



AmInvestment Bank

Company report

SUNWAY

(SWB MK EQUITY, SWAY.KL)

26 Nov 2021

9MFY21 profit within expectation

BUY

(Maintained)

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Rationale for report: Company results

Price	RM1.68
Fair Value	RM2.21
52-week High/Low	RM1.82/RM1.30

Key Changes

Fair value	↔
EPS	↔

YE to Dec	FY20	FY21F	FY22F	FY23F
Revenue (RM mil)	3,833.3	4,728.9	6,636.9	7,114.6
Core net profit (RM mil)	338.4	381.0	519.3	591.9
FD Core EPS (sen)	6.9	7.7	10.5	12.0
FD Core EPS growth (%)	(51.1)	12.6	36.3	14.0
Consensus Net Profit (RM mil)	-	291.8	471.1	580.8
DPS (sen)	1.5	1.5	2.9	4.9
PE (x)	24.5	21.8	16.0	14.0
EV/EBITDA (x)	44.2	32.3	24.3	21.7
Div yield (%)	0.9	0.9	1.7	2.9
ROE (%)	4.0	3.9	5.2	5.7
Net Gearing (%)	51.2	51.3	57.3	58.1

Stock and Financial Data

Shares Outstanding (million)	4,934.7
Market Cap (RM mil)	8,290.4
Book Value (RM/share)	1.93
P/BV (x)	0.9
ROE (%)	4.0
Net Gearing (%)	51.2

Major Shareholders	SUNGEI WAY CORP SDN (21.7%)
	EPF (8.5%)
	NORGES BANK (1.4%)
Free Float	68.4
Avg Daily Value (RM mil)	2.5

Price performance	3mth	6mth	12mth
Absolute (%)	(6.7)	(1.2)	26.3
Relative (%)	(4.8)	2.0	31.0



Investment Highlights

- We maintain BUY on Sunway with an unchanged SOP-derived fair value of RM2.21/share which also reflects a 3% premium for our 4-star ESG rating (Exhibits 4 & 5).
- Our forecasts are unchanged as Sunway's 9MFY21 core net profit (excluding impairment and receivables write-off amounting to RM15mil) of RM225mil was within our expectation but above consensus, accounting for 59% of our FY21F earnings and 77% of consensus vs. 52%–63% of 9MFY19–20 net profit.
- We believe Sunway's 4QFY21 would be stronger on expectations of higher progress billings and work productivity from easing movement restrictions.
- On a QoQ comparison, all segments posted stronger 3QFY21 revenues with the exception of the property investment and construction divisions due to lower productivity during increased lockdown restrictions which began in July 2021.
- In 9MFY21, property development revenue surged 42% YoY to RM442mil, thanks to higher contribution from the completion and handover of Geo Residences in South Quay as well as stronger sales and progress billings from other ongoing local development projects.
- Cumulatively, Sunway's new sales surged 2.3x YoY to RM2.2bil (vs. RM945mil in 9MFY20), already reaching its earlier FY21F sales target. The strong sales were mainly boosted by projects in Singapore (64% of 9MFY21 total group sales) with the remaining from local (34%) and China (2%). Sunway Belfield contributed 53% of local sales. Meanwhile, the group's unbilled sales grew 22% YoY to RM3.8bil as at 30 September 2021 (Exhibit 3).
- 9MFY21 revenue from the property investment division fell 38% YoY to RM179mil due to the movement control orders, which led to a LBT of RM45mil (vs. PBT of RM59mil in 9MFY20).
- Construction's 9MFY21 pretax profit slid by 13% to RM58mil from lower margins despite the company successfully recording a 29% increase in progress billings from local construction projects, which was much higher in 9MFY20.
- For the healthcare division, higher number of admissions and outpatient treatments boosted the segment's revenue by 31% YoY to RM579mil and turned around an LBT of RM5mil in 9MFY20 to a PBT of RM71mil.

- All in, we deem the results as commendable given that most of the business segments' 9MFY21 revenues have improved YoY significantly except for property investment.
- We believe the long-term outlook for Sunway remains positive premised on: (i) its strong unbilled sales of RM3.8bil (6x FY21F property development revenue); (ii) a robust outstanding order book of RM4.7bil (2.8x FY21F construction revenue); and (iii) the expansion plan in its healthcare business which could increase bed capacity by 82% in FY23F.

EXHIBIT 1: EARNINGS SUMMARY

YE to Dec (RM mil)	3QFY20	2QFY21	3QFY21	QoQ %	YoY %	9MFY20	9MFY21	YTD %
Revenue	1,027.2	967.9	1,065.0	10.0	3.7	2,555.3	3,049.7	19.3
Operating costs	(836.1)	(878.8)	(927.2)	5.5	10.9	(2,192.7)	(2,719.9)	24.0
EBITDA	191.1	89.1	137.8	54.7	(27.9)	362.6	329.8	(9.1)
Depreciation	(56.0)	(52.6)	(54.5)	3.6	(2.6)	(176.8)	(160.9)	(9.0)
Finance costs	5.8	19.9	9.8	(50.8)	67.7	35.1	44.2	26.0
Associate contributions	30.4	22.6	20.7	(8.3)	(31.8)	68.4	67.0	(2.1)
Profit before tax	171.3	79.0	113.8	44.1	(33.6)	289.3	280.0	(3.2)
Taxation	(25.0)	(7.9)	(18.7)	137.5	(25.3)	(57.2)	(43.4)	(24.2)
MI	(13.5)	(0.6)	(14.1)	>100	4.2	(27.6)	(26.6)	(3.8)
PATMI	132.8	70.5	81.1	15.0	(38.9)	204.4	210.1	2.8
Core PATMI	90.1	76.6	90.8	18.6	0.8	175.5	224.8	28.1
EPS (sen)	1.8	1.6	1.8	18.6	0.8	3.6	4.6	28.1
EBIT margin	18.6%	9.2%	12.9%			14.2%	10.8%	
Effective tax rate	14.6%	10.0%	16.4%			19.8%	15.5%	
Core PATMI margin	12.9%	7.3%	7.6%			8.0%	6.9%	

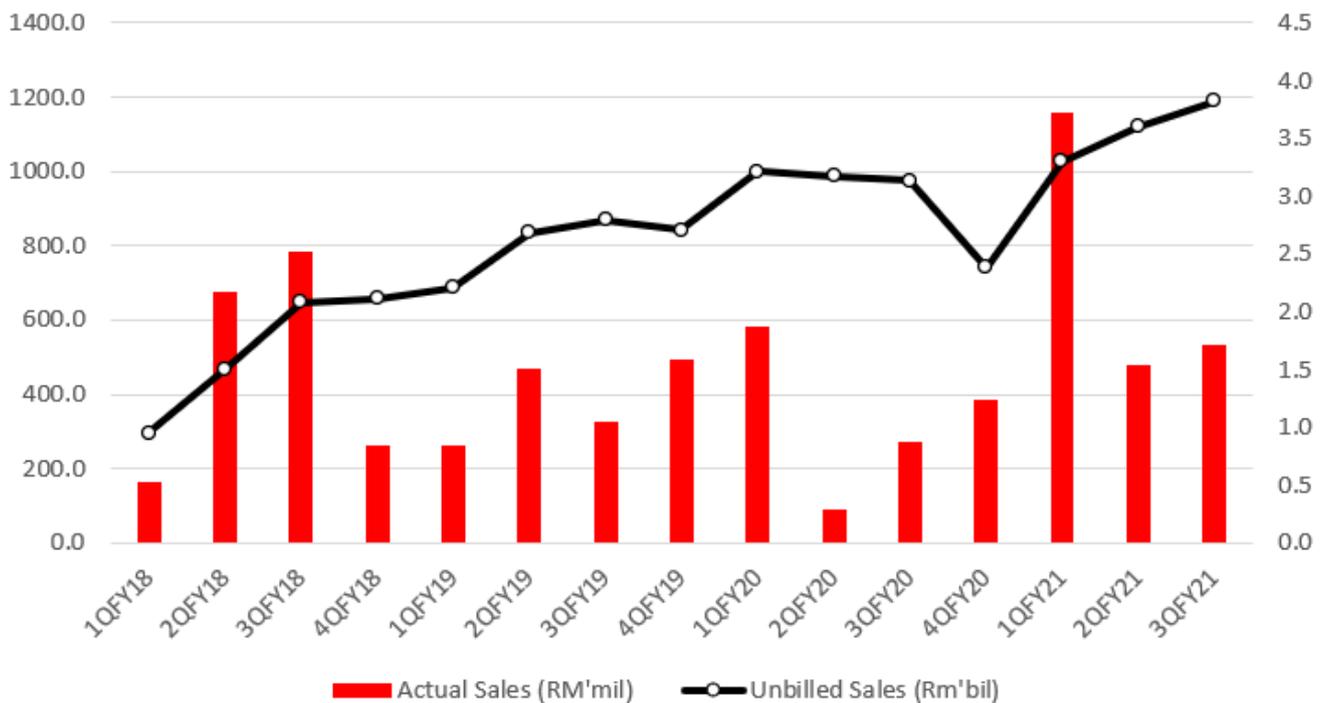
Source: Company, AmlInvestment Bank Bhd

EXHIBIT 2: SEGMENTAL BREAKDOWN

FY31 Dec (RM mil)	3QFY20	2QFY21	3QFY21	QoQ %	YoY %	9MFY20	9MFY21	YTD %
Property development	103.4	147.4	197.1	33.7	90.5	310.8	441.6	42.1
Property investment	98.1	62.3	58.0	(7.0)	(40.9)	287.9	179.0	(37.8)
Construction	255.0	218.1	192.7	(11.6)	(24.5)	565.6	732.1	29.4
Healthcare	168.0	200.6	208.1	3.7	23.9	442.3	579.3	31.0
Others	402.7	339.5	409.2	20.5	1.6	948.7	1,117.6	17.8
Revenue	1,027.2	967.9	1,065.0	10.0	3.7	2,555.3	3,049.7	19.3
Property development	25.0	22.9	44.6	95.2	78.8	90.0	88.2	(2.0)
Property investment	63.0	(16.0)	(12.3)	(23.3)	(>100)	59.2	(45.2)	(>100)
Construction	37.0	8.6	21.4	>100	(42.3)	66.1	57.7	(12.8)
Healthcare	15.5	10.0	29.5	>100	89.9	(4.9)	71.0	>100
Others	30.9	53.6	30.7	(42.7)	(0.7)	78.9	108.4	37.4
PBT/(LBT)	171.3	79.0	113.8	44.1	(33.6)	289.3	280.0	(3.2)
Pretax margin (%)								
Property development	24.1	15.5	22.6			29.0	20.0	
Property investment	64.2	(25.7)	(21.2)			20.6	(25.2)	
Construction	14.5	4.0	11.1			11.7	7.9	
Healthcare	9.2	5.0	14.2			(1.1)	12.2	
Others	7.7	15.8	7.5			8.3	9.7	

Source: Company, AmlInvestment Bank Bhd

EXHIBIT 3: ACTUAL SALES AND UNBILLED SALES TREND



Source: AmlInvestment Bank Bhd, Company

EXHIBIT 4: SOP VALUATIONS

DEVELOPMENT PROPERTIES	Outstanding GDV (RMmil)	NPV@7% (RMmil)	Stake	Segment	Value (RMmil)	% of SOP
Selangor/KL				Property (40% discount to RNAV)	2,175.9	18.9%
Sunway Damansara	2,235.3	127.8	60.0%	Investment properties	1,583.4	13.7%
Sunway South Quay	2,486.7	274.0	100.0%	Sunway Construction (54.4% stake @ AmInvestment Valuation)	1,188.6	10.3%
Sunway Monterez	38.0	2.5	60.0%	Sunway REIT (40.9% stake @ AmInvestment Valuation)	2,324.1	20.2%
Sunway Semenyih	728.6	56.2	70.0%	Healthcare (84% stake @30x FY22 earnings)	3,937.4	34.1%
Sunway Cheras	16.8	1.9	100.0%	Quarry & building materials (6x FY22 earnings)	139.7	1.2%
Sunway Duta	120.0	7.3	60.0%	Trading & manufacturing (6x FY22 earnings)	184.2	1.6%
Sunway Resort City	660.1	66.7	100.0%			
Sunway Velocity	1,984.0	170.3	85.0%	Total SOP	11,533.3	
Sunway Velocity T WO	1,360.0	68.7	50.0%	Net cash/(debt) @ Company level	737.0	
Sunway Tower KL 1	240.0	24.2	100.0%	Proceeds from ICPS & conversion	977.8	
Sunway Termuning	277.0	22.4	80.0%	Proceeds from stake sale in healthcare	750.0	
Mont Putra, Rawang	156.0	15.8	100.0%	Fair value	13,998.1	
Kelana Jaya	1,450.0	146.4	100.0%			
Jalan Belfield	1,100.0	111.1	100.0%	Enlarged share base (mil shares)	6,516.6	
Lot One, Kajang	460.0	46.5	100.0%	Fair value/share (RM)	2.15	
USJ 1, Subang Jaya	1,400.0	141.4	100.0%	(+) 3% premium for 4-star ESG rating	0.06	
Subang 2	52.0	3.7	70.0%	Fair value/share (RM)+ ESG Premium	2.21	
Wangsa Maju-1	270.0	15.0	55.0%			
Dengkil (Emerald Tycoon)	796.6	80.4	100.0%			
Bukit Jalil (Sterling Paradise)	800.0	107.8	100.0%			
Wangsa Maju-2	300.0	59.3	55.0%			
Taman Mutiara, Cheras	225.0	39.2	100.0%			
Jalan Cochrane	1,150.0	126.7	100.0%			
Perak						
Sunway City Ipoh	928.4	85.4	96.0%			
Penang						
Sunway Hills	849.0	80.9	100.0%			
Sunway Wellesley, Bukit Mertajam	710.5	67.7	100.0%			
Paya Terubong	1,500.0	142.9	100.0%			
Sunway Tunas, Balik Pulau	60.0	5.7	100.0%			
Sunway Betong, Balik Pulau	110.0	10.5	100.0%			
Johor						
Bukit Lenang	698.4	36.3	80.0%			
Medini	10,616.0	413.6	60.0%			
Pendas	18,000.0	701.4	60.0%			
Singapore						
Flynn Park, Pasir Panjang	2,300.0	75.6	30.0%			
Thiam Siam Avenue, Tanjong	6,146.0	202.0	30.0%			
China						
Tianjin Eco-City	765.3	52.5	60.0%			
India						
Sunway OPUS Grand India	702.4	33.5	50.0%			
Sunway MAK Signature Residence	181.2	10.4	60.0%			
Unbilled sales		252.0				
Subtotal		3,885.6				

Source: Company, AmInvestment 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: AmInvestment Bank Bhd

EXHIBIT 6: PB BAND CHART



EXHIBIT 7: PE BAND CHART



EXHIBIT 8: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Revenue	4,780.3	3,833.3	4,728.9	6,636.9	7,114.6
EBITDA	801.1	297.9	400.9	582.0	664.1
Depreciation/Amortisation	(235.1)	(47.1)	(58.1)	(81.5)	(87.3)
Operating income (EBIT)	565.9	250.8	342.8	500.5	576.7
Other income & associates	261.2	230.0	168.3	181.5	195.9
Net interest	87.8	28.5	51.9	72.9	78.2
Exceptional items	-	-	-	-	-
Pretax profit	915.0	509.3	563.0	754.9	850.7
Taxation	(78.4)	(102.0)	(94.8)	(113.2)	(127.6)
Minorities/pref dividends	(69.3)	(47.7)	(87.2)	(122.4)	(131.2)
Net profit	767.3	359.6	381.0	519.3	591.9
Core net profit	691.5	338.4	381.0	519.3	591.9
Balance Sheet (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Fixed assets	2,749.0	2,611.4	3,221.4	4,521.3	4,846.7
Intangible assets	331.6	350.8	350.8	350.8	350.8
Other long-term assets	9,309.3	11,086.2	11,286.2	11,286.2	11,286.2
Total non-current assets	12,390.0	14,048.3	14,858.4	16,158.2	16,483.6
Cash & equivalent	5,888.9	2,348.9	2,136.2	2,671.6	2,970.6
Stock	2,102.1	2,101.5	1,979.3	3,183.4	3,618.4
Trade debtors	1,638.4	2,440.6	1,554.7	2,182.0	3,069.3
Other current assets	1,533.8	180.1	373.9	452.3	471.9
Total current assets	11,163.1	7,071.1	6,044.1	8,489.3	10,130.3
Trade creditors	1,344.3	2,456.9	2,191.2	3,524.3	3,505.1
Short-term borrowings	8,024.9	5,132.5	5,081.2	5,705.1	6,115.7
Other current liabilities	1,509.0	239.3	(1,305.4)	(1,004.3)	(58.5)
Total current liabilities	10,878.2	7,828.8	5,967.0	8,225.1	9,562.4
Long-term borrowings	2,310.8	2,101.6	2,101.6	2,817.2	2,996.4
Other long-term liabilities	189.9	857.3	857.3	857.3	857.3
Total long-term liabilities	2,500.7	2,958.8	2,958.8	3,674.5	3,853.7
Shareholders' funds	8,392.9	9,534.6	9,843.2	10,217.7	10,568.2
Minority interests	1,781.4	797.2	2,133.4	2,530.2	2,629.6
BV/share (RM)	1.70	1.93	1.99	2.07	2.14
Cash Flow (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Pretax profit	915.0	509.3	563.0	754.9	850.7
Depreciation/Amortisation	235.1	47.1	58.1	81.5	87.3
Net change in working capital	(1,220.0)	1,042.6	(834.8)	(187.1)	(303.7)
Others	995.2	(771.2)	335.2	2,124.4	522.2
Cash flow from operations	925.3	827.7	121.6	2,773.7	1,156.6
Capital expenditure	335.9	(527.2)	(610.1)	(1,299.8)	(325.4)
Net investments & sale of fixed assets	-	-	-	-	-
Others	(1,260.1)	(357.6)	(200.0)	-	-
Cash flow from investing	(924.2)	(884.8)	(810.1)	(1,299.8)	(325.4)
Debt raised/(repaid)	667.1	(141.2)	(161.4)	(804.2)	(290.8)
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(242.9)	(220.6)	(72.4)	(144.8)	(241.4)
Others	234.0	183.4	-	-	-
Cash flow from financing	658.3	(178.3)	(233.8)	(949.0)	(532.2)
Net cash flow	659.4	(235.4)	(922.3)	524.8	299.0
Net cash/(debt) b/f	2,507.8	3,170.6	2,952.5	2,030.2	2,555.0
Net cash/(debt) c/f	3,170.6	2,952.5	2,030.2	2,555.0	2,854.0
Key Ratios (YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Revenue growth (%)	(11.6)	(19.8)	23.4	40.3	7.2
EBITDA growth (%)	8.6	(62.8)	34.6	45.2	14.1
Pretax margin (%)	19.1	13.3	11.9	11.4	12.0
Net profit margin (%)	16.1	9.4	8.1	7.8	8.3
Interest cover (x)	nm	nm	nm	nm	nm
Effective tax rate (%)	8.6	20.0	16.8	15.0	15.0
Dividend payout (%)	57.3	20.1	19.0	27.9	40.8
Debtors turnover (days)	125	232	120	120	157
Stock turnover (days)	151	200	157	142	174
Creditors turnover (days)	102	181	179	157	180

Source: Company, AmlInvestment Bank Bhd estimates

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