

27 February 2025

Sunway

Better Earnings

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SUNWAY's FY24 results beat expectations with better-than-expected earnings growth seen across all business segments. We believe SUNWAY will stay in the spotlight from the upbeat sentiment in the property development sector and the upcoming spin-off of its healthcare unit. We maintain our TP of RM3.35 and our UNDERPERFORM call as current valuations still appear pricey.

SUNWAY's FY24 core net profit of RM1.2b came above our expectations, making up 115% of our forecast and consensus estimate at 108%. The positive deviation against our forecast came largely from better-than-expected sales and progress billings from ongoing local property development projects.

YoY, its FY24 revenue rose 29%, driven largely by construction segment (+46%) which was supported by projects under the segment. The property development (+39%) and trading and manufacturing (+20%) segments also benefited from accelerated progress in data centre projects, and local development projects. Its core net profit rose by 68% from better operating performance across all business segments.

QoQ, its 4QFY24 revenue increased 41% from the above-mentioned reasons. However, its core net profit declined by 4% from higher taxes during the period.

Outlook. SUNWAY maintains a positive outlook across its business segments, with the property division focusing on new launches in established townships. In FY24, the group achieved RM3.0b sales, which exceeded its target by 16%, with 41% of sales originating from the Klang Valley. However, property launched saw a decline of RM2.7b (FY23: RM4.4b).

Its construction unit has achieved RM4.2b order book replenishment with 70% of it being data centre projects. The group's target for FY25 is RM4.5b-RM6.0b. Its healthcare unit is poised to benefit from medical tourism and two new hospitals under its stable, i.e. Sunway Medical Centre Damansara which commenced operations in December 2024 and Sunway Medical Centre Ipoh which is on track for opening in 1QFY25.

Forecasts. We increase our FY25F earnings by 16% from our expectations of better sales, healthcare, and construction segment, and introduce our FY26F numbers.

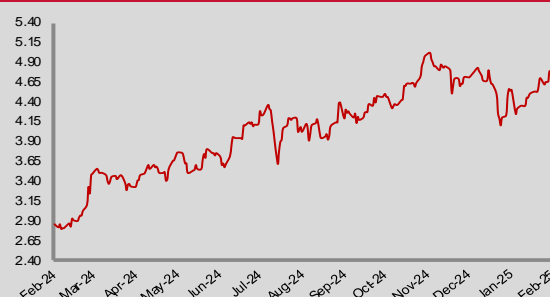
Valuations. We maintain SoP-TP of RM3.35 while we maintain our 55% discount to RNAV for SUNWAY's property development segment (in line with industry peers) (see Page 3). There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 5).

Investment case. We like SUNWAY for: (i) having an eye for good land parcels, enabling it to execute quick turnaround for its property projects, (ii) its growing private healthy business backed by a pipeline of new medical centres within brownfield townships, (iii) a diversified range of investment assets that provides recurring incomes, and (iv) its well-established Sunway brand. However, its valuations appear excessive following the run-up in its share prices. A strong rerating could be a higher-than-expected listing valuation for its healthcare unit. Maintain **UNDERPERFORM**.

UNDERPERFORM ↔

Price : RM4.63
Target Price : RM3.35 ↔

Share Price Performance



KLCI	1,588.71
YTD KLCI chg	-3.3%
YTD stock price chg	-3.3%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SWB MK Equity
Market Cap (RM m)	28,604.0
Shares Outstanding	6,178.0
52-week range (H)	5.02
52-week range (L)	2.79
3-mth avg. daily vol.	9,558,663
Free Float	44%
Beta	1.20

Major Shareholders

Sungei Way Corp SdnBhd	45.5%
Cheah Fook Ling	10.2%
Employees Provident Fund	8.1%

Summary Earnings Table

FYE Dec (RM m)	2024A	2025F	2026F
Turnover	7,882.5	8,468.3	8,847.4
Operating Profit	886.5	956.5	1,012.1
Profit Before Tax	1,524.4	1,391.4	1,478.6
Net Profit	1,154.5	1,064.4	1,131.1
Core Net Profit	1,006.2	1,064.4	1,131.1
Consensus (NP)	-	993.6	1,095.0
Earnings Revision	-	+16%	NEW
Core EPS (sen)	11.6	14.8	15.6
Core EPS Grwth (%)	9.7	27.2	5.0
NDPS (sen)	5.5	6.0	6.5
BVPS (RM)	2.3	2.5	2.6
PER (x)	42.4	33.4	31.8
PBV (x)	2.1	2.0	1.9
Net Gearing (x)	0.5	0.4	0.4
Net Div. Yield (%)	1.1	1.2	1.3

* Defined as core earnings attributable to ordinary shareholders excluding preferential dividends owing to ICPS issuances

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Giving some benefit for higher value. Amid the recent run up in share price, we opine that it is driven by: (i) better sentiment in property developers, and (ii) higher expectations for Sunway Healthcare.

Risks to our call include: (i) a strong pick-up in the property, hospitality, and MICE sectors, (ii) a decline in mortgage rates boosting affordability, and (iii) improved spending confidence, prompting consumers to buy big-ticket items including properties.

Results Highlight

	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
FYE Dec (RM m)	FY24	FY24	Chg	FY23	Chg	FY24	FY23	Chg
Revenue	2,854.6	2,029.0	40.7%	1,865.2	53.1%	7,882.5	6,136.2	28.5%
Operating Expenses	-2,672.0	-1,867.3	43.1%	-1,729.7	54.5%	-7,285.8	-5,695.7	27.9%
Other Operating Income	114.6	64.1	78.7%	179.9	-36.3%	313.4	254.4	23.2%
Net Impairment Losses	-2.4	-3.4	-29.0%	-21.2	-88.6%	-23.5	-28.3	-17.0%
Operating Profit	294.9	222.4	32.6%	294.1	0.3%	886.5	666.6	33.0%
Net Interest Income/(Expense)	24.8	4.6	442.2%	-24.2	-202.2%	-6.3	-70.9	-91.1%
Associates/Joint Ventures	174.1	235.7	-26.1%	80.6	115.9%	643.1	397.7	61.7%
Extraordinary Items	1.0	0.0	N.M	0.0	N.M.	1.0	0.0	N.M
Profit before tax	494.7	462.7	6.9%	350.5	41.1%	1,524.4	993.3	53.5%
Taxation	-107.3	-54.2	98.1%	-33.1	224.4%	-241.8	-137.7	75.6%
Minority Interest	-50.9	-32.4	57.2%	-51.4	-1.0%	-128.0	-117.8	8.7%
Net Profit	336.5	376.1	-10.5%	266.0	26.5%	1,154.5	737.9	56.5%
Core Net Profit	335.5	350.4	-4.3%	177.9	88.6%	1,006.2	598.4	68.1%
Operating Margin	10.3%	11.0%		15.8%		11.2%	10.9%	
Pretax Margin	17.3%	22.8%		18.8%		19.3%	16.2%	
Net Margin	11.8%	17.3%		9.5%		12.8%	9.8%	
Effective Tax Rate	21.7%	11.7%		9.4%		15.9%	13.9%	
Net Gearing (x)	0.44	0.44		0.50		0.54	0.50	

Source: Company, Kenanga Research

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Segmental Breakdown

FYE Dec (RM m)	4Q FY24	3Q FY24	QoQ Chg	4Q FY23	YoY Chg	12M FY24	12M FY23	YoY Chg
Revenue								
Property Development	809.6	495.7	63.3%	499.4	62.1%	1,964.9	1,418.8	38.5%
Property Investment	254.9	271.7	-6.2%	256.3	-0.5%	988.7	898.4	10.1%
Construction	1,099.8	610.7	80.1%	532.8	106.4%	2,464.1	1,688.9	45.9%
Trading and Manufacturing	362.1	284.5	27.3%	260.1	39.2%	1,143.2	954.6	19.7%
Quarry	128.6	140.6	-8.6%	124.8	3.0%	486.0	446.3	8.9%
Healthcare	0.0	0.0	N.M	0.0	N.M.	0.0	0.0	N.M
Investment Holdings	5.6	2.7	110.3%	23.7	-76.1%	13.0	23.7	-44.9%
Others	194.0	223.0	-13.0%	171.8	12.9%	822.5	709.2	16.0%
Total Revenue	2,854.6	2,029.0	40.7%	1,868.8	52.8%	7,882.5	6,139.8	28.4%
Profit Before Tax								
Property Development	162.5	185.1	-12.2%	69.0	135.5%	456.6	211.6	115.8%
Property Investment	132.3	76.2	73.6%	68.5	93.3%	364.1	224.7	62.0%
Construction	116.7	69.8	67.3%	62.8	85.9%	281.3	197.9	42.1%
Trading and Manufacturing	20.2	13.1	54.7%	12.0	68.6%	52.8	45.1	16.9%
Quarry	18.1	12.5	45.0%	9.4	93.0%	53.0	27.5	92.6%
Healthcare	67.0	63.0	6.3%	41.7	60.7%	216.2	152.7	41.6%
Investment Holdings	-35.5	18.9	-288.4%	-3.0	1077.0%	29.7	-3.0	-1084.4%
Others	12.2	24.1	-49.1%	2.0	525.6%	70.4	48.6	45.0%
Total Profit Before Tax	493.7	462.7	6.7%	262.3	88.2%	1,524.1	905.1	68.4%
Pre-tax Margin								
Property Development	20.1%	37.3%		13.8%		23.2%	14.9%	
Property Investment	51.9%	28.0%		26.7%		36.8%	25.0%	
Construction	10.6%	11.4%		11.8%		11.4%	11.7%	
Trading and Manufacturing	5.6%	4.6%		4.6%		4.6%	4.7%	
Quarry	14.1%	8.9%		7.5%		10.9%	6.2%	
Healthcare	N.M	N.M		N.M		N.M	N.M	
Investment Holdings	-629.2%	702.3%		-12.8%		228.1%	-12.8%	
Others	6.3%	10.8%		1.1%		8.6%	6.9%	
Total Pre-tax Margin	17.3%	22.8%		14.0%		19.3%	14.7%	

* Discrepancies exist in the segmental breakdown as compared to group-level numbers due to the unavailability of its restated numbers

^ excluding extraordinary items

Source: Company, Kenanga Research

SUNWAY's SoP

Segment	Value (RMm)	Valuation basis
Property Development	3,932.7	55% discount to RNAV
Property Investment (backed by 40.9%-owned associate Sunway REIT)	3,281.4	Kenanga's TP of RM2.07 for SREIT
Construction (via 54.4%-owned Sunway Construction)	3,170.5	Kenanga's TP of RM4.52 for SunCon
Trading & Manufacturing	480.1	P/E of 10x on FY25 earnings
Quarry	121.3	P/E of 12x on FY25 earnings
Healthcare	9,248.4	20x on FY25 EV/EBITDA
Investment Holdings & Others	245.0	P/E of 7x on FY25 earnings
Net cash / (debt) at holding company level	-600	As at 31 Dec 2023
Aggregate Valuation	19,879.4	
No of shares (m)	5,941.4	
FV per share (RM)	3.35	

Source: Company, Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)		ROE		Net Div. (sen)		Net Div Yld	
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.
PROPERTY DEVELOPERS																					
IOI PROPERTIES GROUP BHD	UP	1.99	1.69	-15.1%	10,957.2	N	06/2025	9.8	10.5	5.1%	8.0%	20.4	18.9	0.4	2.2%	4.5	2.3%				
MAH SING GROUP BHD	OP	1.31	2.32	77.1%	3,353.8	Y	12/2024	10.2	11.0	14.6%	8.5%	12.9	11.9	0.8	6.5%	4.0	3.1%				
MKH BHD	OP	1.09	1.64	50.5%	629.1	Y	09/2025	14.6	15.4	15.7%	5.7%	7.5	7.1	0.3	4.0%	4.0	3.7%				
S P SETIA BHD	UP	1.34	1.25	-6.7%	6,703.4	Y	12/2024	8.8	5.8	97.5%	-34.2%	15.2	23.1	0.4	3.5%	5.0	3.7%				
SIME DARBY PROPERTY BHD	OP	1.47	1.79	21.8%	9,997.2	Y	12/2025	8.0	8.1	36.7%	1.4%	18.4	18.1	0.9	5.2%	2.8	1.9%				
SUNWAY BHD	UP	4.63	3.35	-27.6%	28,604.0	Y	12/2025	14.7	15.4	27.2%	5.0%	31.5	30.0	1.8	6.7%	6.0	1.3%				
UOA DEVELOPMENT BHD	MP	1.78	1.82	2.2%	4,670.3	Y	12/2025	10.5	11.0	4.9%	4.9%	17.0	16.2	0.8	4.5%	10.0	5.6%				
SECTOR AGGREGATE					64,915.0					26.4%	-0.3%	22.0	22.1	0.8	4.6%						

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★		
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	☆		
	Anti-Corruption Policy	★	★	☆		
	Emissions Management	★	★	☆		
SPECIFIC	Product Quality & Safety	★	★	★	★	
	Effluent/Water Management	★	★	★		
	Waste Management	★	★	★		
	Biodiversity & Conservation	★	★	★	☆	
	Green Building	★	★	★		
	Supply Chain Management	★	★	★		
OVERALL		★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock’s Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock’s Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector’s Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector’s Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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