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25 November 2021

Malaysia

Property

Reuters SWAY.KL
Bloomberg SWB MK

Priced on 25 November 2021
KLSE Comp @ 1,517.6

12M hi/lo RM1.81/1.33

12M price target RM2.15
±% potential +28%

Shares in issue 4,873.7m
Free float (est.) 31.0%

Market cap US\$2bn

3M ADV US\$0.6m

Foreign s'holding 10.0%

Major shareholders

Jeffrey Cheah Fook Ling 63.0%
EPF 9.3%

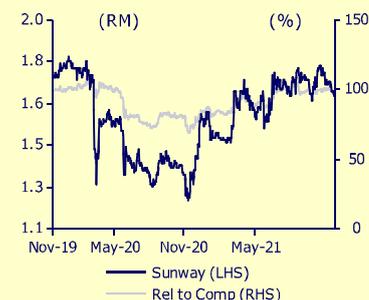
Blended ESG Score (%)*

Overall 82.7
Country average 71.0
GEM sector average 67.6

*Click to visit company page on clsa.com for details

Stock performance (%)

	1M	3M	12M
Absolute	(6.7)	(5.1)	29.2
Relative	(2.3)	(1.8)	36.0
Abs (US\$)	(8.0)	(4.9)	25.4



Source: Bloomberg

A positive surprise

9M21 earnings exceeded our expectations

Sunway's 9M21 earnings of RM205m (+28% YoY) were above our expectations due to a much stronger-than-anticipated contribution from Property Development and Healthcare segments. 9M21 sales of RM2.08bn exceeded its full-year target of RM1.9bn. 2022 sales and launch targets are yet to be finalised, but may possibly be stronger YoY. We raise our earnings to reflect stronger Property Development and Healthcare contributions, while also recalibrating payment to Sukuk-holders. We upgrade to BUY (from Outperform) with a slightly higher TP of RM2.15.

Above our expectations due to strong Property Development and Healthcare

3Q21 earnings of RM87m (+30% QoQ, +29% YoY) brought 9M21 earnings to RM205m (+28% YoY), which formed 119%/70% of our/consensus expectations. The results were above our expectations largely due to a much stronger-than-anticipated contribution from the Property Development (due to gains from the handover of a project) and Healthcare segments.

9M21 sales exceeded full-year target; FY22 targets may see further growth

Effective sales were RM0.5bn in 3Q21, bringing 9M21 sales to RM2.08bn, exceeding its full-year target of RM1.9bn. Unbilled sales stayed strong at RM3.4bn (close to 7x cover ratio); RM2bn were from Singapore projects. 4Q21 will see launch of RM1.2bn worth of products, whereby its sales will likely flow into FY22. 2022 sales and launch targets have yet to be finalised but may possibly be stronger YoY.

Healthcare operations going strong; expansion pipeline intact

Healthcare-segment earnings were strong in 9M21, at RM71m, even higher than 9M19 levels (pre-Covid) of RM50m. Occupancies remain close to pre-Covid levels, hovering around 60% as non-Covid patients (from public hospitals) have been redirected towards the company's hospitals. Expansion plans for 2022 openings (in Sunway City and Seberang Jaya) remain on track for completion.

Upgrade to BUY (from Outperform); higher target price at RM2.15 (from RM2.14)

We raise our FY21CL earnings by 51% and FY22/23CL by 3% as we reflect stronger Property Development and Healthcare contributions in FY21, while recalibrating payment to Sukuk-holders over the years. As the share price has retraced 7% over the past month, we believe Sunway's improving prospects present a good opportunity. We are positive on the long-term prospects, especially from management's 2028-targeted IPO (may take place much earlier) for the healthcare segment, which is undergoing an expansion plan to triple bed capacity by 2025. Our SOTP-based target price is based on a 10% discount to reflect the company's various businesses.

Financials

Year to 31 December	19A	20A	21CL	22CL	23CL
Revenue (RMm)	4,780	3,829	4,510	5,671	6,131
Rev forecast change (%)	-	-	8.0	0.0	0.0
Net profit (RMm)	636	388	260	495	772
NP forecast change (%)	-	-	50.6	3.6	3.3
EPS (sen)	13.0	8.0	5.3	10.2	15.8
CL/consensus (12) (EPS%)	-	-	89	110	145
EPS growth (% YoY)	14.2	(39.0)	(32.9)	90.2	56.0
PE (x)	12.9	21.1	31.5	16.6	10.6
Dividend yield (%)	5.4	0.9	0.9	1.5	2.4
ROE (%)	7.8	4.6	3.0	5.5	8.1

Source: www.clsa.com

Financials at a glance

Year to 31 December	2019A	2020A	2021CL	(% YoY)	2022CL	2023CL
Profit & Loss (RMm)						
Revenue	4,780	3,829	4,510	17.8	5,671	6,131
Cogs (ex-D&A)	(3,095)	(2,635)	(3,348)		(4,217)	(4,538)
Gross Profit (ex-D&A)	1,686	1,194	1,162	(2.6)	1,455	1,594
SG&A and other expenses	(884)	(712)	(666)		(638)	(613)
Op Ebitda	801	482	496	2.9	816	981
Depreciation/amortisation	(234)	(234)	(280)		(308)	(333)
Op Ebit	568	248	216	(12.8)	509	648
Net interest inc/(exp)	36	31	22	(30)	27	35
Other non-Op items	188	258	134	(48.3)	197	363
Profit before tax	792	537	372	(30.8)	732	1,046
Taxation	(78)	(102)	(50)		(113)	(143)
Profit after tax	713	435	322	(26.1)	620	903
Minority interest	(78)	(48)	(30)		(94)	(99)
Net profit	636	388	260	(32.9)	495	772
Adjusted profit	702	368	260	(29.2)	495	772
Cashflow (RMm)						
Operating profit	568	248	216	(12.8)	509	648
Depreciation/amortisation	234	234	280	19.6	308	333
Working capital changes	(354)	(137)	618		(418)	285
Other items	237	483	34	(93)	14	10
Net operating cashflow	685	828	1,148	38.7	412	1,276
Capital expenditure	(297)	(521)	(600)		(600)	(600)
Free cashflow	387	307	548	78.6	(188)	676
M&A/Others	(1,095)	(364)	0		0	0
Net investing cashflow	(1,392)	(885)	(600)		(600)	(600)
Increase in loans	1,060	(940)	-		-	-
Dividends	(306)	(254)	(105)		(107)	(155)
Net equity raised/other	(255)	1,016	0		0	0
Net financing cashflow	499	(178)	(105)		(107)	(155)
Incr/(decr) in net cash	(209)	(235)	443		(295)	521
Exch rate movements	(2,373)	(82)	-		-	-
Balance sheet (RMm)						
Cash & equivalents	2,555	2,237	2,681	19.8	2,386	2,907
Accounts receivable	3,015	2,441	1,236	(49.4)	1,554	1,680
Other current assets	2,636	2,393	2,253	(5.9)	2,798	3,235
Fixed assets	2,749	2,611	2,932	12.3	3,225	3,492
Investments	8,087	8,181	8,252	0.9	8,350	8,595
Intangible assets	332	351	351	0	351	351
Other non-current assets	2,121	2,905	2,905	0	2,905	2,905
Total assets	21,495	21,119	20,609	(2.4)	21,568	23,164
Short-term debt	7,025	5,132	6,005	17	6,005	6,005
Accounts payable	2,714	2,532	1,804	(28.7)	2,250	3,098
Other current liabs	91	165	165	0	165	165
Long-term debt/CBs	1,274	2,374	1,501	(36.8)	1,501	1,501
Provisions/other LT liabs	957	585	585	0	585	585
Shareholder funds	8,389	8,557	8,744	2.2	9,163	9,811
Minorities/other equity	1,044	1,775	1,805	1.7	1,899	1,998
Total liabs & equity	21,495	21,119	20,609	(2.4)	21,568	23,164
Ratio analysis						
Revenue growth (% YoY)	(11.6)	(19.9)	17.8		25.8	8.1
Ebitda margin (%)	16.8	12.6	11.0		14.4	16.0
Ebit margin (%)	11.9	6.5	4.8		9.0	10.6
Net profit growth (%)	14.2	(39.0)	(32.9)		90.2	56.0
Op cashflow growth (% YoY)	(28.4)	20.9	38.7		(64.1)	209.9
Capex/sales (%)	6.2	13.6	13.3		10.6	9.8
Net debt/equity (%)	60.9	51.0	45.7		46.3	38.9
Net debt/Ebitda (x)	7.2	10.9	9.7		6.3	4.7
ROE (%)	7.8	4.6	3.0		5.5	8.1
ROIC (%)	6.9	2.5	2.4		5.3	6.6

Source: www.clsa.com

Find CLSA research on Bloomberg, Thomson Reuters, FactSet and CapitalIQ - and profit from our evalu@tor proprietary database at clsa.com

Figure 1

Results summary								
RMm	3Q21	3Q20	YoY	2Q21	QoQ	9M21	9M20	YoY
Revenue	1065.0	1027.2	3.7%	967.9	10.0%	3049.7	2555.3	19.3%
Property Development	197.1	103.4	90.5%	147.4	33.7%	441.6	310.8	42.1%
Property Investment	58.0	98.1	(40.9%)	62.3	(7.0%)	179.0	287.9	(37.8%)
Construction	192.7	255.0	(24.5%)	218.1	(11.6%)	732.1	565.6	29.4%
Trading/Manufacturing	186.4	231.0	(19.3%)	198.9	(6.3%)	609.9	566.3	7.7%
Quarry	84.3	105.6	(20.1%)	70.5	19.7%	232.0	211.6	9.6%
Healthcare	208.1	168.0	23.9%	200.6	3.7%	579.3	442.3	31.0%
Investment	8.6	0.8	927.2%	1.2	606.3%	10.9	3.3	229.2%
Others	129.9	65.3	98.9%	69.0	88.3%	264.9	167.5	58.1%
EBIT	83.3	135.1	(38.3%)	36.5	128.4%	168.9	185.8	(9.1%)
Net Interest	9.8	5.8	67.7%	19.9	(50.8%)	44.2	35.1	26.0%
Share of Associates/JCE	20.7	30.4	(31.8%)	22.6	(8.3%)	67.0	68.4	(2.1%)
PBT	113.8	171.3	(33.6%)	79.0	44.1%	280.0	289.3	(3.2%)
Property Development	44.6	25.0	78.8%	22.9	95.2%	88.2	90.0	(2.0%)
Property Investment	(12.3)	63.0	(119.5%)	(16.0)	(23.3%)	(45.2)	59.2	(176.2%)
Construction	21.4	37.0	(42.3%)	8.6	147.5%	57.7	66.1	(12.8%)
Trading/Manufacturing	6.7	7.4	(9.5%)	10.0	(33.1%)	28.8	14.0	105.8%
Quarry	2.5	7.9	(68.5%)	(0.5)	(553.8%)	5.0	9.5	(47.5%)
Healthcare	29.5	15.5	89.9%	27.5	7.2%	71.0	(4.9)	(1539.7%)
Investment	10.6	8.5	25.1%	23.1	(54.3%)	55.5	43.5	27.5%
Others	11.0	7.2	52.2%	3.5	215.0%	19.0	11.8	61.5%
Tax	(18.7)	(25.0)	(25.3%)	(7.9)	137.5%	(43.4)	(57.2)	(24.2%)
PAT	95.2	146.3	(35.0%)	71.1	33.8%	236.6	232.0	2.0%
MI	(14.1)	(13.5)	4.2%	(0.6)	2266.7%	(26.6)	(27.6)	(3.8%)
PATAMI	73.2	122.8	(40.4%)	62.6	16.9%	186.4	172.7	8.0%
EI	13.9	(55.5)	(125.1%)	4.2	229.9%	18.8	(12.4)	(251.3%)
Core Earnings	87.1	67.4	29.3%	66.9	30.3%	205.2	160.3	28.1%
EBIT margin	7.8%	13.2%	(5.3%)	3.8%	4.1%	5.5%	7.3%	(1.7%)
PBT margin	10.7%	16.7%	(6.0%)	8.2%	2.5%	9.2%	11.3%	(2.1%)
PAT margin	8.2%	6.6%	1.6%	6.9%	1.3%	6.7%	6.3%	0.5%

Source: CLSA, Company

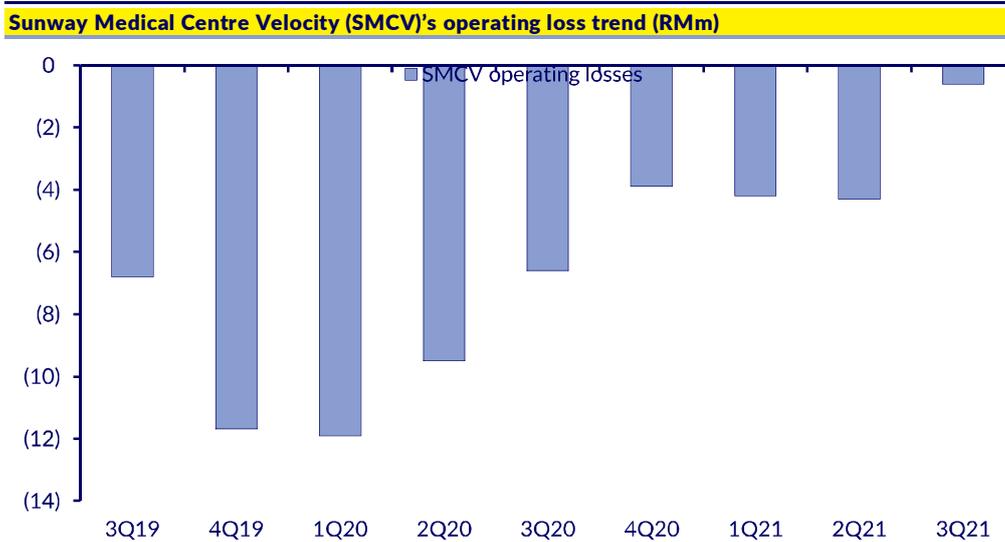
Figure 2

SOTP-derived target price			
Division	Value (RM m)	RM/share	Methodology
Construction (SunCon)	1,269	0.26	54.56% stake based on SunCon TP of RM1.80
Sunway REIT (SunREIT)	1,960	0.40	40.88% stake based on SunREIT TP of RM1.50
Property Development	2,767	0.57	Discounted RNAV
Property Investment	2,228	0.46	Book Value
Healthcare	3,938	0.81	Divestment valuation (to GIC)
Trading & Manufacturing	261	0.05	10x forward PE
Quarry	105	0.02	10x forward PE
	12,527	2.57	
Holding Company Net Cash/(Debt)	(871)	(0.18)	
	11,656	2.39	
10% Holding Company Discount	(1,166)	(0.24)	
Fair Value (RM)	10,491	2.15	

Source: CLSA, Company

SMCV has a gestation period of only two years since its commencement

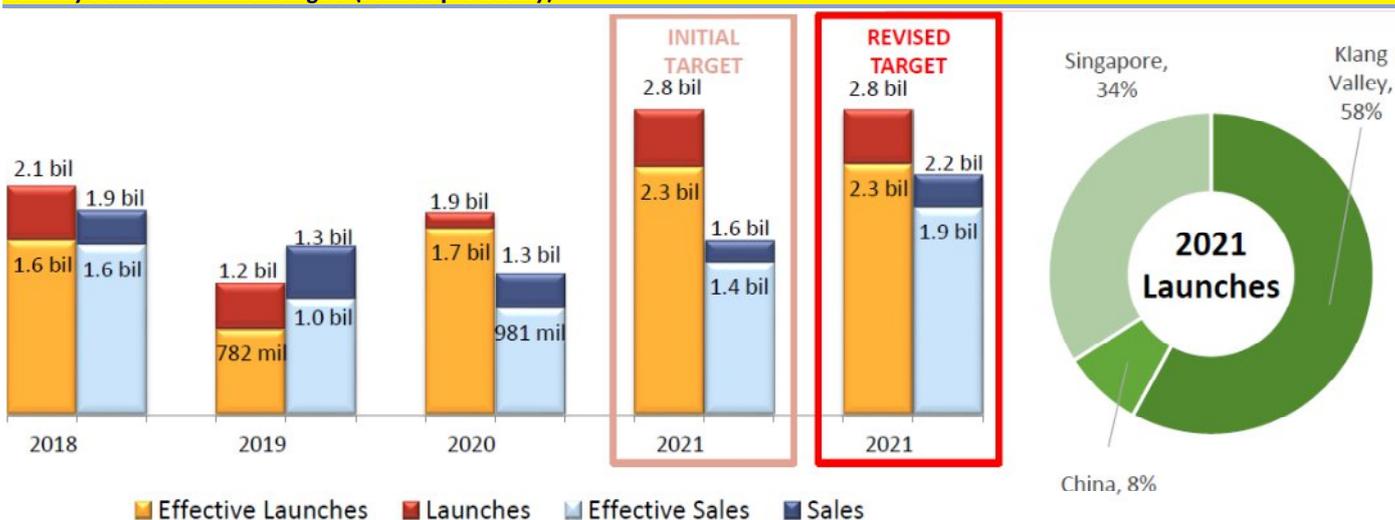
Figure 3



Source: CLSA, Company

Figure 4

Sunway's sales and launch targets (revised previously)



2021 Revised Launches

Project	Product Type	Location	GDV (RM'mil)
Sunway Belfield Phase 1 (Launched)	Service Apartments	Jalan Belfield, KL	330
Sunway Belfield Phase 2 (Launched)	Service Apartments	Jalan Belfield, KL	360
Sunway ARTESSA (Preview in November)	Condominium	Wangsa Maju, KL	320
Sunway D' Hills (Preview in November)	Service Residences & Retail	Kota Damansara, KL	230
Sunway Velocity TWO (Tower D) – Q4	Service Apartments	Jalan Peel, KL	390
Parc Central Residences (Launched)	Executive Condominium	Tampines, Singapore	940
Sunway Gardens Phase 3A – Q4	Condominium	Tianjin, China	230
Total			2,800

Source: Company

Valuation details

Our target price is based on a 10% discount to an SOTP-derived value to reflect the various company's businesses. Sunway Construction and Sunway Real Estate Investment are valued at the effective stake of the implied market cap derived from our target price. Property development is derived from a 60% discount to RNAV/share. The property investment division is valued at book value. The healthcare segment is valued at its post-money valuation based on its stake sale to GIC, while the quarry, trading, and manufacturing segments are valued at 10x 22CL PE.

Investment risks

Key risks are a longer-than-expected recovery in the Johor property market (large exposure to the Johor landbank) and a prolonged movement control order with the ongoing Covid-19 pandemic, which could hinder leisure and hospitality assets.

Valuation details - Sunway Construction Group Bhd SCGB MK

Our target price is derived from 15.4x 22CL earnings, which is one standard deviation above the 10-year mean PE for the KL Construction index. We accord an above-sector average PE, given the company's flow of internal jobs and strong balance sheet.

Investment risks - Sunway Construction Group Bhd SCGB MK

The main concern is construction risk. Specific risks include lower-than-expected margins (below 5-8%) or if the amount of projects secured falls below our expectation, either due to an inability to secure projects or project rollout delays. Higher-than-expected steel price increases could cut into margins as SunCon hedges steel needs for a future six-month period. On the precast segment, another risk is margin recovery timing, currently in the doldrums due to competition. Prolonged Covid-19 could also reduce operating efficiency.

Valuation details - Sunway Real Estate Investment SREIT MK

We use a DDM valuation approach to value Sunway Reit, consistent with how we value other Reits. Our cost of equity is 7.7%, using a risk-free rate of 3%, market risk premium of 7.9%, and beta of 0.6x. We assume terminal growth of 1%, which is below the 3% growth of its rental escalations and is a risk due to Covid-19.

Investment risks - Sunway Real Estate Investment SREIT MK

High gearing represents the biggest risk for Sunway Reit; while funding via perpetual securities is available to take on opportunistic acquisitions, the drawdown from this facility dilutes the interest of investors, given preferential treatment and higher funding cost. Upside risk to the stock would arise if funding costs are lower. However, in view of Covid-19 and the movement control order, risk to retail operations is relatively high, while the hotel segment, although severely affected, is protected by minimum guaranteed rental rates, mostly up to CY22.

Figure 5

Peer/customer matrix													
	Ticker	Result (FY0)	Country	Rec	Mkt cap (US\$bn)	3M ADT (US\$m)	PE (x)	PB (x)	Div yld (%)	ROE (%)	Net debt/equity (%)	EPS growth (%)	
							FY1	FY1	FY1	FY1	FY1	FY1	
Peers													
	AME ELITE	AME MK	Mar-21	Malaysia	O-PF	0.3	0.5	28.9	1.7	1.6	6.0	0.3	(40.9)
	Eco World	ECW MK	Oct-20	Malaysia	BUY	0.6	1.7	15.2	0.5	3.5	3.5	53.7	23.1
	IOI Properties	IOIPG MK	Jun-21	Malaysia	N-R	1.5	0.3	8.8	0.3	2.7	3.5	52.4	5.0
	Mah Sing	MSGB MK	Dec-20	Malaysia	O-PF	0.4	0.8	28.2	0.5	2.8	3.4	(11.8)	-
	Sime Darby Property	SDPR MK	Dec-20	Malaysia	BUY	1.1	0.6	33.2	0.5	1.6	1.5	25.2	6.4
	SP Setia	SPSB MK	Dec-20	Malaysia	BUY	1.3	1.8	48.5	0.4	0.0	0.9	69.6	776.5
	Sunway	SWB MK	Dec-20	Malaysia	BUY	2.0	0.6	31.5	1.1	0.9	3.0	45.7	(32.9)
	UEM Sunrise	UEMS MK	Dec-20	Malaysia	N-R	0.4	0.4	(167.5)	0.2	0.0	(0.2)	37.7	-
	Average							27.7	0.7	1.6	2.7	34.1	122.8
	Median							28.9	0.5	1.6	3.2	41.7	5.7

Based on latest reported numbers from IBES for non-covered stocks and from CLSA analyst models for covered stocks. Source: CLSA, IBES

Detailed financials

Profit & Loss (RMm)

Year to 31 December	2017A	2018A	2019A	2020A	2021CL	2022CL	2023CL
Revenue	5,239	5,410	4,780	3,829	4,510	5,671	6,131
Cogs (ex-D&A)	(3,509)	(3,732)	(3,095)	(2,635)	(3,348)	(4,217)	(4,538)
Gross Profit (ex-D&A)	1,731	1,678	1,686	1,194	1,162	1,455	1,594
Research & development costs	-	-	-	-	-	-	-
Selling & marketing expenses	-	-	-	-	-	-	-
Other SG&A	(1,110)	(1,077)	(1,088)	(991)	(946)	(918)	(892)
Other Op Expenses ex-D&A	162	216	204	279	279	279	279
Op Ebitda	783	818	801	482	496	816	981
Depreciation/amortisation	(130)	(223)	(234)	(234)	(280)	(308)	(333)
Op Ebit	653	595	568	248	216	509	648
Interest income	224	276	205	172	172	177	185
Interest expense	(205)	(263)	(168)	(140)	(150)	(150)	(150)
Net interest inc/(exp)	20	13	36	31	22	27	35
Associates/investments	206	229	261	233	134	197	363
Forex/other income	-	-	-	-	-	-	-
Asset sales/other cash items	-	-	-	-	-	-	-
Provisions/other non-cash items	-	-	-	-	-	-	-
Asset revaluation/Exceptional items	(73)	(89)	(73)	25	-	-	-
Profit before tax	806	748	792	537	372	732	1,046
Taxation	(149)	(121)	(78)	(102)	(50)	(113)	(143)
Profit after tax	657	626	713	435	322	620	903
Preference dividends	0	0	0	0	(32)	(32)	(32)
Profit for period	657	626	713	435	290	588	871
Minority interest	(102)	(70)	(78)	(48)	(30)	(94)	(99)
Net profit	554	557	636	388	260	495	772
Extraordinaries/others	0	0	0	0	0	0	0
Profit available to ordinary shares	554	557	636	388	260	495	772
Dividends	(289)	(347)	(442)	(73)	(75)	(124)	(193)
Retained profit	265	210	194	315	185	371	579
Adjusted profit	614	631	702	368	260	495	772
EPS (sen)	11.5	11.4	13.0	8.0	5.3	10.2	15.8
Adj EPS [pre excep] (sen)	12.8	12.9	14.4	7.5	5.3	10.2	15.8
Core EPS (sen)	11.5	11.4	13.0	8.0	5.3	10.2	15.8
DPS (sen)	6.0	7.1	9.1	1.5	1.5	2.5	4.0

Profit & loss ratios

Year to 31 December	2017A	2018A	2019A	2020A	2021CL	2022CL	2023CL
Growth (%)							
Revenue growth (% YoY)	12.5	3.3	(11.6)	(19.9)	17.8	25.8	8.1
Ebitda growth (% YoY)	(8.1)	4.4	(2.0)	(39.9)	2.9	64.6	20.2
Ebit growth (% YoY)	(8.7)	(8.9)	(4.5)	(56.4)	(12.8)	135.3	27.3
Net profit growth (%)	1.3	0.4	14.2	(39.0)	(32.9)	90.2	56.0
EPS growth (% YoY)	1.3	(0.8)	14.2	(39.0)	(32.9)	90.2	56.0
Adj EPS growth (% YoY)	6.0	1.5	11.2	(47.6)	(29.2)	90.2	56.0
DPS growth (% YoY)	180.0	18.7	27.4	(83.5)	3.2	63.9	56.0
Core EPS growth (% YoY)	1.3	(0.8)	14.2	(39.0)	(32.9)	90.2	56.0
Margins (%)							
Gross margin (%)	33.0	31.0	35.3	31.2	25.8	25.6	26.0
Ebitda margin (%)	14.9	15.1	16.8	12.6	11.0	14.4	16.0
Ebit margin (%)	12.5	11.0	11.9	6.5	4.8	9.0	10.6
Net profit margin (%)	10.6	10.3	13.3	10.1	5.8	8.7	12.6
Core profit margin	10.6	10.3	13.3	10.1	5.8	8.7	12.6
Op cashflow margin	15.1	17.7	14.3	21.6	25.5	7.3	20.8
Returns (%)							
ROE (%)	7.2	7.1	7.8	4.6	3.0	5.5	8.1
ROA (%)	2.7	2.4	2.4	0.9	0.9	2.0	2.5
ROIC (%)	9.6	8.1	6.9	2.5	2.4	5.3	6.6
ROCE (%)	5.6	4.9	4.1	1.6	1.4	3.2	4.0
Other key ratios (%)							
Effective tax rate (%)	18.5	16.2	9.9	19.0	13.5	15.4	13.7
Ebitda/net int exp (x)	-	-	-	-	-	-	-
Exceptional or extraord. inc/PBT (%)	-	-	-	-	-	-	-
Dividend payout (%)	52.1	62.3	69.5	18.9	29.0	25.0	25.0

Source: www.clsa.com

Balance sheet (RMm)

Year to 31 December	2017A	2018A	2019A	2020A	2021CL	2022CL	2023CL
Cash & equivalents	4,419	5,136	2,555	2,237	2,681	2,386	2,907
Accounts receivable	1,944	1,802	3,015	2,441	1,236	1,554	1,680
Inventories	786	849	748	2,101	1,236	1,554	1,680
Other current assets	1,682	1,874	1,887	292	1,017	1,244	1,555
Current assets	8,831	9,661	8,206	7,071	6,169	6,737	7,821
Fixed assets	2,247	2,628	2,749	2,611	2,932	3,225	3,492
Investments	7,377	7,005	8,087	8,181	8,252	8,350	8,595
Goodwill	312	314	332	351	351	351	351
Other intangible assets	0	0	0	0	0	0	0
Other non-current assets	1,464	2,173	2,121	2,905	2,905	2,905	2,905
Total assets	20,231	21,780	21,495	21,119	20,609	21,568	23,164
Short term loans/OD	4,910	6,337	7,025	5,132	6,005	6,005	6,005
Accounts payable	2,673	2,630	2,714	2,532	1,804	2,250	3,098
Accrued expenses	-	-	-	-	-	-	-
Taxes payable	27	34	5	37	37	37	37
Other current liabs	190	174	86	127	127	127	127
Current liabilities	7,801	9,175	9,830	7,829	7,974	8,420	9,268
Long-term debt/leases/other	2,868	2,535	1,274	2,374	1,501	1,501	1,501
Convertible bonds	-	-	-	-	-	-	-
Provisions/other LT liabs	1,147	1,086	957	585	585	585	585
Total liabilities	11,816	12,796	12,061	10,788	10,060	10,506	11,354
Share capital	5,371	5,379	5,394	5,394	5,394	5,394	5,394
Retained earnings	3,628	3,866	3,049	3,238	3,425	3,844	4,492
Reserves/others	(1,204)	(1,281)	(53)	(74)	(74)	(74)	(74)
Shareholder funds	7,794	7,965	8,389	8,557	8,744	9,163	9,811
Minorities/other equity	621	1,019	1,044	1,775	1,805	1,899	1,998
Total equity	8,415	8,984	9,434	10,332	10,549	11,062	11,809
Total liabs & equity	20,231	21,780	21,495	21,119	20,609	21,568	23,164
Total debt	7,779	8,872	8,299	7,506	7,506	7,506	7,506
Net debt	3,360	3,736	5,744	5,269	4,825	5,121	4,600
Adjusted EV	5,749	6,997	7,947	8,109	7,624	7,915	7,249
BVPS (sen)	143.2	144.7	152.4	155.5	158.9	166.5	178.3

Balance sheet ratios

Year to 31 December	2017A	2018A	2019A	2020A	2021CL	2022CL	2023CL
Key ratios							
Current ratio (x)	1.1	1.1	0.8	0.9	0.8	0.8	0.8
Growth in total assets (% YoY)	9.3	7.7	(1.3)	(1.7)	(2.4)	4.7	7.4
Growth in capital employed (% YoY)	1.5	8.0	19.3	2.8	(1.5)	5.3	1.4
Net debt to operating cashflow (x)	4.2	3.9	8.4	6.4	4.2	12.4	3.6
Gross debt to operating cashflow (x)	9.8	9.3	12.1	9.1	6.5	18.2	5.9
Gross debt to Ebitda (x)	9.9	10.9	10.4	15.6	15.1	9.2	7.7
Net debt/Ebitda (x)	4.3	4.6	7.2	10.9	9.7	6.3	4.7
Gearing							
Net debt/equity (%)	39.9	41.6	60.9	51.0	45.7	46.3	38.9
Gross debt/equity (%)	92.4	98.8	88.0	72.7	71.2	67.9	63.6
Interest cover (x)	4.3	3.3	4.6	3.0	2.6	4.6	5.5
Debt cover (x)	0.1	0.1	0.1	0.1	0.2	0.1	0.2
Net cash per share (sen)	(69.8)	(76.7)	(117.9)	(108.1)	(99.0)	(105.1)	(94.4)
Working capital analysis							
Inventory days	82.7	80.0	94.2	197.4	181.9	120.7	130.1
Debtor days	123.6	126.4	183.9	260.0	148.8	89.8	96.3
Creditor days	249.6	259.4	315.2	363.3	236.4	175.5	215.1
Working capital/Sales (%)	29.0	31.2	59.5	55.8	33.7	34.2	26.9
Capital employed analysis							
Sales/Capital employed (%)	44.5	42.5	31.5	24.5	29.3	35.0	37.4
EV/Capital employed (%)	48.8	55.0	52.4	52.0	49.6	48.9	44.2
Working capital/Capital employed (%)	12.9	13.3	18.7	13.7	9.9	12.0	10.1
Fixed capital/Capital employed (%)	19.1	20.7	18.1	16.7	19.1	19.9	21.3
Other ratios (%)							
PB (x)	1.2	1.2	1.1	1.1	1.1	1.0	0.9
EV/Ebitda (x)	7.3	8.6	9.9	16.8	15.4	9.7	7.4
EV/OCF (x)	7.2	7.3	11.6	9.8	6.6	19.2	5.7
EV/FCF (x)	14.5	13.1	20.5	26.4	13.9	(42.0)	10.7
EV/Sales (x)	1.1	1.3	1.7	2.1	1.7	1.4	1.2
Capex/depreciation (%)	305.3	188.5	127.2	222.8	214.6	195.1	180.2

Source: www.clsa.com

Cashflow (RMm)

Year to 31 December	2017A	2018A	2019A	2020A	2021CL	2022CL	2023CL
Operating profit	653	595	568	248	216	509	648
Operating adjustments	226	242	297	265	156	224	398
Depreciation/amortisation	130	223	234	234	280	308	333
Working capital changes	(14)	(131)	(354)	(137)	618	(418)	285
Interest paid / other financial expenses	-	-	-	-	-	-	-
Tax paid	(175)	(109)	(94)	(60)	(50)	(113)	(143)
Other non-cash operating items	(26)	136	34	278	(72)	(98)	(245)
Net operating cashflow	794	956	685	828	1,148	412	1,276
Capital expenditure	(397)	(420)	(297)	(521)	(600)	(600)	(600)
Free cashflow	397	536	387	307	548	(188)	676
Acq/inv/disposals	(214)	(993)	(1,095)	(364)	-	-	-
Int, invt & associate div	-	-	-	-	-	-	-
Net investing cashflow	(610)	(1,413)	(1,392)	(885)	(600)	(600)	(600)
Increase in loans	761	1,071	1,060	(940)	-	-	-
Dividends	(276)	(382)	(306)	(254)	(105)	(107)	(155)
Net equity raised/others	(242)	57	(255)	1,016	0	0	0
Net financing cashflow	242	746	499	(178)	(105)	(107)	(155)
Incr/(decr) in net cash	426	288	(209)	(235)	443	(295)	521
Exch rate movements	(86)	429	(2,373)	(82)	-	-	-
Opening cash	4,079	4,419	5,136	2,555	2,237	2,681	2,386
Closing cash	4,419	5,136	2,555	2,237	2,681	2,386	2,907
OCF PS (sen)	16.5	19.6	14.0	17.0	23.6	8.4	26.2
FCF PS (sen)	8.2	11.0	7.9	6.3	11.2	(3.9)	13.9

Cashflow ratio analysis

Year to 31 December	2017A	2018A	2019A	2020A	2021CL	2022CL	2023CL
Growth (%)							
Op cashflow growth (% YoY)	18.8	20.4	(28.4)	20.9	38.7	(64.1)	209.9
FCF growth (% YoY)	10.7	34.9	(27.7)	(20.8)	78.6	(134.3)	-
Capex growth (%)	28.1	6.0	(29.3)	75.3	15.2	0.0	0.0
Other key ratios (%)							
Capex/sales (%)	7.6	7.8	6.2	13.6	13.3	10.6	9.8
Capex/op cashflow (%)	50.0	44.0	43.4	62.9	52.3	145.7	47.0
Operating cashflow payout ratio (%)	36.4	36.3	64.6	8.8	6.6	30.0	15.1
Cashflow payout ratio (%)	36.4	36.3	64.6	8.8	6.6	30.0	15.1
Free cashflow payout ratio (%)	72.8	64.8	114.1	23.8	13.8	-	28.5

DuPont analysis

Year to 31 December	2017A	2018A	2019A	2020A	2021CL	2022CL	2023CL
Ebit margin (%)	12.5	11.0	11.9	6.5	4.8	9.0	10.6
Asset turnover (x)	0.3	0.3	0.2	0.2	0.2	0.3	0.3
Interest burden (x)	1.2	1.3	1.4	2.2	1.7	1.4	1.6
Tax burden (x)	0.8	0.8	0.9	0.8	0.9	0.8	0.9
Return on assets (%)	2.7	2.4	2.4	0.9	0.9	2.0	2.5
Leverage (x)	2.3	2.4	2.3	2.2	2.0	2.0	2.0
ROE (%)	7.2	7.1	7.8	4.6	3.0	5.5	8.1

EVA® analysis

Year to 31 December	2017A	2018A	2019A	2020A	2021CL	2022CL	2023CL
Ebit adj for tax	532	498	512	201	187	430	559
Average invested capital	5,516	6,173	7,424	8,026	7,856	8,062	8,408
ROIC (%)	9.6	8.1	6.9	2.5	2.4	5.3	6.6
Cost of equity (%)	10.9	10.9	10.9	10.9	10.9	10.9	10.9
Cost of debt (adj for tax)	2.4	2.5	2.7	2.4	2.6	2.5	2.6
Weighted average cost of capital (%)	8.1	8.1	8.2	8.1	8.1	8.1	8.1
EVA/IC (%)	1.6	0.0	(1.3)	(5.6)	(5.8)	(2.8)	(1.5)
EVA (RMm)	86	(2)	(95)	(448)	(452)	(224)	(125)

Source: www.clsa.com



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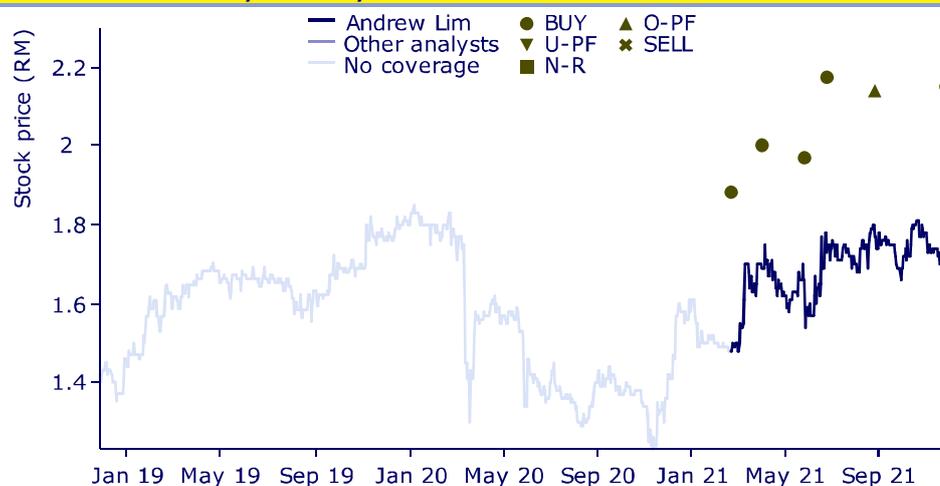
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Recommendation history of Sunway Bhd SWB MK



Date	Rec	Target	Date	Rec	Target
LATEST	BUY	2.15	26 May 2021	BUY	1.97
25 Aug 2021	O-PF	2.14	01 Apr 2021	BUY	2.00
24 Jun 2021	BUY	2.17	20 Feb 2021	BUY	1.88

Source: CLSA

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