

COMPANY RESULTS

Sunway Bhd (SWB MK)

3Q24: A Grand Slam Quarter

Sunway's 3Q24 net profit of RM350m (+74% qoq, +85% yoy) beat expectations, driven by stronger performances in property development and healthcare. The property segment benefitted from higher progressive billings, while healthcare saw growth from more licensed beds and higher patient volumes. Maintain HOLD. Target Price: RM4.71.

3Q24 RESULTS

Year to 31 Dec (RMm)	3Q24	2Q24	3Q23	qoq % chg	yoy % chg	9M24	yoy % chg
Revenue	2,029.0	,579.9	1,539.1	28.4	31.8	5,027.8	17.7
Property Development	495.7	371.9	309.5	33.3	60.1	1,155.3	25.7
Construction	610.7	381.1	424.0	60.2	44.0	1,364.3	18.0
Property Investment	271.7	231.0	232.8	17.6	16.7	733.9	14.3
Pre-tax profit	462.7	341.0	247.8	35.7	86.7	1,030.4	60.3
Property Development	185.1	70.1	70.4	164.0	162.9	294.1	106.3
Construction	69.8	52.4	51.1	33.0	36.6	164.6	21.8
Property Investment	76.2	86.2	55.2	(11.6)	38.1	231.8	48.3
*Healthcare PAT (equity accounting)	63.0	49.3	44.4	27.8	41.8	149.2	34.4
PATAMI	376.1	270.5	180.3	39.0	108.6	818.8	73.5
Core net profit	350.2	200.8	189.0	74.4	85.3	721.4	48.1
Pre-tax Margins (%)	%	%	%	+ppt	+ppt	+ppt	+ppt
Property Development	37.3	18.9	22.8	18.5	14.6	25.5	9.9
Construction	11.4	13.8	12.1	(2.3)	(0.6)	12.1	0.4
Property Investment	28.0	37.3	23.7	(9.3)	4.3	31.6	7.2

Source: Sunway, UOB Kay Hian

RESULTS

• **Beat expectations.** Sunway Bhd (Sunway) reported 3Q24 core net profit of RM350m (+74% qoq, +85% yoy) on a revenue of RM2b (+28% qoq, +32% yoy). Cumulatively, 9M24 net profit of RM721m (+48% yoy) accounts for 88-89% of both our and consensus forecasts. We derived 9M24 net profit after excluding exceptional items of RM97m (mostly on a fair value gain on perpetual notes and a net disposal gain from a JV) from a reported net profit of RM819m. The lumpy recognition from the Singapore project Parc Central was expected and contributed to the stellar performance this quarter. Additionally, other business divisions, such as property development and healthcare, performed more strongly than expected, further driving the outperformance in results.

KEY FINANCIALS

Year to 31 Dec (RMm)	2022	2023	2024F	2025F	2026F
Net turnover	6,260	7,597	6,375	6,664	6,976
EBITDA	713	768	872	940	1024
Operating profit	583	664	766	819	887
Net profit (rep./act.)	677	738	972	1061	1124
Net profit (adj.)	579	699	972	1061	1124
EPS (sen)	11.8	11.8	14.6	15.9	16.9
PE (x)	41.7	41.9	33.8	31.0	29.3
P/B (x)	1.9	2.1	2.3	2.2	2.1
EV/EBITDA (x)	50.3	47.9	42.9	40.3	37.5
Dividend yield (%)	1.1	1.1	1.2	1.3	1.4
Net margin (%)	9.2	9.2	15.2	15.9	16.1
Net debt/(cash) to equity (%)	51.8	53.1	54.3	54.5	54.6
Interest cover (x)	49.3	11.3	14.6	18.8	12.7
ROE (%)	5.8	6.6	8.9	9.4	9.7
Consensus net profit	-	-	813	934	1041
UOBKH/Consensus (x)	-	-	1.2	1.1	1.1

Source: Sunway Bhd, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM4.94
Target Price	RM4.71
Upside	-4.7%
(Previous TP)	RM4.06

COMPANY DESCRIPTION

A conglomerate in Malaysia with various diversified businesses in areas such as property development, property investment, leisure, hospitality, construction trading and manufacturing, quarry, building materials and healthcare.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	SWB MK
Shares issued (m):	5,734.2
Market cap (RMm):	28,326.7
Market cap (US\$m):	6,587.4
3-mth avg daily t'over (US\$m):	11.2

Price Performance (%)

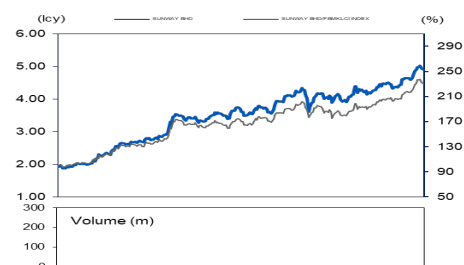
52-week high/low RM5.10/RM1.89

1mth	3mth	6mth	1yr	YTD
14.4	22.9	31.7	152.0	129.8

Major Shareholders

Shareholder	%
Sungei Way Corp Sdn Bhd	45.0
Cheah Fook Ling	10.9
EPF	6.4
FY24 NAV/Share (RM)	2.40
FY24 Net Debt/Share (RM)	1.26

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Achieved property sales of RM550m, bringing 9M24 property sales to RM1.85b, on track to achieve its 2024 target of RM2.6b (+7% yoy).** We expect sales momentum to strengthen further in 4Q24, driven by the recently-launched 504-unit Novo Place executive condo project in Singapore, which has achieved a 57% take-up rate since its launch on 24 Nov 24. With a gross development value (GDV) of S\$790m, the project is poised to exceed its sales target. Recent launches, such as Sunway Velocity 3, have performed well, with Tower A achieving a 22% take-up rate and Tower B 58%. In Johor, the Sunway Maple project recorded a 73% take-up rate within two months of its launch, while Sunway Aviana Phase 3 was 100% sold out shortly after its launch in Jun 24. Sunway's overall property segment is expected to remain resilient, supported by strong unbilled sales of RM4.5b (3.2x cover ratio).
- Healthcare arm reported a 3Q24 net profit share of RM63.0m (+27.8% qoq, +41.8% yoy), bringing the 9M24 total to RM149.2m (+34.4% yoy).** The strong ytd performance was attributed to improved operations across all three hospitals, driven by an increase in licensed beds to 1,240 (from 1,119 in 9M23), thanks to additional capacity at SMC Penang, and higher patient volumes compared with the same period last year. Looking ahead, SMC Damansara is scheduled to open in Dec 24, while SMC Ipoh is expected to launch in 1Q25.
- The construction arm's earnings remain robust,** supported by an outstanding order book of RM7.1b as of 3Q24 (2.7x cover ratio). Property investment is also expected to stay strong, driven by recent asset enhancement initiatives at Sunway Pyramid as well as new property investment assets like Sunway South Quay office, Sunway Square mall, and Equalbase Sunway 103rd Industrial Par, among others.

EARNINGS REVISION/RISK

- We increase our net profit forecasts by 15-20% for 2024-26** in view of stronger contributions from the healthcare, property and construction segments. Despite 2024 having a high base due to the 3Q24 lumpy Parc Central net profit contribution of RM124m, we anticipate another significant lumpy recognition in 2025 from its data centre land sales, with sales proceeds of RM380m and an estimated net gain of RM114m (assuming a 30% net margin). In view of these positives, coupled with stronger performances across other segments, particularly construction, healthcare, and property, we still expect a decent growth of 9% in 2025, with net profit surpassing RM1b.

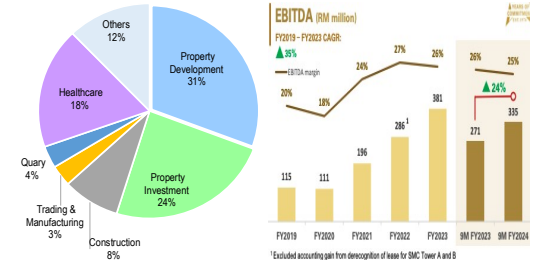
VALUATION/RECOMMENDATION

- Maintain HOLD with a higher target price of RM4.71 (from RM4.06),** as we: a) roll forward our valuation to 2025; b) incorporate recently-acquired landbanks (two Singapore projects and the Taman Taynton land acquisition); c) increase healthcare earnings estimates on the outperformance of results; and d) update REIT and construction target prices to reflect the latest valuations. Our target price is based on SOTP valuation and implies a 2024-26F PE of 28-32x (+2SD above its five-year mean of 15.6x) and 2024-26F P/B of 2.0-2.2 x (+3SD above its five-year mean of 0.9x). We maintain our HOLD call as the valuation appears rich at this juncture. However, we do not rule out the possibility of a further rally in the share price, driven by the strong performance in its results and potential catalysts such as: a) increasing vibrancy in Johor, and b) the IPO of its healthcare segment.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

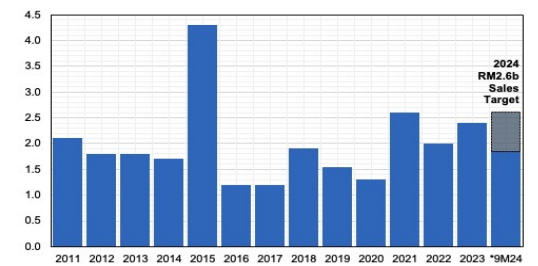
<ul style="list-style-type: none"> Environmental Installed photovoltaic (PV) solar panels at most of its properties. Social Launched Sunway Cancer Support Fund. Governance Good company transparency along with anti-bribery and anti-corruption policy.
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PAT BREAKDOWN (9M24) HEALTHCARE EBITDA TREND



Source: Sunway, UOB Kay Hian

PROPERTY SALES TREND



Source: Sunway, UOB Kay Hian

SOTP-BASED VALUATION

Segment	(RMm)	% of SOTP	Remarks
Property development	12,617	40%	15% discount to property RNAV
REIT (40.9% stake)	2,801	9%	Valuation based on TP of RM2.00, based on DDM
Construction (54.4% stake)	3,193	10%	Valuation based on TP of RM4.54, 21x 2025F PE
Quarry & building materials	371	1%	15x PE 2025F quarry profits
Trading	866	3%	15x PE 2025F trading profits
Investment Properties	2,993	10%	Market Value
Healthcare (84% stake)	8,871	28%	20x EV/EBITDA 2025F; 2025F EBITDA RM553m; 34x PE 2025F
Less: Holding co (debt)/cash	-348	-1%	
Total SOTP value	31,364		
Enlarged share base (m)	6,660		
Target Price (RM)	4.71		

Source: Sunway, UOB Kay Hian

TP SENSITIVITY ANALYSIS

2025F Estimated EBITDA (RMm)	553
2025F Estimated PAT (RMm)	306
Estimated Net Debt (RMm)	500
Our Current 100% Basis Valuation @ 20x 2025F EV/EBITDA	10,561
Stake	84%

EV/EBITDA (x)	100% Basis Healthcare Valuation	Implied Healthcare PE	TP Sensitivity
12	6,136	20	4.15
15	7,795	25	4.36
18	9,455	31	4.57
20	10,561	34	4.71
22	11,667	38	4.85
25	13,326	44	5.06
30	16,091	53	5.41
35	18,856	62	5.76

2026F Estimated EBITDA (RMm)	632
2026F Estimated PAT (RMm)	350
Estimated Net Debt (RMm)	700
Stake	84%

EV/EBITDA (x)	100% Basis Healthcare Valuation	Implied Healthcare PE	TP Sensitivity
12	6,882	20	4.25
15	8,778	25	4.48
18	10,674	30	4.72
20	11,937	34	4.88
22	13,201	38	5.04
25	15,097	43	5.28
30	18,256	52	5.68
35	21,416	61	6.08

Source: Sunway, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Net turnover	7,597	6,375	6,664	6,976
EBITDA	768	872	940	1,024
Deprec. & amort.	104	106	121	137
EBIT	664	766	819	887
Associate contributions	397	542	589	633
Net interest income/(expense)	(68)	(60)	(50)	(81)
Pre-tax profit	993	1,249	1,358	1,439
Tax	(138)	(173)	(188)	(200)
Minorities	(118)	(103)	(109)	(116)
Net profit	738	972	1,061	1,124
Net profit (adj.)	699	972	1,061	1,124

BALANCE SHEET

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Fixed assets	6,716	7,048	7,380	7,713
Other LT assets	9,849	10,391	10,979	11,612
Cash/ST investment	2,300	1,806	1,436	1,050
Other current assets	9,747	9,684	9,969	10,276
Total assets	28,613	28,928	29,765	30,651
ST debt	6,018	6,018	6,018	6,018
Other current liabilities	3,256	2,885	2,976	3,072
LT debt	3,633	3,633	3,633	3,633
Other LT liabilities	708	708	708	708
Shareholders' equity	13,855	14,438	15,074	15,749
Minority interest	1,143	1,247	1,356	1,472
Total liabilities & equity	28,613	28,928	29,765	30,651

CASH FLOW

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Operating	390	391	558	613
Pre-tax profit	993	1,249	1,358	1,439
Tax	(138)	(173)	(188)	(200)
Deprec. & amort.	104	106	121	137
Associates	(397)	(542)	(589)	(633)
Working capital changes	(482)	(308)	(194)	(212)
Non-cash items	310	60	50	81
Investing	(472)	(438)	(453)	(470)
Capex (growth)	(402)	(338)	(353)	(370)
Investments	(115)	(100)	(100)	(100)
Proceeds from sale of assets	208	-	-	-
Others	(163)	-	-	-
Financing	402	(448)	(474)	(530)
Dividend payments	(270)	(389)	(424)	(449)
Issue of shares	676	-	-	-
Proceeds from borrowings	479	-	-	-
Others/interest paid	(484)	(60)	(50)	(81)
Net cash inflow (outflow)	320	(495)	(369)	(387)
Beginning cash & cash equivalent	1,981	2,300	1,806	1,436
Changes due to forex impact	-	-	-	-
Ending cash & cash equivalent	2,300	1,806	1,436	1,050

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	10.1	13.7	14.1	14.7
Pre-tax margin	13.1	19.6	20.4	20.6
Net margin	9.2	15.2	15.9	16.1
ROA	3.0	4.1	4.4	4.5
ROE	6.6	8.9	9.4	9.7
Growth				
Turnover	21.4	(16.1)	4.5	4.7
EBITDA	7.7	13.5	7.8	8.9
Pre-tax profit	8.0	25.7	8.8	6.0
Net profit	9.0	31.8	9.1	5.9
Net profit (adj.)	20.9	39.0	9.1	5.9
EPS	(0.4)	23.8	9.1	5.9
Leverage				
Debt to total capital	64.3	61.5	58.7	56.0
Debt to equity	69.7	66.8	64.0	61.3
Net debt/(cash) to equity	53.1	54.3	54.5	54.6
Interest cover (x)	11.3	14.6	18.8	12.7

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