</b>	<b>154.6</b>	<b>265.9</b>	<b>72.0</b>	<b>31.0</b>	<b>625.4</b>	<b>686.4</b>	<b>9.8</b>	
<b>Core net profit less preferential dividend</b>	<b>189.2</b>	<b>154.6</b>	<b>178.2</b>	<b>15.2</b>	<b>(5.8)</b>	<b>560.9</b>	<b>601.8</b>	<b>7.3</b>	
Reported EPS	(sen)	3.5	2.6	4.4	68.2	26.9	11.0	11.5	5.0
Adj EPS	(sen)	3.2	2.6	2.9	12.8	(8.8)	9.9	10.1	1.9
DPS	(sen)	3.5	0.0	3.5	nm	0.0	5.5	5.5	0.0
<b>Core PBT margin</b>	<b>(%)</b>	<b>18.3</b>	<b>16.1</b>	<b>14.1</b>	<b>(2.0)</b>	<b>4.2</b>	<b>16.5</b>	<b>14.8</b>	<b>(1.7)</b>
Property Development	(%)	15.9	22.8	13.8	(8.9)	2.1	13.3	14.9	1.6
Property Investment	(%)	32.8	23.6	26.9	3.2	5.9	34.2	25.4	(8.8)
Construction	(%)	20.2	12.1	11.8	(0.3)	8.4	14.6	11.7	(2.8)
Trading & Manufacturing	(%)	3.9	5.5	4.6	(0.9)	(0.7)	4.6	4.7	0.1
Quarry	(%)	4.2	6.9	7.5	0.7	(3.4)	3.4	6.2	2.8
Others	(%)	12.4	1.7	(0.5)	(2.2)	13.0	18.7	20.8	2.2
<b>Core net margin</b>	<b>(%)</b>	<b>12.4</b>	<b>11.7</b>	<b>9.5</b>	<b>(2.2)</b>	<b>2.8</b>	<b>14.3</b>	<b>6.9</b>	<b>(7.4)</b>
Effective tax rate	(%)	(25.1)	(16.4)	(9.4)	6.9	(15.6)	(18.1)	(13.9)	4.3

^Restated

\* healthcare's contribution from Continuing Operations is based on the Group's share of its net profit.

# EPS after preference dividend payment

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### Stock Recommendation Guideline

- BUY** : Total return within the next 12 months exceeds required rate of return by 5%-point.  
**HOLD** : Total return within the next 12 months exceeds required rate of return by between 0-5%-point.  
**SELL** : Total return is lower than the required rate of return.  
**Not Rated:** The company is not under coverage. The report is for information only.

**Total Return** is defined as expected share price appreciation plus gross dividend over the next 12 months. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

**Required Rate of Return** of 7% is defined as the yield for one-year Malaysian government treasury plus assumed equity risk premium.

### ESG Scoring & Guideline

	Environmental	Social	Governance	Average
<b>Scoring</b>	★★★★★	★★★★★	★★★★★	★★★★★
<b>Remark</b>	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, 58% of its non-executive workforce are women. 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.  
 ★★★★ (60-79%) : Above adequate integration of ESG factors into most aspects of operations, management and future directions.  
 ★★★ (40-59%) : Adequate integration of ESG factors into operations, management and future directions.  
 ★★ (20-39%) : Have some integration of ESG factors in operations and management but are insufficient.  
 ★ (<20%) : Minimal or no integration of ESG factors in operations and management.

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As of Thursday, February 22, 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**

TA SECURITIES HOLDINGS BERHAD 197301001467 (14948-M)  
 A Participating Organisation of Bursa Malaysia Securities Berhad

Menara TA One | 22 Jalan P. Ramlee | 50250 Kuala Lumpur | Malaysia | Tel: 603 – 2072 1277 | Fax: 603 – 2032 5048  
 www.ta.com.my