



AmInvestment Bank

## Company report

## SUNWAY

(SWB MK EQUITY, SWAY.KL)

28 Feb 2022

FY21 core net profit up 16% YoY

BUY

(Maintained)

## AmInvestment Bank

Team Coverage

03-2036 2299

Rationale for report: Company results

Price	RM1.68
Fair Value	RM2.27
52-week High/Low	RM1.82/RM1.47

## Key Changes

Fair value	↑
EPS	↔

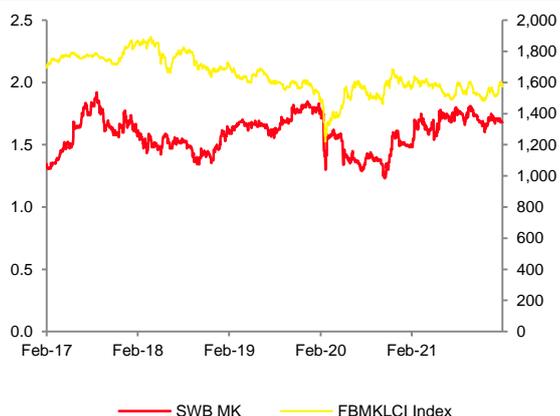
YE to Dec	FY21	FY22F	FY23F	FY24F
Revenue (RM mil)	3,714.2	6,636.9	7,114.6	5,793.0
Core net profit (RM mil)	390.9	519.3	591.9	740.3
FD Core EPS (sen)	8.0	10.6	12.1	15.1
FD Core EPS growth (%)	16.3	32.8	14.0	25.1
Consensus Net Profit (RM mil)		472.6	587.1	666.0
DPS (sen)	1.5	3.0	4.9	7.5
PE (x)	21.0	15.8	13.9	11.1
EV/EBITDA (x)	29.7	24.2	21.6	16.1
Div yield (%)	0.9	1.8	2.9	4.5
ROE (%)	24.7	4.7	5.7	7.5
Net Gearing (%)	44.8	57.3	58.1	39.9

## Stock and Financial Data

Shares Outstanding (million)	4,889.1
Market Cap (RM mil)	8,213.6
Book Value (RM/share)	2.46
P/BV (x)	0.7
ROE (%)	24.7
Net Gearing (%)	44.8

Major Shareholders	SUNGEI WAY CORP SDN (56.9%) EPF (8.6%) ACTIVE EQUITY SDN BHD (3.2%)
Free Float	31.3
Avg Daily Value (RM mil)	1.7

Price performance	3mth	6mth	12mth
Absolute (%)	-	(3.4)	12.0
Relative (%)	(4.9)	(2.9)	11.0



## Investment Highlights

- We maintain BUY on Sunway with a higher fair value of RM2.27/share (vs. RM2.20/share previously) based on SOP valuations, which also reflect a 3% premium for our 4-star ESG rating (Exhibits 5 & 6). Our higher SOP stems from a revaluation of investment properties to market prices.
- Sunway's FY21 core net profit of RM391mil came in within our expectation but 27% above consensus estimates. Thus, we make no changes to our forecasts.
- FY21 property development revenue rose 26% YoY to RM624mil, thanks to higher sales and progress billings from local projects as well as increased contribution from the completion and handover of 2 local development projects in the second half of the year.
- However, FY21 PBT fell 48% YoY to RM153mil as higher profit was recognised in FY20 from the RM183mil balance of the development earnings for its Singapore and China property development projects together with an RM8mil gain on a disposal of land in 4Q20.
- Sunway secured FY21 new sales of RM2.6bil (+96% YoY), which exceeded its own sales target of RM2.2bil by 19%. The strong sales were mainly boosted by projects in Singapore (55% of FY21 total group sales) while the remaining came from local (44%), particularly Sunway Belfield (which contributed 45% of local sales) and China (1%).
- Meanwhile, the group's unbilled sales expanded 66% YoY to RM4bil as at 31 December 2021 (Exhibit 3). For FY22F, management is conservatively setting a lower sales target of RM2.2bil (-15% YoY vs actual FY21 sales).
- FY21 property investment revenue shrank 5% YoY to RM312mil due to movement control orders while its LBT of RM8mil narrowed from RM27mil in FY20 mainly due to the reopening of social and local tourism-related activities following the relaxation of movement restriction.
- Higher progress billings from local construction projects drove up FY21 construction revenue by 12% YoY to RM1bil and a pretax profit by 42% YoY to RM149mil.
- Following the partial divestment of its healthcare arm, Sunway Healthcare Group (SHG), SHG is now reclassified as a joint venture (from a subsidiary previously). With effect from 1 January 2022, the share of the profit or loss in SHG will be recognised under the equity method of accounting.

- The strong recovery in hospital activities with a higher number of admissions and outpatient treatments boosted the segment's FY21 revenue by 31% YoY to RM815mil and PBT by 5x YoY to RM102mil (excluding the one-off RM2.3bil net gain arising from the partial divestment of SHG).
- All in, we deem the results commendable given that most of the business segments' FY21 revenues have improved significantly, except for property investment.
- On a QoQ comparison, all segments posted stronger 4QFY21 PBT as most economic activities have resumed, especially social and local tourism-related activities.
- We believe the long-term outlook for Sunway remains positive premised on its:
  - (i) strong unbilled sales of RM4bil (4x FY22F property development revenue);
  - (ii) a robust outstanding order book of RM4.8bil (1.8x FY21F construction revenue); and
  - (iii) expansion plan in its healthcare business (which could increase capacity by 82% in FY23F).

## EXHIBIT 1: EARNINGS SUMMARY

YE to Dec (RM mil)	4QFY20	3QFY21	4QFY21	QoQ %	YoY %	FY20	FY21	YTD %
<b>Revenue</b>	<b>1,095.7</b>	<b>1,065.0</b>	<b>1,243.8</b>	<b>16.8</b>	<b>13.5</b>	<b>3,208.8</b>	<b>3,714.2</b>	<b>15.8</b>
Operating costs	(1,160.8)	(927.2)	(1,101.9)	18.8	(5.1)	(2,911.7)	(3,256.5)	11.8
<b>EBITDA</b>	<b>(65.0)</b>	<b>137.8</b>	<b>141.9</b>	<b>3.0</b>	<b>&gt;100</b>	<b>297.1</b>	<b>457.7</b>	<b>54.1</b>
Depreciation	(28.1)	(54.5)	(33.1)	(39.3)	17.7	(47.1)	(130.6)	>100
Net finance income	44.8	9.8	2.8	(71.0)	(93.7)	26.6	54.9	>100
Associate contributions	164.7	20.7	16.7	(19.3)	(89.8)	230.8	83.7	(63.7)
Profit before tax	236.2	113.8	256.6	>100	8.7	507.5	2,856.3	>100
Taxation	(45.4)	(18.7)	(73.0)	>100	61.0	(102.6)	(116.2)	13.2
<b>Profit after tax</b>	<b>190.8</b>	<b>95.2</b>	<b>183.6</b>	<b>92.9</b>	<b>(3.8)</b>	<b>404.9</b>	<b>2,740.1</b>	<b>&gt;100</b>
Minority interest								
Continuing operations	13.7	14.1	28.7	>100	>100	47.2	55.1	16.6
Discontinued operations	0.3	0.0	19.3	>100	>100	0.4	19.5	>100
<b>Total</b>	<b>14.0</b>	<b>14.1</b>	<b>48.0</b>	<b>&gt;100</b>	<b>&gt;100</b>	<b>47.6</b>	<b>74.6</b>	<b>56.7</b>
PATAMI								
Continuing operations	177.1	51.7	154.9	>100	(12.6)	340.3	294.4	(13.5)
Discontinued operations	22.2	29.4	2,300.5	>100	>100	17.0	2,371.0	>100
<b>Total</b>	<b>199.3</b>	<b>81.1</b>	<b>2,455.4</b>	<b>&gt;100</b>	<b>&gt;100</b>	<b>357.3</b>	<b>2,665.4</b>	<b>&gt;100</b>
<b>Core PATMI</b>	<b>206.7</b>	<b>120.2</b>	<b>169.3</b>	<b>40.8</b>	<b>(18.1)</b>	<b>336.1</b>	<b>390.9</b>	<b>16.3</b>
EPS (sen)	4.2	2.5	3.5	40.8	(18.1)	6.9	8.0	16.3
EBIT margin	-5.9%	12.9%	11.4%			9.3%	12.3%	
Effective tax rate	19.2%	16.4%	28.5%			20.2%	4.1%	
Core PATMI margin	18.9%	11.3%	13.6%			10.5%	10.5%	

Source: AmlInvestment Bank Bhd

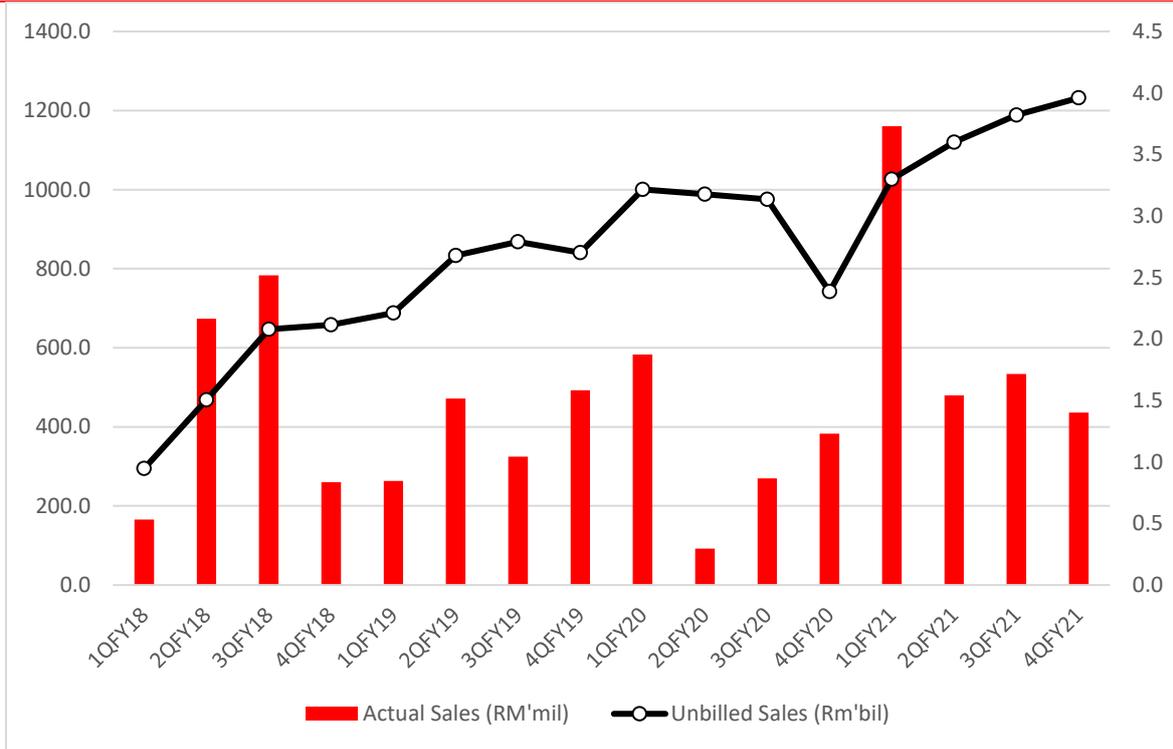
## EXHIBIT 2: SEGMENTAL BREAKDOWN

FY31 Dec (RM mil)	4QFY20	3QFY21	4QFY21	QoQ %	YoY %	FY20	FY21	YTD %
<b>Continuing Operations:</b>								
Property development	183.9	197.1	182.6	(7.3)	(0.7)	494.6	624.2	26.2
Property investment	42.2	58.0	133.4	>100	>100	330.1	312.3	(5.4)
Construction	424.6	192.7	379.6	97.0	(10.6)	990.2	1,111.7	12.3
Others	623.1	617.3	784.0	27.0	25.8	1,393.8	1,665.9	19.5
<b>Discontinued Operations:</b>								
Healthcare	178.0	208.1	235.8	13.3	32.4	620.3	815.1	31.4
<b>Revenue*</b>	<b>1,273.8</b>	<b>1,065.0</b>	<b>1,479.6</b>	<b>38.9</b>	<b>16.2</b>	<b>3,829.1</b>	<b>4,529.3</b>	<b>18.3</b>
<b>Continuing Operations:</b>								
Property development	202.0	44.6	64.4	44.2	(68.1)	291.9	152.6	(47.7)
Property investment	(86.7)	(12.3)	36.8	>100	>100	(27.4)	(8.3)	(69.6)
Construction	39.0	21.4	91.1	>100	>100	105.1	148.8	41.6
Others	64.0	60.1	95.8	59.2	49.6	120.6	172.8	43.3
<b>Discontinued Operations:</b>								
Healthcare	4.9	29.5	31.4	6.5	>100	17.4	102.3	>100
<b>PBT/(LBT)*</b>	<b>218.3</b>	<b>113.8</b>	<b>288.0</b>	<b>&gt;100</b>	<b>32.0</b>	<b>507.5</b>	<b>568.1</b>	<b>11.9</b>
<b>Pretax margin (%)</b>								
Property development	109.8	22.6	35.2			59.0	24.4	
Property investment	(205.3)	(21.2)	27.6			(8.3)	(2.7)	
Construction	9.2	11.1	24.0			10.6	13.4	
Others	10.3	9.7	12.2			8.6	10.4	
Healthcare	2.8	14.2	13.3			2.8	12.6	

\*including discontinued operations

Source: AmlInvestment Bank Bhd

EXHIBIT 3: ACTUAL SALES AND UNBILLED SALES



Source: AmInvestment Bank Bhd

## EXHIBIT 4: RNAV CALCULATIONS

DEVELOPMENT PROPERTIES	Outstanding GDV (RMmil)	NPV @8% (RMmil)	Stake	Segment	Value (RMmil)	% of SOP
<b>Selangor/KL</b>				Property (40% discount to RNAV)	1,940.1	16.3%
Sunway Damansara	1,953.3	98.4	60.0%	Investment properties	2,186.3	18.4%
Sunway South Quay	2,486.7	248.0	100.0%	Sunway Construction (54.4% stake @ AmlInvestment Valuation)	1,192.1	10.0%
Sunway Montez	38.0	2.3	60.0%	Sunway REIT (40.9% stake @ AmlInvestment Valuation)	2,324.7	19.5%
Sunway Semenyih	728.6	51.0	70.0%	Healthcare (84% stake @ 30x FY22 earnings)	3,937.4	33.1%
Sunway Cheras	241.8	24.2	100.0%	Quarry & building materials (6x FY22 earnings)	139.7	1.2%
Sunway Duta	120.0	6.5	60.0%	Trading & manufacturing (6x FY22 earnings)	184.2	1.5%
Sunway Resort City	660.1	59.6	100.0%			
Sunway Velocity	1,984.0	152.2	85.0%	Total SOP	11,904.5	
Sunway Velocity TWD	600.0	27.1	50.0%	Net cash/(debt) @ Company level	737.0	
Sunway Tower KL 1	240.0	21.7	100.0%	Proceeds from ICPS & conversion	977.8	
Sunway Termuning	265.2	19.2	80.0%	Proceeds from stake sale in healthcare	750.0	
Mont Putra, Rawang	156.0	14.1	100.0%	<b>Fair value</b>	<b>14,369.3</b>	
Kelana Jaya	1,450.0	130.9	100.0%			
Jalan Belfield	450.0	40.6	100.0%	Enlarged share base (mil shares)	6,516.6	
Lot One, Kajang	460.0	41.5	100.0%	<b>Fair value/share (RM)</b>	<b>2.21</b>	
USJ 1, Subang Jaya	1,400.0	126.4	100.0%	(+) 3% premium for 4-star ESG rating	0.07	
Wangsa Maju-1	40.0	2.0	55.0%	<b>Fair value/share (RM)+ ESG Premium</b>	<b>2.27</b>	
Dengkil (Emerald Tycoon)	813.2	73.4	100.0%			
Jalan Cochrane	1,150.0	118.3	100.0%			
Sunway City Ipoh	928.4	75.8	96.0%			
<b>Penang</b>						
Sunway Hills	849.0	71.5	100.0%			
Sunway Wellesley, Bukit	710.5	59.8	100.0%			
Paya Terubong	1,500.0	126.0	100.0%			
Sunway Tunas, Balik Pulau	60.0	5.1	100.0%			
Sunway Betong, Balik Pulau	110.0	9.3	100.0%			
<b>Johor</b>						
Bukit Lenang	568.4	24.1	80.0%			
Medini	10,616.0	338.2	60.0%			
Pendas	18,000.0	573.4	60.0%			
<b>Singapore</b>						
Flynn Park, Pasir Panjang	2,300.0	68.8	30.0%			
Thiam Siam Avenue,	6,150.0	183.9	30.0%			
<b>China</b>						
Tianjin Eco-City	780.0	48.7	60.0%			
<b>India</b>						
Sunway OPUS Grand India	702.4	29.5	50.0%			
Sunway MAK Signature	181.2	9.1	60.0%			
Unbilled sales		252.0				
<b>Subtotal</b>		<b>3,233.5</b>				

Source: AmlInvestment Bank Bhd

## EXHIBIT 5: ESG RATING

Overall	★	★	★	★	★
Eco-landscaping	★	★	★		
Progress of digitalization	★	★	★		
Employee welfare	★	★	★	★	
Corporate social responsibility	★	★	★	★	★
Strategic direction	★	★	★	★	
Gender diversity	★	★			
Earnings sustainability	★	★	★	★	
Accessibility & transparency	★	★	★		

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star

Source: AmlInvestment Bank

EXHIBIT 6: PB BAND CHART



EXHIBIT 7: PE BAND CHART



## EXHIBIT 8: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY20	FY21	FY22F	FY23F	FY24F
Revenue	3,208.8	3,714.2	6,636.9	7,114.6	5,793.0
EBITDA	297.1	457.7	582.0	664.1	782.2
Depreciation/Amortisation	(47.1)	(130.6)	(81.5)	(87.3)	(71.1)
Operating income (EBIT)	250.0	327.1	500.5	576.7	711.1
Other income & associates	230.8	83.7	181.5	195.9	299.6
Net interest	26.6	54.9	72.9	78.2	63.6
<b>Exceptional items</b>	-	<b>2,390.6</b>	-	-	-
Pretax profit	507.5	2,856.3	754.9	850.7	1,074.3
Taxation	(102.6)	(116.2)	(113.2)	(127.6)	(161.1)
<b>Minorities/pref dividends</b>	<b>(47.6)</b>	<b>(74.6)</b>	<b>(122.4)</b>	<b>(131.2)</b>	<b>(106.9)</b>
Net profit	357.3	2,665.4	519.3	591.9	806.3
Core net profit	336.1	390.9	519.3	591.9	740.3
<b>Balance Sheet (RMmil, YE 31 Dec)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22F</b>	<b>FY23F</b>	<b>FY24F</b>
Fixed assets	2,611.4	1,262.8	4,521.3	4,846.7	3,946.4
Intangible assets	350.8	432.8	350.8	350.8	350.8
<b>Other long-term assets</b>	<b>11,086.2</b>	<b>15,389.1</b>	<b>11,286.2</b>	<b>11,286.2</b>	<b>11,286.2</b>
Total non-current assets	14,048.3	17,084.7	16,158.2	16,483.6	15,583.3
Cash & equivalent	2,348.9	2,814.0	2,671.6	2,970.6	3,089.3
Stock	2,101.5	2,423.0	3,183.4	3,618.4	2,090.6
Trade debtors	2,440.6	2,483.8	2,182.0	3,363.2	2,182.5
<b>Other current assets</b>	<b>180.1</b>	<b>281.3</b>	<b>452.3</b>	<b>471.9</b>	<b>417.6</b>
Total current assets	7,071.1	8,002.2	8,489.3	10,424.1	7,780.0
Trade creditors	2,456.9	2,470.6	3,524.3	3,505.1	2,700.2
Short-term borrowings	5,132.5	4,093.8	5,705.1	6,115.7	4,979.7
<b>Other current liabilities</b>	<b>239.3</b>	<b>141.2</b>	<b>(1,004.3)</b>	<b>235.4</b>	<b>(1,037.0)</b>
Total current liabilities	7,828.8	6,705.6	8,225.1	9,856.3	6,642.9
Long-term borrowings	2,101.6	4,114.2	2,817.2	2,996.4	2,500.7
<b>Other long-term liabilities</b>	<b>857.3</b>	<b>1,143.7</b>	<b>857.3</b>	<b>857.3</b>	<b>857.3</b>
<b>Total long-term liabilities</b>	<b>2,958.8</b>	<b>5,257.9</b>	<b>3,674.5</b>	<b>3,853.7</b>	<b>3,358.0</b>
Shareholders' funds	9,534.6	12,034.8	10,217.7	10,568.2	11,007.7
Minority interests	797.2	1,088.7	2,530.2	2,629.6	2,354.7
BV/share (RM)	1.95	2.46	2.09	2.16	2.25
<b>Cash Flow (RMmil, YE 31 Dec)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22F</b>	<b>FY23F</b>	<b>FY24F</b>
Pretax profit	507.5	2,856.3	754.9	850.7	1,074.3
Depreciation/Amortisation	47.1	130.6	81.5	87.3	71.1
Net change in working capital	1,042.6	(2,054.3)	1,032.4	(303.7)	(569.2)
<b>Others</b>	<b>(769.4)</b>	<b>105.8</b>	<b>(2,641.4)</b>	<b>522.2</b>	<b>(2,675.5)</b>
Cash flow from operations	827.7	1,038.4	(772.6)	1,156.6	(2,099.2)
Capital expenditure	(527.2)	(722.6)	(3,258.5)	(325.4)	900.3
Net investments & sale of fixed assets	-	-	-	-	-
<b>Others</b>	<b>(357.6)</b>	<b>(600.2)</b>	<b>4,373.9</b>	-	-
Cash flow from investing	(884.8)	(1,322.9)	1,115.3	(325.4)	900.3
Debt raised/(repaid)	(141.2)	1,292.0	(456.8)	(290.8)	1,750.5
Equity raised/(repaid)	-	-	(0.2)	-	-
Dividends paid	(220.6)	(152.0)	(144.8)	(241.4)	(366.9)
<b>Others</b>	<b>183.4</b>	<b>(307.5)</b>	-	-	<b>(66.0)</b>
<b>Cash flow from financing</b>	<b>(178.3)</b>	<b>832.5</b>	<b>(601.8)</b>	<b>(532.2)</b>	<b>1,317.6</b>
<b>Net cash flow</b>	<b>(235.4)</b>	<b>548.0</b>	<b>(259.1)</b>	<b>299.0</b>	<b>118.7</b>
<b>Net cash/(debt) b/f</b>	<b>3,170.6</b>	<b>2,952.5</b>	<b>2,814.0</b>	<b>2,555.0</b>	<b>2,854.0</b>
Net cash/(debt) c/f	2,952.5	3,505.7	2,555.0	2,854.0	2,972.6
<b>Key Ratios (YE 31 Dec)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22F</b>	<b>FY23F</b>	<b>FY24F</b>
Revenue growth (%)	(32.9)	15.8	78.7	7.2	(18.6)
EBITDA growth (%)	(62.9)	54.1	27.2	14.1	17.8
Pretax margin (%)	15.8	76.9	11.4	12.0	18.5
Net profit margin (%)	11.1	71.8	7.8	8.3	13.9
Interest cover (x)	nm	nm	nm	nm	nm
Effective tax rate (%)	20.2	4.1	15.0	15.0	15.0
Dividend payout (%)	20.3	2.7	27.9	40.8	45.5
Debtors turnover (days)	278	244	120	173	138
Stock turnover (days)	239	222	154	174	180
Creditors turnover (days)	216	242	165	180	195

Source: Company, AmlInvestment Bank Bhd estimates

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