

HLIB Research

PP 9484/12/2012 (031413)

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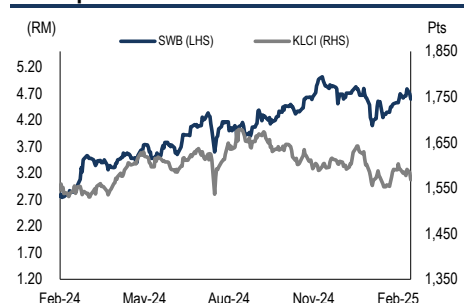
BUY (Maintain)

Target Price: **RM5.70**
Previously: **RM5.75**
Current Price: **RM4.63**

Capital upside	23.1%
Dividend yield	1.7%
Expected total return	24.8%

Sector coverage: Property

Company description: Sunway is a conglomerate that engages in property development, property investment, construction, leisure and hospitality, education, trading and manufacturing, building materials and healthcare.

Share price


Historical return (%)	1M	3M	12M
Absolute	8.9	-5.5	62.5
Relative	6.9	-4.6	59.4

Stock information

Bloomberg Ticker	SWB MK
Bursa Code	5211
Issued Shares (m)	6,178
Market cap (RM m)	28,604
3-mth avg. volume ('000)	9,559
SC Shariah-compliant	Yes
F4GBM Index member	Yes
ESG rating	★★★★

Major shareholders

Sungei Way Corp Sdn Bhd	45.5%
Jef-San Enterprise	10.2%
EPF	8.1%

Earnings summary

FYE (Dec)	FY24	FY25f	FY26f
PATMI – core (RM m)	920.9	935.0	1051.8
EPS – core (sen)	14.9	15.1	17.0
P/E (x) – FD	31.1	30.6	27.2

Sunway

Results above our expectation

Sunway reported 4Q24 core PATAMI of RM225.3m (-35.6% QoQ; +23.3% YoY), which brought FY24 sum to RM920.9m (+42.1% YoY). The results were above our but within consensus expectations, making up 107.2% and 98.7% of full-year forecasts, respectively. The positive deviation was due to stronger-than-expected performance from property development segment contributed from higher sales and billings from ongoing local projects. We revised upwards our FY25/26 forecasts by +7.2%/6.7% mainly to account for higher launch and sales assumptions for property development segment. Maintain BUY with a lower TP of RM5.70 (from RM5.75) based on SOP valuation, factoring in revised TP from SunCon (lower) and SunREIT (higher). The stock provides a good proxy to the domestic economy which is now entering a new phase of growth.

Above ours but within consensus. Sunway reported 4Q24 core PATAMI of RM225.3m (-35.6% QoQ; +23.3% YoY), which brought FY24 sum to RM920.9m (+42.1% YoY). The results were above our but within consensus expectations, making up 107.2% and 98.7% of full-year forecasts, respectively. The positive deviation was due to stronger-than-expected performance from property development segment.

Els. FY24 core PATAMI was arrived at after including payment to ICPS holders of -RM51.3m and subtracting net Els amounting to +RM182.0m mainly from FV gain on redemption of perpetual notes by an associate (+RM62.4m), FV gain of IP under SunREIT (+RM75.8m), FV gain of asset under management following reclassification of a Singapore asset from PPE to IP (+RM23.9m), net gain on disposal of PPE, associate and JV (+RM12.8m) and net impairment on financial and contract assets (-RM22.8m).

Dividend. 4.0 sen (4Q23: 3.5sen). FY24: 6.0 sen (FY23: 5.5 sen). Shareholders have the option to reinvest the entire or part of the 4.0 sen under the dividend reinvestment scheme (DRS) into new ordinary shares. Details on the DRS including the issue price of the new shares and price fixing date will be announced at a later date. The group also declared 2H24 preferential dividend of 2.625 sen, ex-date: 20 Mar 2025.

QoQ. Core PATAMI declined by -35.6%. Excluding payment to ICPS holders of RM25.7m in current quarter, core PATAMI declined by -28.3% mainly due to lower contribution from property development (PBT: -12.2%) coming from lumpy recognition of share of profit from Singapore EC Parc Central Residence amounting to RM124m in 3Q24.

YoY/YTD. Core PATAMI improved by +23.3% YoY and +42.1% YTD mainly driven by (i) property development (+135.5% YoY and +115.8% YTD in PBT) due to higher sales and progress billings from ongoing local projects as well as handover of completed projects such as Sunway V2 and Sunway Belfield; (ii) construction (+85.9% YoY and +42.1% YTD in PBT) due to accelerated progress in DC projects; and (iii) healthcare (+60.7% YoY and 41.6% YTD in share of profit) due to higher number of licensed beds in SMC Penang as well as better census performance across all three operating hospitals.

Property development. In 4Q24, Sunway recorded effective new sales of RM1.11bn (+128.9% QoQ; +282.8% YoY), which brought FY24 sum to RM2.58bn (+20.0% YoY), well above and making up 122.9% of its full-year sales target of RM2.1bn. The strong sales figure this quarter was mainly boosted by the strong take-up rate in the newly launched Novo Place EC in Singapore. The group launched RM1.2bn of products in 4Q24, which brought FY24 launch to RM2.74bn (-37.7% YoY). Effective unbilled sales as at 4Q24 stood at RM2.97bn, representing 1.51x cover of its FY24

property development revenue. We anticipate stronger FY25 contribution from higher billings from Singapore private condominiums and the ultra-high margin Sunway V3 as these projects enter into more advanced stage of construction.

Property investment. We anticipate SunREIT's earnings growth in FY25 to be fueled by the newly reopened "Oasis" area in Sunway Pyramid as well as contributions from new acquisitions of six hypermarkets (Apr 2024), Sunway 163 Mall and Prai Industrial (Oct 2024), Sunway Kluang Mall (Nov 2024) and upcoming Aeon Mall Seri Manjung (2H25). Further contributions are expected from Sunway group's property investment assets such as Sunway V2 Tower (NLA: 453k sqft) which is near full occupancy.

Healthcare. Healthcare reported 4Q24 share of net profit of RM67.0m (+6.3% QoQ; +60.7% YoY), which brought FY24 sum to RM216.2m (+41.6% YoY). The strong YTD performance was due to stronger operational performance from all its three hospitals supported by (i) higher number of licensed beds of 1,396 (from 1,130 beds in FY23) due to additions in SMC Penang; and (ii) better census performance compared to FY23. SMC Damansara recently opened in Dec 2024, while SMC Ipoh targets to open in Apr 2025.

Construction. SunCon current order book stands at RM5.8bn (1.6x cover on FY24 revenue). SunCon is anticipated to secure construction work for infrastructure and car park next to Bukit Chagar RTS station within the next few weeks. Encouragingly, tenders in the DC space remain robust. SunCon's total tenders have surged 38% QoQ to RM14.6bn, with 70% stemming from DC projects. We believe SunCon is well-positioned to capitalize on Johor's DC boom, leveraging its strong regional presence, proven track record, and strategic proximity to its precast plant in Johor.

Forecast. We revised upwards our FY25/26 forecasts by +7.2%/6.7% mainly to account for higher launch and sales assumptions for property development segment.

Maintain **BUY** with a slightly lower **TP** of **RM5.70** (from RM5.75) based on SOP valuation, factoring in revised TP from SunCon (lower) and SunREIT (higher). With the group's widening exposure in the Malaysian economy, the stock provides a good proxy to the domestic economy which is currently entering a new phase of growth. Moreover, in an environment of heightened geopolitical uncertainty and potential policy risks, particularly with the upcoming changes under the Trump administration, Sunway's predominantly domestic-focused business model stands out in its investment appeal given that it is less exposed to this risk.

Financial Forecast

FYE Dec (RM m)	FY22	FY23	FY24	FY25f	FY26f
Revenue	5,194.9	6,136.2	7,882.5	5,688.6	5,757.9
EBITDA	703.1	808.3	925.6	1,123.8	1,108.3
EBIT	572.6	666.6	887.3	931.7	904.6
PBT	909.2	993.3	1,524.1	1,238.1	1,346.6
PAT	744.9	855.7	1,282.3	1,047.8	1,155.4
PATMI – Core	566.7	648.0	920.9	935.0	1,051.8
PATMI – Reported	668.6	737.9	1,154.2	935.0	1,051.8
Shareholder's equity	12,519.7	13,850.4	14,990.4	14,892.2	15,476.5
Core EPS (sen)	9.2	10.5	14.9	15.1	17.0
P/E (x)	50.5	44.1	31.1	30.6	27.2
EV/EBITDA (x)	50.0	43.5	37.9	30.4	30.7
DPS (sen)	5.5	5.5	6.0	8.0	9.0
Yield (%)	1.2	1.2	1.3	1.7	1.9
BVPS (RM/share)	2.2	2.4	2.4	2.6	2.7
P/B (x)	2.1	1.9	1.9	1.8	1.7
ROE (%)	4.2%	4.3%	6.1%	5.8%	6.2%
Net Gearing (%)	48.4%	43.5%	40.9%	34.5%	32.0%

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Figure #1 Quarterly results comparison

FYE Dec (RM m)	4Q23	3Q24	4Q24	QoQ	YoY	FY23	FY24	YoY
Revenue	1,865.2	1,793.2	2,854.6	40.7%	53.1%	6,136.2	7,882.5	28.5%
Property Development	499.4	495.7	809.6	63.3%	62.1%	1,418.8	1,964.9	38.5%
Property Investment	256.3	271.7	254.9	-6.2%	-0.5%	898.4	988.7	10.1%
Construction	532.8	610.7	1,099.8	80.1%	106.4%	1,688.9	2,464.1	45.9%
Trading/Manufacturing	260.1	284.5	362.1	27.3%	39.2%	954.6	1,143.2	19.7%
Quarry	124.8	140.6	128.6	-8.6%	3.0%	446.3	486.0	8.9%
Investment	6.6	2.7	5.6	110.3%	-13.9%	23.7	13.0	-44.9%
Others	188.9	223.0	194.0	-13.0%	2.7%	709.2	822.5	16.0%
EBIT	294.1	222.4	294.9	32.6%	0.3%	666.6	887.3	33.1%
Net Interest	(24.2)	4.6	24.8	442.2%	N.M.	(70.9)	(6.3)	N.M.
Share of Associates/JCE	80.6	235.7	174.1	-26.1%	115.9%	397.7	643.1	61.7%
PBT	350.5	462.7	493.7	6.7%	40.9%	993.3	1,524.1	53.4%
Property Development	69.0	185.1	162.5	-12.2%	135.5%	211.6	456.6	115.8%
Property Investment	136.8	76.2	105.3	38.2%	-23.0%	315.9	337.1	6.7%
Construction	62.8	69.8	116.7	67.3%	85.9%	197.9	281.3	42.1%
Trading/Manufacturing	12.0	13.1	20.2	54.7%	68.6%	45.1	52.8	16.9%
Quarry	9.4	12.5	18.1	45.0%	93.0%	27.5	53.0	92.6%
Healthcare	41.7	63.0	67.0	6.3%	60.7%	152.7	216.2	41.6%
Investment	(16.8)	18.9	(35.5)	N.M.	N.M.	(3.0)	29.7	N.M.
Others	35.5	24.1	12.2	-49.1%	-65.5%	68.4	70.4	3.0%
PAT	317.4	408.5	386.4	-5.4%	21.7%	855.7	1,282.3	49.9%
MI	(51.4)	(32.4)	(50.9)	N.M.	N.M.	(117.8)	(128.0)	N.M.
Payment to ICPS holders	(25.7)	-	(25.7)	N.M.	0.0%	(51.3)	(51.3)	0.0%
PATAMI	266.0	376.1	335.5	-10.8%	26.1%	737.9	1,154.2	56.4%
EI	57.5	25.9	84.5	226.0%	46.8%	38.6	182.0	371.8%
Core Earnings	182.8	350.2	225.3	-35.6%	23.3%	648.0	920.9	42.1%

				ppts change	ppts change			ppts change
EBIT margin	15.8%	11.0%	10.3%	(0.6)	(5.4)	11%	11%	0.4
PBT margin	18.8%	22.8%	17.3%	(5.5)	(1.5)	16%	19%	3.1
PAT margin	9.8%	17.3%	7.9%	(9.4)	(1.9)	11%	12%	1.1

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Figure #2 SOP table

Division	Stake	Value (RM m)	RM/share	Methodology
Sunway Construction	54.56%	3,377	0.51	based on TP of RM4.80
Sunway REIT	40.88%	2,856	0.43	based on TP of RM2.04
Property Development & Investment	100%	12,681	1.91	based on 15% discount to RNAV
Healthcare	84%	17,182	2.59	based on 25x of FY26 EV/EBITDA
Trading/Manufacturing	100%	413	0.06	12x trailing P/E
Quarry	100%	291	0.04	12x trailing P/E
Building materials, pharmacy and others	100%	1,005	0.15	based on FY23 book value
		37,803	5.70	

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Published & printed by:

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Stock rating guide

BUY	Expected absolute return of +10% or more over the next 12 months.
HOLD	Expected absolute return of -10% to +10% over the next 12 months.
SELL	Expected absolute return of -10% or less over the next 12 months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
NOT RATED	Stock is not or no longer within regular coverage.

Sector rating guide

OVERWEIGHT	Sector expected to outperform the market over the next 12 months.
NEUTRAL	Sector expected to perform in-line with the market over the next 12 months.
UNDERWEIGHT	Sector expected to underperform the market over the next 12 months.

The stock rating guide as stipulated above serves as a guiding principle to stock ratings. However, apart from the abovementioned quantitative definitions, other qualitative measures and situational aspects will also be considered when arriving at the final stock rating. Stock rating may also be affected by the market capitalisation of the individual stock under review.