

COMPANY RESULTS

Sunway (SWB MK)

4Q24: Above expectations; Maintain HOLD On Rich Valuation

Sunway results beat our and the street's expectations, driven by strong performances in the property development, construction, and healthcare segments. Following the recent landbank replenishment for RTS Bukit Chagar Station in Feb 25, the group plans to launch more properties in Sunway City Iskandar Puteri and Johor Bahru, riding on the growing demand from JS-SEZ. Maintain HOLD with a higher target price of RM4.82 (from RM4.71).

4Q24 RESULTS

Year to 31 Dec (RMm)	4Q24	3Q24	4Q23	qoq %chg	yoy %chg	2024	yoy %chg
Revenue	2,854.6	2,029.0	1,868.8	40.7	52.8	7,882.5	28.4
Property Development	809.6	495.7	499.4	63.3	62.1	1,964.9	38.5
Construction	1,099.8	610.7	532.8	80.1	106.4	2,464.1	45.9
Property Investment	254.9	271.7	256.3	(6.2)	(0.5)	988.7	10.1
Pre-tax profit	493.7	462.7	350.4	6.7	40.9	1,524.1	53.4
Property Development	162.5	185.1	69.0	(12.2)	135.5	456.6	115.8
Construction	116.7	69.8	62.8	67.3	85.9	281.3	42.1
Property Investment	132.3	76.2	68.9	73.6	92.2	364.1	61.7
*Healthcare PAT (equity accounting)	67.0	63.0	41.7	6.3	60.7	216.2	41.6
PATAMI	335.5	376.1	265.9	(10.8)	26.2	1,154.2	56.4
Core net profit	251.0	350.2	212.1	(28.3)	18.4	1,005.8	43.9
Pre-tax Margins (%)	%	%	%	+ppt	+ppt	%	+ppt
Property Development	20.1	37.3	13.8	(17.3)	6.3	23.2	8.3
Construction	10.6	11.4	11.8	(0.8)	(1.2)	11.4	(0.3)
Property Investment	51.9	28.0	26.9	23.9	25.1	36.8	11.8

Source: Sunway, UOB Kay Hian

RESULTS

• **Strong set of results.** Sunway Berhad (Sunway) reported 4Q24 core net profit of RM251m (-28.3% qoq, +18.4% yoy) on revenue of RM2,854.6m (+40.7% qoq, +52.8% yoy). This brings 2024 net profit to RM1.0b (+43.9% yoy), which is 23%/8% higher than our and consensus forecasts. We derived our 4Q24 core net profit after excluding exceptional items of RM84.5m, mainly on: a) fair value gain of RM72.9m on revaluation of assets under the property development and investment segment; and b) net reversal on impairment in an associate of RM17.5m. The outperformance was due to higher-than-expected sales and progress billings from ongoing projects, as well as higher project launches going into 4Q24.

KEY FINANCIALS

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	6,136.2	7,882.5	8,178.5	8,872.3	9,627.8
EBITDA	808.0	1,031.4	1,194.6	1,345.4	1,482.8
Operating profit	666.6	887.3	1,003.6	1,121.2	1,224.1
Net profit (rep./act.)	789.2	1,154.2	1,182.4	1,274.9	1,341.1
Net profit (adj.)	750.6	1,005.8	1,182.4	1,274.9	1,341.1
EPS (sen)	12.6	15.1	17.8	19.1	20.1
PE (x)	36.6	30.7	26.1	24.2	23.0
P/B (x)	2.0	2.1	2.0	1.9	1.8
EV/EBITDA (x)	43.4	33.0	29.6	26.8	24.8
Dividend yield (%)	1.2	1.3	1.5	1.7	1.7
Net margin (%)	12.2	12.8	14.5	14.4	13.9
Net debt/(cash) to equity (%)	53.1	43.5	48.9	50.2	51.3
Interest cover (x)	11.4	164.3	24.1	16.7	11.0
ROE (%)	7.0	9.0	10.2	10.7	10.8
Consensus net profit	-	-	993.6	1,095.0	1,435.0
UOBKH/Consensus (x)	-	-	1.2	1.2	0.9

Source: Sunway, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM4.63
Target Price	RM4.82
Upside	+4.0%
(Previous TP)	RM4.71

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):	6,178.0
Market cap (RMm):	28,604.0
Market cap (US\$m):	6,459.4
3-mth avg daily t'over (US\$m):	9.8

Price Performance (%)

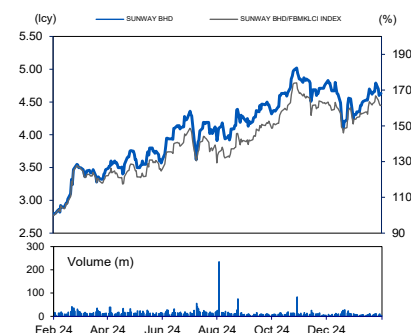
52-week high/low RM5.10/RM2.72

1mth	3mth	6mth	1yr	YTD
1.8	(6.3)	12.4	64.8	(3.3)

Major Shareholders

	%
Sungei Way Corp Sdn Bhd	45.5
Jef-San Enterprise Sdn Bhd	10.2
EPF	8.11
FY25 NAV/Share (RM)	2.38
FY25 Net Debt/Share (RM)	2.05

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Registered strong property sales of RM1.16b in 4Q24**, marking 2.1x and 3.3x the sales in 3Q24 and 4Q23, respectively. This brings total sales to RM3.01b in 2024, surpassing its RM2.6b target by 15.8%. The outperformance was driven by higher-than-expected project launches and good take-up rates. Notably, its Singapore project, Novo Place, contributed 35% of the total GDV launches in 2024 and achieved an impressive 88% take up rate as of end-Dec 24, shortly after its Nov 24 launch. Overall, Sunway launched seven projects worth RM2.1b (4Q24: RM1.29b), exceeding its target of RM2.1b by 30.5%. The other two projects which were launched/pre-launched in Dec 24 had a take up rate of about 10% (Sunway Wellesley, Penang) and 26% (Sunway Bayu, Perak) as of end-Jan 25. Sunway's overall property segment is expected to remain resilient, supported by strong unbilled sales of RM3.3b (1.7x cover ratio).
- As of end-Dec 24, the company had a remaining landbank of 2,208 acres worth RM59.2b GDV, with 47%/31% located in Klang Valley/Johor respectively. Net gearing ratio rose to 40.9% as of end-Dec 24, from 39.8% as of end-Sep 24. We expect that to further grow to around 44% after including its latest landbank replenishment in RTS Link Bukit Chagar.
- Healthcare: Launch of SMC Ipoh to be pushed back to 2Q25.** The segment reported a 4Q24 net profit share of RM67.0m (+6.3% qoq, +60.7% yoy), bringing the 2024 total to RM216.2m (+41.6% yoy). The strong quarter performance was attributed to increased patients and licensed beds (+266 yoy to 1,396 beds). However, that was partially offset by higher operating expense, finance cost from higher capital expenditure, and start-up operational losses from SMC Damansara amounting to RM6.2m in Dec 24. The company has pushed back its plan to launch SMC Ipoh in 1Q25 to 2Q25.
- Construction: Strong orderbook replenishment from data centre projects.** The construction arm's contribution to the group's profit before tax rose to 23.6% in 4Q24 (vs 3Q24/4Q23: 15.1%/22.2%) driven by the accelerated progress of data-centre projects. Its orderbook replenishment of RM4.2b in 2024 was within its targeted range of RM4b-5b. Looking ahead, it has a targeted orderbook replenishment of RM4.5b-6.0b. Revenue from property investment dropped to RM255m (-6% qoq; -1% yoy) in 4Q24, due to less visitors at its theme parks and lower occupancy rates for the hospitality segment, because of shorter school holidays in 4Q24.

EARNINGS REVISION/RISK

- We lift our 2025-26 earnings by 32-33% on higher revenue growth assumptions and JV income due to higher contribution from the healthcare segment.

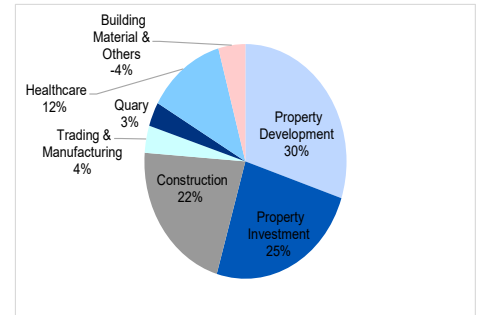
VALUATION/RECOMMENDATION

- Maintain HOLD with a higher target price of RM4.82 (from RM4.71)**, as we: a) increase our earnings base; b) incorporate the recent landbank replenishment; c) update REIT and construction target prices to reflect the latest valuations. Our target price is based on SOTP valuation and implies a 2025-27F PE of 24-27x (+1.5SD above its five-year mean of 15.6x) and 2024-26F P/B of 1.9-2.0x (+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 share price, driven by the strong performance in its results and potential catalysts such as the IPO of its healthcare segment.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

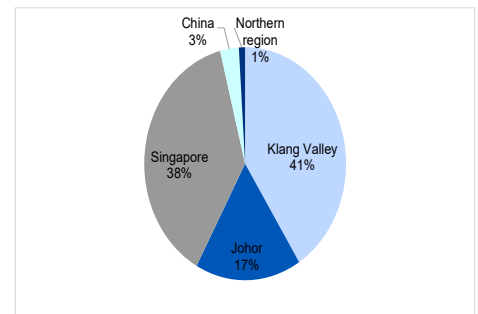
<ul style="list-style-type: none"> Environmental <ul style="list-style-type: none"> Installed photovoltaic solar panels at most of its properties Social <ul style="list-style-type: none"> Launched Sunway Cancer Support Fund Governance <ul style="list-style-type: none"> Good company transparency along with an anti-bribery and anti-corruption policy.

PBT BREAKDOWN IN 4Q24



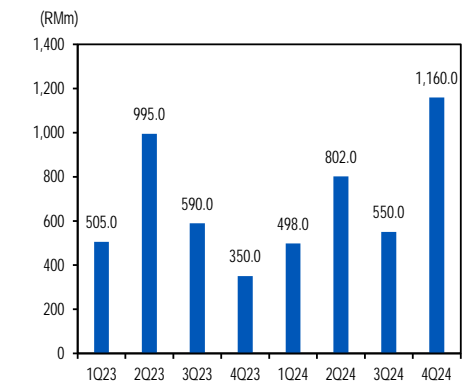
Source: Sunway, UOB Kay Hian

PROPERTY SALES BY GEOGRAPHY IN 2024



Source: Sunway, UOB Kay Hian

PROPERTY QUARTERLY SALES TREND



Source: Sunway, UOB Kay Hian

SOTP-BASED VALUATION

Segment	(RMm)	% of SOTP	Remarks
Property development	13,858	43%	15% discount to property RNAV
REIT (40.9% stake)	2,871	9%	Valuation based on TP of RM2.00, based on DDM
Construction (54.4% stake)	3,277	10%	Valuation based on TP of RM4.54, 21x 2025F PE
Quarry & building materials	388	1%	15x PE 2025F quarry profits
Trading	1,007	3%	15x PE 2025F trading profits
Investment Properties	2,145	7%	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	32,070		
Enlarged share base (m)	6,660		
Target Price (RM)	4.82		

Source: Sunway, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	7,882.5	8,178.5	8,872.3	9,627.8
EBITDA	1,031.4	1,194.6	1,345.4	1,482.8
Deprec. & amort.	144.1	191.0	224.1	258.7
EBIT	887.3	1,003.6	1,121.2	1,224.1
Associate contributions	643.1	643.1	643.1	643.1
Net interest income/(expense)	(6.3)	(49.7)	(80.7)	(134.5)
Pre-tax profit	1,524.1	1,597.1	1,683.7	1,732.7
Tax	(241.8)	(253.4)	(267.2)	(242.6)
Minorities	(128.0)	(161.2)	(141.7)	(149.0)
Net profit	1,154.2	1,182.4	1,274.9	1,341.1
Net profit (adj.)	1,005.8	1,182.4	1,274.9	1,341.1

CASH FLOW

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	1,574.1	9.0	678.6	804.5
Pre-tax profit	1,524.1	1,597.1	1,683.7	1,732.7
Tax	(241.8)	(253.4)	(267.2)	(242.6)
Deprec. & amort.	144.1	191.0	224.1	258.7
Associates	(643.1)	(643.1)	(643.1)	(643.1)
Working capital changes	330.7	(932.1)	(399.6)	(435.7)
Non-cash items	460.2	49.7	80.7	134.5
Investing	(26.3)	(636.4)	(681.9)	(731.4)
Capex (growth)	(427.7)	(536.4)	(581.9)	(631.4)
Investments	0.3	(100.0)	(100.0)	(100.0)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	401.1	0.0	0.0	0.0
Financing	572.5	(1,749.5)	(590.6)	(671.0)
Dividend payments	(297.5)	(473.0)	(510.0)	(536.4)
Issue of shares	217.4	0.0	0.0	0.0
Proceeds from borrowings	1,340.2	(1,226.9)	0.0	0.0
Others/interest paid	(687.5)	(49.7)	(80.7)	(134.5)
Net cash inflow (outflow)	2,120.4	(2,376.8)	(593.8)	(597.8)
Beginning cash & cash equivalent	2,235.3	4,355.7	1,978.9	1,385.0
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	4,355.7	1,978.9	1,385.0	787.2

BALANCE SHEET

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	6,370.1	7,279.4	7,737.2	8,209.9
Other LT assets	10,349.6	10,992.7	11,635.8	12,279.0
Cash/ST investment	4,355.7	1,978.9	1,385.0	787.2
Other current assets	10,435.0	10,249.9	10,903.5	11,615.3
Total assets	31,510.4	30,500.9	31,661.5	32,891.3
ST debt	5,971.8	6,017.6	6,017.6	6,017.6
Other current liabilities	3,944.7	3,291.4	3,545.4	3,821.5
LT debt	4,905.4	3,632.7	3,632.7	3,632.7
Other LT liabilities	750.8	750.8	750.8	750.8
Shareholders' equity	14,990.4	15,699.9	16,464.8	17,269.5
Minority interest	947.2	1,108.5	1,250.1	1,399.1
Total liabilities & equity	31,510.4	30,500.9	31,661.5	32,891.3

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	13.1	14.6	15.2	15.4
Pre-tax margin	19.3	19.5	19.0	18.0
Net margin	12.8	14.5	14.4	13.9
ROA	4.0	4.8	5.1	5.2
ROE	9.0	10.2	10.7	10.8
Growth				
Turnover	28.5	3.8	8.5	8.5
EBITDA	27.6	15.8	12.6	10.2
Pre-tax profit	53.4	4.8	5.4	2.9
Net profit	46.3	2.4	7.8	5.2
Net profit (adj.)	34.0	17.6	7.8	5.2
EPS	19.5	17.6	7.8	5.2
Leverage				
Debt to total capital	68.2	57.4	54.5	51.7
Debt to equity	72.6	61.5	58.6	55.9
Net debt/(cash) to equity	43.5	48.9	50.2	51.3
Interest cover (x)	164.3	24.1	16.7	11.0

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