

27 Feb 2025

Hold

Price
 RM4.64

Target Price
 RM4.90 (from RM5.05)

Market Data

Bloomberg Code	SWB MK
No. of shares (m)	6,222.9
Market cap (RMm)	28,874.3
52-week high/low (RM)	5.10 / 2.72
Avg daily turnover (RMm)	51.0
KLCI (pts)	1,588.7

Source: Bloomberg, CIMB Securities

Major Shareholder (%)

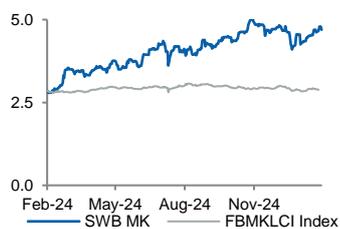
Tan Sri Dr. Jeffrey Cheah	(60.5%)
EPF	(6.5%)

Free Float 33.0

Source: Bloomberg, CIMB Securities

Performance

	3M	6M	12M
Absolute (%)	(5.8)	16.9	64.9
Rel Market (%)	(5.8)	20.7	64.9



Source: Bloomberg, CIMB Securities

Analyst

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Sunway

A healthy FY24

Sunway's FY24 results surpassed expectations; core profits surged 69% YoY to reach RM992m, boosted by improvements across all key operating units. However, we maintain our Hold rating on the stock with a lower SOTP-based TP of RM4.90 to reflect near-term uncertainties that the proposed diagnosis-related group pricing system may impose on the company's future healthcare business expansion plans.

Financial highlights

FYE Dec	2023	2024	2025F	2026F	2027F
Revenue (RMm)	6,136.2	7,882.5	8,221.3	8,504.0	9,128.3
Core net profit (RMm)	655.2	992.1	943.6	1,097.7	1,174.3
Core EPS (Sen)	12.1	15.6	14.6	16.6	17.7
EPS growth (%)	6.6	28.7	(6.6)	14.0	7.0
DPS (Sen)	5.5	6.0	5.0	6.0	7.0
Core PE (x)	38.3	29.8	31.9	28.0	26.2
Div yield (%)	1.2	1.3	1.1	1.3	1.5
ROE (%)	5.6	8.0	6.2	6.9	7.1
Net Gearing (%)	53.9	43.5	38.1	35.6	32.1
PBV(x)	1.8	1.9	2.0	1.9	1.8

Source: Company, CIMB Securities

Core profits surged 69% in FY24

Sunway's core profits grew 69% YoY to RM992m in FY24, boosted by improved performances across all key operating units and the RM124m recognition of development profits from the completion of Parc Central Residences in Singapore. The group's FY24 results surpassed expectations, coming in 114% higher than our forecast and 6% ahead of the street. Total revenue rose 28% YoY to RM7.9bn — the highest level on record since the company's listing on Bursa Malaysia in 2011. Sunway declared a second interim DPS of 4 sen, bringing total DPS to 6 sen in FY24 (+9% vs. our DPS forecast of 5.5 sen).

Healthy boost

The healthcare division was one of the stand-out performers in FY24, registering a 42% YoY pre-tax profit growth at RM216m. The strong performance was largely driven by the increase in number of licensed beds to 1,396 in FY24 (+24% vs. 1,130 in FY23); this was more than sufficient to offset start-up losses for SMC Damansara, which commenced operations in Dec 2024. Despite its expanded number of hospitals, the group managed to maintain its healthcare division's margins at 25% in FY24 (FY23: 26%).

Higher construction win target in FY25F

Sunway has set a higher order book replenishment target of RM4–6bn for FY25F (up from RM4–5bn in FY24). Construction pre-tax profits rose 42% YoY in FY24 (total new wins: RM4.2bn), primarily driven by the accelerated progress of data centre projects, which accounted for 55% of the group's outstanding order book worth RM5.8bn.

Property: Sunway beefing up its presence in Johor

Sunway solidified its position within Johor's property market after striking an agreement with MRT Corp to develop a transit-oriented, mixed-use project on 4.3 acres of land adjacent to the Johor Bahru–Singapore Rapid Transit System Link's Bukit Chagar Station (minimum gross development value: RM2.6bn). For FY25, the group is targeting a higher launch pipeline of RM3.6bn (+44% vs. FY23's RM2.7bn), with RM1.1bn coming from its Johor-based projects.

Maintain Hold with a lower TP of RM4.90

We maintain our Hold rating on Sunway with a lower SOTP-based TP of RM4.90 (from RM5.05). Rolling forward its valuation base to FY26F, this pegs the stock at a wider discount of 15% to its SOTP value (previously: 10%) to reflect near-term uncertainties the proposed diagnosis-related group pricing system may impose on the company's future healthcare

business expansion plans. We have also lowered the target EV/EBITDA multiple for Sunway's healthcare business to 23x (from 24x). At FY26F and FY27F PEs of 28x and 26x, respectively, the stock is trading at the higher end of its historical PE band vs. the modest FY25F–27F core EPS CAGR of 4.4%.

Exhibit 1: Financial results

YE 31 Dec (RM m)	FY23	FY24	% YoY	3Q24	4Q24	% QoQ
Turnover	6,136.2	7,882.5	28.5	2,029.0	2,854.6	40.7
Net operating cost	(5,623.6)	(7,157.3)		(1,830.5)	(2,635.6)	
EBIT	512.6	725.2	41.5	198.5	219.1	10.4
Interest Income	257.1	362.8	41.1	100.5	116.7	16.1
Interest Expense	(325.2)	(369.1)		(95.9)	(91.9)	
Pre-associates/JV Profit	444.4	718.9		203.1	243.8	
Associates/JVs	397.0	643.1		235.7	174.1	
Pre-exceptionals Profit	841.4	1,362.0		438.8	417.9	
Exceptionals	82.7	162.1		23.9	75.8	
Pretax profit	924.1	1,524.1	64.9	462.7	493.7	6.7
Taxation	(137.7)	(241.8)		(54.2)	(107.3)	
Minorities	(117.8)	(128.0)		(32.4)	(50.9)	
Net Profit	668.6	1,154.2	72.6	376.1	335.5	(10.8)
Core Net Profit	585.9	992.1	69.3	352.2	259.7	(26.3)
Core EPS (sen)	9.7	15.1		5.3	3.9	
Gross DPS (sen)	5.5	6.0		0.0	4.0	
BV/share (RM)	2.56	2.25		2.21	2.25	
EBIT Margin (%)	8.4	9.2		9.8	7.7	
Pretax Margin (%)	15.1	19.3		22.8	17.3	
Tax Rate (%)	14.9	15.9		11.7	21.7	
Segmental Breakdown (RM m)						
Revenue						
Property development	1,414.9	1,964.9	38.9	495.7	809.6	63.3
Property investment	898.6	988.7	10.0	271.7	254.9	(6.2)
Construction	1,688.9	2,464.1	45.9	610.7	1,099.8	80.1
Trading & manufacturing	954.6	1,143.2	19.7	284.5	362.1	27.3
Quarry	446.3	486.0	8.9	140.6	128.6	(8.6)
Healthcare	0.0	0.0	nm	0.0	0.0	nm
Investment holding & others	732.9	835.5	14.0	225.7	199.6	(11.6)
Total	6,136.2	7,882.5	28.5	2,029.0	2,854.6	40.7
Pre-tax profit						
Property development	211.6	456.6	115.8	185.1	162.5	(12.2)
Property investment	293.7	364.1	24.0	76.2	132.3	73.6
Construction	197.9	281.3	42.1	69.8	116.7	67.3
Trading & manufacturing	45.1	52.8	16.9	13.1	20.2	54.7
Quarry	27.5	53.0	92.6	12.5	18.1	45.0
Healthcare	152.7	216.2	41.6	63.0	67.0	6.3
Investment holding & others	64.9	100.2	54.5	42.9	(23.3)	nm
Total	993.3	1,524.1	53.4	462.7	493.7	6.7
Pre-tax margin (%)						
Property development	15.0	23.2		37.3	20.1	
Property investment	32.7	36.8		28.0	51.9	
Construction	11.7	11.4		11.4	10.6	
Trading & manufacturing	4.7	4.6		4.6	5.6	
Quarry	6.2	10.9		8.9	14.1	
Healthcare	nm	nm		nm	nm	
Investment holding & others	8.8	12.0		19.0	(11.7)	
Total	16.2	19.3		22.8	17.3	

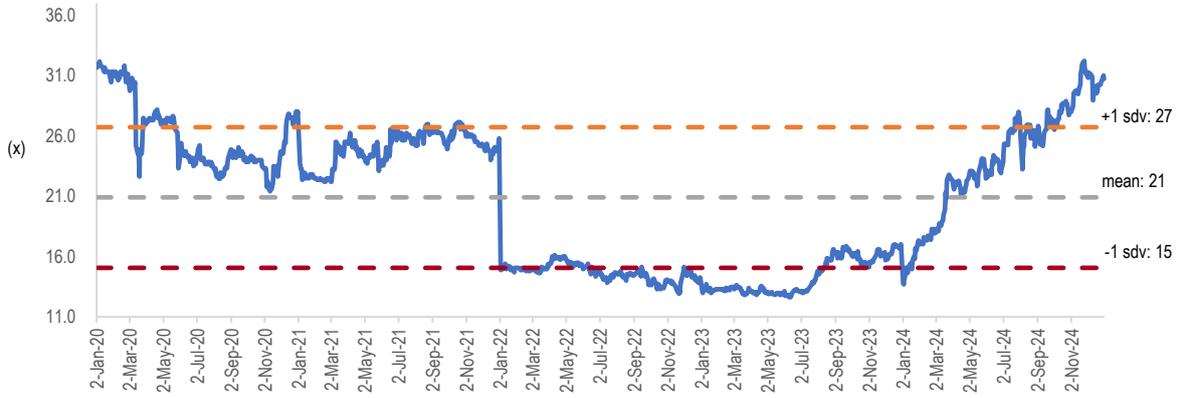
Source: Company, CIMB Securities

Exhibit 2: SOTP valuation

Division	Method	Stake (%)	Value (RM m)	Value (RM/share)	% of NAV
Property development	RNAV	various	10,590.2	1.60	27.8
Property investment	various	various	4,513.2	0.68	11.8
Healthcare	23x FY26F EV/EBITDA	84.0	12,882.4	1.95	33.8
Trading & manufacturing	15x FY26F net profit	100.0	913.4	0.14	2.4
Quarry	16x FY26F net profit	100.0	553.5	0.08	1.5
Others	FY23 net book value	n/a	2,730.6	0.41	7.2
Sunway Construction	Market value	64.6	3,624.7	0.55	9.5
Sunway REIT	Market value	40.9	2,646.8	0.40	6.9
Company level net debt	As of 31 Dec 2023		(292.2)	-0.04	(0.8)
NAV			38,162.7	5.77	100.0
FD no of shares (m)			6,618.6		
NAV/share			5.77		
TP (less 15% discount)			4.90		
Share price as of 26 February 2025 (RM)			4.64		
Upside (%)			5.6		
FY26F dividend yield (%)			1.1		
Total Return (%)			6.7		
Discount to SOP (%)			(19.5)		
Implied PE at TP			29.6		

Source: Company, Bloomberg, CIMB Securities

Exhibit 3: Historical PE band



Source: Company, Bloomberg, CIMB Securities

Income Statement

FYE Dec (RMm)	2023	2024	2025F	2026F	2027F
Revenue	6,136.2	7,882.5	8,221.3	8,504.0	9,128.3
EBITDA	725.4	869.3	994.8	1,062.7	1,098.2
Depreciation/Amortisation	(141.4)	(144.1)	(149.0)	(157.4)	(166.0)
Operating income (EBIT)	583.9	725.2	845.8	905.3	932.2
Other income & associates	397.7	643.1	429.6	492.5	535.3
Net interest	(70.9)	(6.3)	31.6	111.6	130.5
Exceptional items	82.7	162.1	0.0	0.0	0.0
Pretax profit	993.3	1,524.1	1,307.0	1,509.4	1,597.9
Taxation	(137.7)	(241.8)	(230.3)	(257.2)	(266.8)
Minorities/pref dividends	(117.8)	(128.0)	(133.1)	(154.5)	(156.8)
Net profit	737.9	1,154.2	943.6	1,097.7	1,174.3
Core net profit	655.2	992.1	943.6	1,097.7	1,174.3

Balance Sheet

FYE Dec (RMm)	2023	2024	2025F	2026F	2027F
Fixed assets	1,357.7	1,251.6	1,281.3	1,313.1	1,336.8
Intangible assets	454.4	441.8	442.6	443.9	444.7
Other long-term assets	16,827.0	16,867.5	17,406.9	18,129.5	18,894.7
Total non-current assets	18,639.1	18,560.9	19,130.8	19,886.5	20,676.3
Cash & equivalent	2,230.6	4,327.2	4,788.8	4,840.2	5,101.7
Stock	3,435.1	4,121.9	3,779.6	3,807.3	3,652.1
Trade debtors	4,145.1	4,407.6	4,054.4	4,077.2	4,251.5
Other current assets	67.5	64.3	64.3	64.3	64.3
Total current assets	9,878.3	12,921.0	12,687.0	12,789.1	13,069.6
Trade creditors	3,105.9	3,861.6	3,615.2	3,722.7	4,017.3
Short-term borrowings	5,986.5	5,943.3	7,330.2	7,221.2	7,112.2
Other current liabilities	82.8	83.1	83.1	83.1	83.1
Total current liabilities	9,175.2	9,888.0	11,028.6	11,027.1	11,212.6
Long-term borrowings	3,712.8	4,905.4	3,393.5	3,410.5	3,427.5
Other long-term liabilities	629.1	750.8	750.8	750.8	750.8
Total long-term liabilities	4,341.9	5,656.2	4,144.3	4,161.3	4,178.3
Shareholders' funds	13,850.4	14,990.4	15,564.6	16,252.3	16,963.3
Minority interests	1,149.9	947.2	1,080.3	1,234.9	1,391.7

Cash flow Statement

FYE Dec (RMm)	2023	2024	2025F	2026F	2027F
Pretax profit	993.3	1,524.1	1,307.0	1,509.4	1,597.9
Depreciation/Amortisation	141.4	144.1	149.0	157.4	166.0
Net change in working capital	(695.8)	(193.7)	449.3	56.8	275.5
Others	20.0	99.7	(691.5)	(861.4)	(932.6)
Cash flow from operations	459.0	1,574.1	1,213.8	862.3	1,106.9
Capital expenditure	(765.0)	(763.3)	(389.3)	(520.5)	(520.5)
Net investments & sale of fixed assets	210.0	33.3	100.0	100.0	100.0
Others	(3.4)	703.8	425.1	506.3	522.0
Cash flow from investing	(558.4)	(26.3)	135.8	85.8	101.5
Debt raised/(repaid)	581.1	1,149.4	(125.0)	(92.0)	(92.0)
Equity raised/(repaid)	676.4	217.4	0.0	0.0	0.0
Dividends paid	(179.7)	(176.1)	(369.4)	(409.9)	(463.3)
Others	(661.9)	(618.2)	(393.5)	(394.7)	(391.5)
Cash flow from financing	415.9	572.5	(887.9)	(896.7)	(946.8)
Net cash flow	316.4	2,120.4	461.6	51.4	261.5
Cash b/f	1,895.4	2,226.5	4,325.8	4,787.4	4,838.8
Cash c/f	2,226.5	4,325.8	4,787.4	4,838.8	5,100.3

Key Ratios

FYE Dec	2023	2024	2025F	2026F	2027F
Revenue growth (%)	18.1	28.5	4.3	3.4	7.3
EBITDA growth (%)	23.0	19.8	14.4	6.8	3.3
Pretax margins (%)	16.2	19.3	15.9	17.7	17.5
Net profit margins (%)	12.0	14.6	11.5	12.9	12.9
Interest cover (x)	8.2	115.5	26.8	8.1	7.1
Effective tax rate (%)	13.9	15.9	17.6	17.0	16.7
Net dividend payout (%)	36.6	31.9	35.1	36.2	39.5
Debtors turnover (days)	214	198	188	175	167
Stock turnover (days)	275	237	240	224	204
Creditors turnover (days)	232	218	227	217	212

Source: Bloomberg, CIMB Securities

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Buy	The stock's total return is expected to exceed 10% over the next twelve (12) months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next twelve (12) months.
Reduce	The stock's total return is expected to fall below 0% or more over the next twelve (12) months.
	<i>Note: The total expected return of a stock is defined as the sum of:</i> (a) <i>the percentage difference between the target price and the current price; and</i> (b) <i>the forward net dividend yields of the stock. Stock price targets have an investment horizon of twelve (12) months.</i>
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Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
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