

UOBKH HIGHLIGHTS

Sunway Bhd (SWB MK/HOLD/RM3.91/Target: RM4.06)

2Q24: Above Expectation; Expect 2H24 To Be Even Stronger

Year to 31 Dec	2Q24 (RMm)	1Q24 (RMm)	2Q23 (RMm)	qoq % chg	yoy % chg	1H24 (RMm)	yoy % chg	Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Revenue	1,579.9	1,419.0	1,468.2	11.3	7.6	2,998.9	9.8	Net turnover	6,140	6,375	6,664	6,976
PD	371.9	287.7	362.1	29.2	2.7	659.6	8.2	EBITDA	768	877	950	1,039
Construction	381.1	372.5	404.1	2.3	(5.7)	753.6	2.9	Operating profit	664	766	819	887
PI	231.0	231.2	199.4	(0.1)	15.8	462.1	12.9	Net profit (rep./act.)	738	844	883	927
Pre-tax profit	341.0	226.7	203.0	50.4	68.0	567.7	43.7	Net profit (adj.)	699	844	883	927
PD	70.1	38.8	49.1	80.8	42.9	108.9	51.0	EPS (sen)	11.8	14.2	14.9	15.6
Construction	52.4	42.4	44.5	23.8	17.8	94.8	12.8	PE (x)	33.2	27.5	26.3	25.0
PI	86.2	69.4	33.9	24.1	154.5	155.6	53.9	P/B (x)	1.7	1.6	1.6	1.5
*Healthcare	49.3	36.8	37.7	34.0	30.8	86.1	29.4	EV/EBITDA (x)	40.2	35.2	32.5	29.8
PATAMI	270.5	172.2	149.9	57.0	80.4	442.7	51.8	Dividend yield (%)	1.4	1.6	1.6	1.6
Core net profit	200.8	170.4	158.5	17.8	26.7	371.2	24.5	Net margin (%)	12.0	13.2	13.2	13.3
								Net gearing (%)	53.1	52.7	54.4	55.8
PBT margin	%	%	%	+/- ppt	+/- ppt	%	+/- ppt	Interest cover (x)	11.3	14.7	19.0	12.9
PD	18.9	13.5	13.6	5.4	5.3	16.5	4.7	ROE (%)	5.6	6.0	6.1	6.1
Construction	13.8	11.4	11.0	2.4	2.7	12.6	1.1	UOBKH/Consensus (x)	-	1.06	1.00	0.93
PI	37.3	30.0	17.0	7.3	20.3	33.7	9.0					

* Equity accounting

Source: Sunway, UOB Kay Hian

RESULTS

• **Above expectations.** Sunway Berhad (Sunway) reported 2Q24 core net profit of RM200.8m (+18% qoq, +28% yoy) on revenue of RM1.6b (-11% qoq, +8% yoy). Cumulatively, 1H24 net profit of RM371m accounts for 50% of both our and consensus forecasts. We deem the results above expectation as we expect its Singapore project Parc Central to contribute RM130m-RM140m to net profit in 3Q24 (contribution has been delayed from 2Q24). We derived 1H24 net profit after excluding exceptional items of RM72m (mostly on fair value gain on investment property) from a reported net profit of RM442.7m. Overall, the stronger results were contributed by all business segments, particularly property development (PD) which saw higher progressive billings and commencement of billings from The Continuum in Singapore, as well as the construction segment (which saw accelerated progress for newer projects). Sunway has declared a dividend of 2 sen, flat yoy.

COMMENTS

- **Property sales of RM770m brings 1H24 sales to RM1.3b; on track to achieve its 2024 target of RM2.6b (+7% yoy).** Sunway launched projects worth RM811m in 1H24, with projects such as Sunway Aviana Phase 3 in Iskandar Malaysia (GDV:RM65m, launched in April with an 100% take-up rate) and Sunway Velocity 3 (GDV: RM566m, launched in May with a 46% take-up rate) performing well. Sunway's PD segment is expected to remain resilient on higher sales (+7% yoy), strong unbilled sales of RM4.5b (3.2x cover ratio) and lumpy recognition from its Singapore projects (we estimate RM130m-140m for Parc Central in 2Q24).
- **Healthcare arm reports 2Q24 core PAT of RM49.3m (+34% qoq, +31% yoy).** The yoy performance was driven by strong operational results from the three operating hospitals, in line with the increase in licensed bed capacity to 1,158 (1Q23: 866), but partially offset by higher staff costs from the increased headcount.
- **Construction arm's earnings remained strong, underpinned by its outstanding orderbook of RM7.4b** as of end-2Q24 (2x cover ratio). Management has also further revised its 2024 orderbook target to RM4b-5b (initially RM2.5b-3.0b), which is highly attainable in our opinion.
- **The property investment (PI) segment reported 2Q24 PAT of RM86.2m (+24% qoq, +154% yoy),** underpinned by higher occupancy and average room rates at their hotels as well as contribution from the leisure business.
- **We increased 2024-26 earnings forecasts by about 10% to account for:** a) higher construction earnings on the back of the upward revision to its orderbook targets, and b) its stronger property development segment. \

VALUATION/RECOMMENDATION

- **Maintain HOLD with a higher target price of RM4.06 (from RM3.80) as we increase our earnings base and imput a higher target price for Sunway Construction.** Our target price is based on SOTP valuation and implies a 2024-26F PE of 26-29x (+2SD above its five-year mean of 15.6x) and 2024-26F P/B of 1.6-1.7x (+3SD above its five-year mean of 0.9x).

ANALYST

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