

Andrew Lim

andrew.lim@cls.com
+60 3 2056 7871

25 February 2022

Malaysia Property

Reuters SWAY.KL
Bloomberg SWB MK

Priced on 25 February 2022
KLSE Comp @ 1,591.7

12M hi/lo RM1.81/1.48

12M price target RM2.05
±% potential +22%

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

Market cap US\$2bn

3M ADV US\$0.4m

Foreign s'holding 10.0%

Major shareholders

Jeffrey Cheah Fook Ling 63.0%
EPF 9.3%

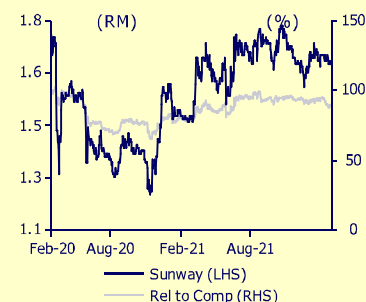
Blended ESG Score (%)*

Overall 82.7
Country average 71.1
GEM sector average 67.9

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

Stock performance (%)

	1M	3M	12M
Absolute	(1.2)	0.0	12.8
Relative	(6.3)	(4.7)	12.0
Abs (US\$)	(1.1)	0.0	8.7



Source: Bloomberg

Looking ahead to sunnier days

Improved operations but slower hospitality recovery

Sunway FY21 earnings beat our expectations due to stronger-than-expected construction and investment contribution. FY22 effective sales and launch targets remain strong at RM2/2.1bn. Healthcare expansion plans for 2022 openings are still on track for completion. Hospitality operations are likely to continue struggling in 2022 as international borders remain closed; we cut forecasts accordingly. We keep a BUY but trim our target price from RM2.15 to RM2.05.

FY21 above our expectations due to construction and investment contributions

Fourth-quarter earnings of RM114m (down 49% YoY and up 31% QoQ) brought FY21 earnings to RM319m (down 17% YoY) making up 122%/104% of our/consensus estimates, largely due to stronger-than-expected contributions from construction and investment holdings. We did not include the RM2.3bn gain from healthcare operations interest remeasurement in our earnings estimates.

FY22 effective sales and launch targets strong at RM2bn and RM2.1bn

Effective sales were RM0.5bn in 4Q21, bringing FY21 sales to RM2.4bn, exceeding the full-year RM1.9bn target. Unbilled sales remained strong at RM3.5bn (close to 6x cover ratio); RM2bn was from Singapore projects. FY22 effective sales and launches are estimated at RM2bn and RM2.1bn.

Healthcare remained strong; hospitality recovery likely delayed

Healthcare operations had their strongest quarter at RM33.7m while Sunway Medical Centre Velocity had maiden operating profit (two years since opening). Expansion plans for 2022 openings in Sunway City and Seberang Jaya remain on track for completion. Meanwhile, the property investment operations (particularly hospitality and leisure) may continue struggling in 2022 as international borders remain closed, with recovery expected in 2023. We cut FY22/23 earnings estimates 10.7%/2.2% as we pencil in weaker hospitality operations recovery.

Maintain BUY; target price cut to RM2.05

We maintain a BUY with a reduced RM2.05 target price as we roll over valuations. We remain positive on long-term prospects, especially from a 2028-targeted IPO (it could 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% holding discount to reflect Sunway's various businesses.

Financials

Year to 31 December	20A	21A	22CL	23CL	24CL
Revenue (RMm)	3,829	4,529	5,357	5,964	5,438
Rev forecast change (%)	-	-	(5.5)	(2.7)	-
Net profit (RMm)	388	319	442	755	666
NP forecast change (%)	-	-	(10.7)	(2.2)	-
EPS (sen)	8.0	6.6	9.1	15.5	13.7
CL/consensus (11) (EPS%)	-	-	96	141	-
EPS growth (% YoY)	(39.0)	(17.6)	38.4	70.9	(11.8)
PE (x)	21.1	25.6	18.5	10.8	12.3
Dividend yield (%)	0.9	1.2	1.3	2.3	2.0
ROE (%)	4.6	3.3	3.9	6.4	5.4
Net debt/equity (%)	51.0	45.0	39.7	35.2	34.3

Source: www.cls.com

Financials at a glance

Year to 31 December	2020A	2021A	2022CL	(% YoY)	2023CL	2024CL
Profit & Loss (RMm)						
Revenue	3,829	4,529	5,357	18.3	5,964	5,438
Cogs (ex-D&A)	(2,635)	(3,569)	(3,857)		(4,298)	(3,913)
Gross Profit (ex-D&A)	1,194	960	1,500	56.2	1,666	1,525
SG&A and other expenses	(712)	(305)	(881)		(843)	(808)
Op Ebitda	482	655	619	(5.5)	823	717
Depreciation/amortisation	(234)	(216)	(162)		(200)	(235)
Op Ebit	248	439	457	4	623	482
Net interest inc/(exp)	31	45	22	(51.8)	48	56
Other non-Op items	258	55	197	260.6	363	380
Profit before tax	537	539	675	25.3	1,034	918
Taxation	(102)	(114)	(101)		(141)	(113)
Profit after tax	435	425	575	35.3	893	805
Minority interest	(48)	(75)	(101)		(106)	(108)
Net profit	388	319	442	38.4	755	666
Adjusted profit	368	342	442	29.1	755	666
Cashflow (RMm)						
Operating profit	248	439	457	4	623	482
Depreciation/amortisation	234	216	162	(25)	200	235
Working capital changes	(137)	(79)	603		243	(52)
Other items	483	462	20	(95.6)	25	85
Net operating cashflow	828	1,038	1,243	19.7	1,091	750
Capital expenditure	(521)	(723)	(600)		(600)	(600)
Free cashflow	307	316	643	103.5	491	150
M&A/Others	(364)	(600)	0		0	0
Net investing cashflow	(885)	(1,323)	(600)		(600)	(600)
Increase in loans	(940)	1,216	-		-	-
Dividends	(254)	(178)	(133)		(142)	(220)
Net equity raised/other	1,016	(206)	0		0	0
Net financing cashflow	(178)	833	(133)		(142)	(220)
Incr/(decr) in net cash	(235)	548	510	(6.9)	349	(70)
Exch rate movements	(82)	29	0		0	-
Balance sheet (RMm)						
Cash & equivalents	2,237	2,814	3,324	18.1	3,673	3,603
Accounts receivable	2,441	2,484	1,468	(40.9)	1,634	1,490
Other current assets	2,393	2,704	2,701	(0.1)	3,179	3,116
Fixed assets	2,611	1,263	1,701	34.7	2,101	2,466
Investments	8,181	12,755	12,852	0.8	13,097	13,335
Intangible assets	351	433	433	0	433	433
Other non-current assets	2,905	2,635	2,634	0	2,634	2,634
Total assets	21,119	25,087	25,113	0.1	26,750	27,076
Short-term debt	5,132	4,094	4,058	(0.9)	4,058	4,058
Accounts payable	2,532	2,483	2,067	(16.8)	2,954	2,694
Other current liabs	165	129	129	0	129	129
Long-term debt/CBs	2,374	4,622	4,658	0.8	4,658	4,658
Provisions/other LT liabs	585	636	636	0	636	636
Shareholder funds	8,557	11,057	11,398	3.1	12,042	12,519
Minorities/other equity	1,775	2,066	2,168	4.9	2,274	2,382
Total liabs & equity	21,119	25,087	25,113	0.1	26,750	27,076
Ratio analysis						
Revenue growth (% YoY)	(19.9)	18.3	18.3		11.3	(8.8)
Ebitda margin (%)	12.6	14.5	11.6		13.8	13.2
Ebit margin (%)	6.5	9.7	8.5		10.4	8.9
Net profit growth (%)	(39.0)	(17.6)	38.4		70.9	(11.8)
Op cashflow growth (% YoY)	20.9	25.5	19.7		(12.2)	(31.3)
Capex/sales (%)	13.6	16.0	11.2		10.1	11.0
Net debt/equity (%)	51.0	45.0	39.7		35.2	34.3
Net debt/Ebitda (x)	10.9	9.0	8.7		6.1	7.1
ROE (%)	4.6	3.3	3.9		6.4	5.4
ROIC (%)	2.5	4.6	5.7		7.9	5.9

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								
	4Q21	4Q20	YoY	3Q21	QoQ	FY21	FY20	YoY
Revenue	1479.6	1278.0	15.8%	1065.0	38.9%	4529.3	3833.3	18.2%
Property development	182.6	184.3	(0.9%)	197.1	(7.3%)	624.2	495.0	26.1%
Property investment	133.4	46.1	189.6%	58.0	130.0%	312.3	334.0	(6.5%)
Construction	379.6	424.6	(10.6%)	192.7	97.0%	1111.7	990.2	12.3%
Trading/manufacturing	229.9	245.8	(6.5%)	186.4	23.3%	839.8	812.1	3.4%
Quarry	105.7	109.8	(3.7%)	84.3	25.4%	337.8	321.4	5.1%
Healthcare	235.8	178.0	32.4%	208.1	13.3%	815.1	620.3	31.4%
Investment	31.8	1.4	2225.2%	8.6	271.3%	42.7	4.7	814.0%
Others	180.8	88.1	105.1%	129.9	39.2%	445.6	255.6	74.3%
Ebit	270.1	65.0	315.7%	83.3	224.2%	439.0	250.8	75.0%
Net interest	1.2	(6.6)	(117.9%)	9.8	(88.0%)	45.3	28.5	59.1%
Share of associates/JCE	16.7	161.6	(89.6%)	20.7	(19.3%)	83.7	230.0	(63.6%)
PBT	288.0	220.0	30.9%	113.8	153.0%	568.1	509.3	11.5%
Property development	64.4	207.0	(68.9%)	44.6	44.2%	152.6	297.0	(48.6%)
Property investment	36.8	(90.0)	(140.9%)	(12.3)	(399.6%)	(8.3)	(30.8)	(72.9%)
Construction	91.1	39.0	133.9%	21.4	326.7%	148.8	105.1	41.6%
Trading/manufacturing	9.0	10.8	(16.6%)	6.7	35.7%	37.9	24.9	52.4%
Quarry	4.4	5.3	(16.6%)	2.5	77.4%	9.4	14.8	(36.5%)
Healthcare	32.4	22.3	45.0%	29.5	9.9%	103.3	17.4	493.7%
Investment	35.1	13.2	165.7%	10.6	232.2%	90.6	56.8	59.6%
Others	15.8	12.4	27.4%	11.0	44.3%	34.9	24.2	44.0%
Tax	(70.8)	(44.8)	58.1%	(18.7)	278.6%	(114.1)	(102.0)	11.9%
PAT	217.3	175.3	24.0%	95.2	128.3%	453.9	407.3	11.4%
MI	(48.0)	(20.1)	139.2%	(14.1)	241.6%	(74.6)	(47.7)	56.4%
Patami	162.1	186.9	(13.3%)	73.2	121.4%	348.5	359.6	(3.1%)
EI	(48.0)	37.3	(228.8%)	13.9	(444.7%)	(29.2)	24.9	(217.5%)
Core earnings	114.1	224.2	(49.1%)	87.1	30.9%	319.3	384.5	(16.9%)
Ebit margin	18.3%	5.1%	13.2%	7.8%	10.4%	9.7%	6.5%	3.1%
PBT margin	19.5%	17.2%	2.3%	10.7%	8.8%	12.5%	13.3%	(0.7%)
PAT margin	7.7%	17.5%	(9.8%)	8.2%	(0.5%)	7.1%	10.0%	(3.0%)

Source: Sunway

Figure 2

SOTP-derived fair value			
Division	Value (RMm)	RM/share	Methodology
Construction (SunCon)	1,269	0.26	54.56% stake based on SunCon target price of RM1.80
Sunway Reit (SunReit)	1,960	0.40	40.88% stake based on SunReit target price of RM1.50
Property development	2,214	0.45	Discounted RNAV
Property investment	2,228	0.46	Book value
Healthcare	3,938	0.81	Divestment valuation (to GIC)
Trading & manufacturing	269	0.06	10x forward PE
Quarry	108	0.02	10x forward PE
	11,986	2.46	
Holding company net cash/(debt)	(871)	(0.18)	
	11,115	2.28	
10% holding company discount	(1,111)	(0.23)	
Fair value (RM)	10,003	2.05	

Source: CLSA

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 70% 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 Singapore sovereign wealth fund GIC, while the quarry, trading, and manufacturing segments are valued at 10x 23CL 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.

Figure 3

Peer/customer matrix

	Code	Result (FY0)	Country	Rec	Mkt cap (US\$bn)	3M ADT (US\$m)	PE (x)	PB (x)	Div yld (%)	ROE (%)	Net debt/equity (%)	EPS growth (% YoY)
							FY1	FY1	FY1	FY1		FY1
Peers												
AME ELITE	AME MK	Mar-21	Malaysia	BUY	0.3	0.2	26.4	1.6	1.8	6.0	0.3	(40.9)
Eco World	ECW MK	Oct-20	Malaysia	BUY	0.7	0.9	17.1	0.7	3.8	3.9	44.1	35.2
IOI Properties	IOIPG MK	Jun-21	Malaysia	N-R	1.4	0.3	8.4	0.3	2.8	3.5	53.4	5.0
Sime Darby Property	SDPR MK	Dec-21	Malaysia	BUY	1.0	0.5	23.8	0.5	2.1	2.0	34.3	31.9
SP Setia	SPSB MK	Dec-20	Malaysia	BUY	1.3	0.9	46.0	0.4	0.0	0.9	69.6	776.5
Sunway	SWB MK	Dec-21	Malaysia	BUY	2.0	0.4	18.5	0.8	1.3	3.9	39.7	38.4
UEM Sunrise	UEMS MK	Dec-20	Malaysia	N-R	0.4	0.2	(25.4)	0.2	0.0	(1.0)	23.2	-
Average							23.4	0.6	1.7	2.7	37.8	141.0
Median							21.2	0.5	1.8	3.5	39.7	33.5

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

Detailed financials

Profit & Loss (RMm)

Year to 31 December	2018A	2019A	2020A	2021A	2022CL	2023CL	2024CL
Revenue	5,410	4,780	3,829	4,529	5,357	5,964	5,438
Cogs (ex-D&A)	(3,732)	(3,095)	(2,635)	(3,569)	(3,857)	(4,298)	(3,913)
Gross Profit (ex-D&A)	1,678	1,686	1,194	960	1,500	1,666	1,525
Research & development costs	-	-	-	-	-	-	-
Selling & marketing expenses	-	-	-	-	-	-	-
Other SG&A	(1,077)	(1,088)	(991)	(487)	(1,063)	(1,025)	(990)
Other Op Expenses ex-D&A	216	204	279	182	182	182	182
Op Ebitda	818	801	482	655	619	823	717
Depreciation/amortisation	(223)	(234)	(234)	(216)	(162)	(200)	(235)
Op Ebit	595	568	248	439	457	623	482
Interest income	276	205	172	170	184	210	218
Interest expense	(263)	(168)	(140)	(125)	(162)	(162)	(162)
Net interest inc/(exp)	13	36	31	45	22	48	56
Associates/investments	229	261	233	84	197	363	380
Forex/other income	-	-	-	-	-	-	-
Asset sales/other cash items	-	-	-	-	-	-	-
Provisions/other non-cash items	-	-	-	-	-	-	-
Asset revaluation/Exceptional items	(89)	(73)	25	(29)	-	-	-
Profit before tax	748	792	537	539	675	1,034	918
Taxation	(121)	(78)	(102)	(114)	(101)	(141)	(113)
Profit after tax	626	713	435	425	575	893	805
Preference dividends	0	0	0	(31)	(32)	(32)	(32)
Profit for period	626	713	435	394	543	861	774
Minority interest	(70)	(78)	(48)	(75)	(101)	(106)	(108)
Net profit	557	636	388	319	442	755	666
Extraordinaries/others	0	0	0	0	0	0	0
Profit available to ordinary shares	557	636	388	319	442	755	666
Dividends	(347)	(442)	(73)	(101)	(110)	(189)	(166)
Retained profit	210	194	315	218	331	566	499
Adjusted profit	631	702	368	342	442	755	666
EPS (sen)	11.4	13.0	8.0	6.6	9.1	15.5	13.7
Adj EPS [pre excep] (sen)	12.9	14.4	7.5	7.0	9.1	15.5	13.7
Core EPS (sen)	11.4	13.0	8.0	6.6	9.1	15.5	13.7
DPS (sen)	7.1	9.1	1.5	2.1	2.3	3.9	3.4

Profit & loss ratios

Year to 31 December	2018A	2019A	2020A	2021A	2022CL	2023CL	2024CL
Growth (%)							
Revenue growth (% YoY)	3.3	(11.6)	(19.9)	18.3	18.3	11.3	(8.8)
Ebitda growth (% YoY)	4.4	(2.0)	(39.9)	36.1	(5.5)	33.0	(12.9)
Ebit growth (% YoY)	(8.9)	(4.5)	(56.4)	77.2	4.0	36.4	(22.6)
Net profit growth (%)	0.4	14.2	(39.0)	(17.6)	38.4	70.9	(11.8)
EPS growth (% YoY)	(0.8)	14.2	(39.0)	(17.6)	38.4	70.9	(11.8)
Adj EPS growth (% YoY)	1.5	11.2	(47.6)	(6.9)	29.1	70.9	(11.8)
DPS growth (% YoY)	18.7	27.4	(83.5)	38.3	9.3	70.9	(11.8)
Core EPS growth (% YoY)	(0.8)	14.2	(39.0)	(17.6)	38.4	70.9	(11.8)
Margins (%)							
Gross margin (%)	31.0	35.3	31.2	21.2	28.0	27.9	28.0
Ebitda margin (%)	15.1	16.8	12.6	14.5	11.6	13.8	13.2
Ebit margin (%)	11.0	11.9	6.5	9.7	8.5	10.4	8.9
Net profit margin (%)	10.3	13.3	10.1	7.1	8.2	12.7	12.2
Core profit margin	10.3	13.3	10.1	7.1	8.2	12.7	12.2
Op cashflow margin	17.7	14.3	21.6	22.9	23.2	18.3	13.8
Returns (%)							
ROE (%)	7.1	7.8	4.6	3.3	3.9	6.4	5.4
ROA (%)	2.4	2.4	0.9	1.5	1.5	2.1	1.6
ROIC (%)	8.1	6.9	2.5	4.6	5.7	7.9	5.9
ROCE (%)	4.9	4.1	1.6	2.5	2.4	3.3	2.4
Other key ratios (%)							
Effective tax rate (%)	16.2	9.9	19.0	21.2	14.9	13.6	12.3
Ebitda/net int exp (x)	-	-	-	-	-	-	-
Exceptional or extraord. inc/PBT (%)	-	-	-	-	-	-	-
Dividend payout (%)	62.3	69.5	18.9	31.7	25.0	25.0	25.0

Source: www.clsa.com

Balance sheet (RMm)

Year to 31 December	2018A	2019A	2020A	2021A	2022CL	2023CL	2024CL
Cash & equivalents	5,136	2,555	2,237	2,814	3,324	3,673	3,603
Accounts receivable	1,802	3,015	2,441	2,484	1,468	1,634	1,490
Inventories	849	748	2,101	2,423	1,468	1,634	1,490
Other current assets	1,874	1,887	292	281	1,234	1,545	1,626
Current assets	9,661	8,206	7,071	8,002	7,493	8,486	8,209
Fixed assets	2,628	2,749	2,611	1,263	1,701	2,101	2,466
Investments	7,005	8,087	8,181	12,755	12,852	13,097	13,335
Goodwill	314	332	351	433	433	433	433
Other intangible assets	0	0	0	0	0	0	0
Other non-current assets	2,173	2,121	2,905	2,635	2,634	2,634	2,634
Total assets	21,780	21,495	21,119	25,087	25,113	26,750	27,076
Short term loans/OD	6,337	7,025	5,132	4,094	4,058	4,058	4,058
Accounts payable	2,630	2,714	2,532	2,483	2,067	2,954	2,694
Accrued expenses	-	-	-	-	-	-	-
Taxes payable	34	5	37	56	56	56	56
Other current liabs	174	86	127	73	73	73	73
Current liabilities	9,175	9,830	7,829	6,706	6,254	7,140	6,881
Long-term debt/leases/other	2,535	1,274	2,374	4,622	4,658	4,658	4,658
Convertible bonds	-	-	-	-	-	-	-
Provisions/other LT liabs	1,086	957	585	636	636	636	636
Total liabilities	12,796	12,061	10,788	11,963	11,547	12,434	12,175
Share capital	5,379	5,394	5,394	5,394	5,394	5,394	5,394
Retained earnings	3,866	3,049	3,238	5,737	6,078	6,723	7,200
Reserves/others	(1,281)	(53)	(74)	(74)	(74)	(74)	(74)
Shareholder funds	7,965	8,389	8,557	11,057	11,398	12,042	12,519
Minorities/other equity	1,019	1,044	1,775	2,066	2,168	2,274	2,382
Total equity	8,984	9,434	10,332	13,123	13,566	14,317	14,902
Total liabs & equity	21,780	21,495	21,119	25,087	25,113	26,750	27,076
Total debt	8,872	8,299	7,506	8,715	8,715	8,715	8,715
Net debt	3,736	5,744	5,269	5,901	5,391	5,042	5,112
Adjusted EV	6,997	7,947	8,109	4,460	3,953	3,466	3,406
BVPS (sen)	144.7	152.4	155.5	200.9	207.1	218.8	227.5

Balance sheet ratios

Year to 31 December	2018A	2019A	2020A	2021A	2022CL	2023CL	2024CL
Key ratios							
Current ratio (x)	1.1	0.8	0.9	1.2	1.2	1.2	1.2
Growth in total assets (% YoY)	7.7	(1.3)	(1.7)	18.8	0.1	6.5	1.2
Growth in capital employed (% YoY)	8.0	19.3	2.8	21.9	(0.4)	2.1	3.4
Net debt to operating cashflow (x)	3.9	8.4	6.4	5.7	4.3	4.6	6.8
Gross debt to operating cashflow (x)	9.3	12.1	9.1	8.4	7.0	8.0	11.6
Gross debt to Ebitda (x)	10.9	10.4	15.6	13.3	14.1	10.6	12.2
Net debt/Ebitda (x)	4.6	7.2	10.9	9.0	8.7	6.1	7.1
Gearing							
Net debt/equity (%)	41.6	60.9	51.0	45.0	39.7	35.2	34.3
Gross debt/equity (%)	98.8	88.0	72.7	66.4	64.2	60.9	58.5
Interest cover (x)	3.3	4.6	3.0	4.9	3.9	5.1	4.3
Debt cover (x)	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Net cash per share (sen)	(76.7)	(117.9)	(108.1)	(121.1)	(110.6)	(103.5)	(104.9)
Working capital analysis							
Inventory days	80.0	94.2	197.4	231.4	184.1	131.7	145.7
Debtor days	126.4	183.9	260.0	198.4	134.6	94.9	104.8
Creditor days	259.4	315.2	363.3	256.4	215.3	213.2	263.4
Working capital/Sales (%)	31.2	59.5	55.8	56.9	36.8	29.0	32.8
Capital employed analysis							
Sales/Capital employed (%)	42.5	31.5	24.5	23.8	28.3	30.8	27.2
EV/Capital employed (%)	55.0	52.4	52.0	23.4	20.9	17.9	17.0
Working capital/Capital employed (%)	13.3	18.7	13.7	13.5	10.4	8.9	8.9
Fixed capital/Capital employed (%)	20.7	18.1	16.7	6.6	9.0	10.9	12.3
Other ratios (%)							
PB (x)	1.2	1.1	1.1	0.8	0.8	0.8	0.7
EV/Ebitda (x)	8.6	9.9	16.8	6.8	6.4	4.2	4.7
EV/OCF (x)	7.3	11.6	9.8	4.3	3.2	3.2	4.5
EV/FCF (x)	13.1	20.5	26.4	14.1	6.2	7.1	22.7
EV/Sales (x)	1.3	1.7	2.1	1.0	0.7	0.6	0.6
Capex/depreciation (%)	188.5	127.2	222.8	334.1	369.6	299.4	255.1

Source: www.clsa.com

Cashflow (RMm)

Year to 31 December	2018A	2019A	2020A	2021A	2022CL	2023CL	2024CL
Operating profit	595	568	248	439	457	623	482
Operating adjustments	242	297	265	129	218	411	436
Depreciation/amortisation	223	234	234	216	162	200	235
Working capital changes	(131)	(354)	(137)	(79)	603	243	(52)
Interest paid / other financial expenses	-	-	-	-	-	-	-
Tax paid	(109)	(94)	(60)	(104)	(101)	(141)	(113)
Other non-cash operating items	136	34	278	437	(98)	(245)	(238)
Net operating cashflow	956	685	828	1,038	1,243	1,091	750
Capital expenditure	(420)	(297)	(521)	(723)	(600)	(600)	(600)
Free cashflow	536	387	307	316	643	491	150
Acq/inv/disposals	(993)	(1,095)	(364)	(600)	-	-	-
Int, invt & associate div	-	-	-	-	-	-	-
Net investing cashflow	(1,413)	(1,392)	(885)	(1,323)	(600)	(600)	(600)
Increase in loans	1,071	1,060	(940)	1,216	-	-	-
Dividends	(382)	(306)	(254)	(178)	(133)	(142)	(220)
Net equity raised/others	57	(255)	1,016	(206)	0	0	0
Net financing cashflow	746	499	(178)	833	(133)	(142)	(220)
Incr/(decr) in net cash	288	(209)	(235)	548	510	349	(70)
Exch rate movements	429	(2,373)	(82)	29	0	0	-
Opening cash	4,419	5,136	2,555	2,237	2,814	3,324	3,673
Closing cash	5,136	2,555	2,237	2,814	3,324	3,673	3,603
OCF PS (sen)	19.6	14.0	17.0	21.3	25.5	22.4	15.4
FCF PS (sen)	11.0	7.9	6.3	6.5	13.2	10.1	3.1

Cashflow ratio analysis

Year to 31 December	2018A	2019A	2020A	2021A	2022CL	2023CL	2024CL
Growth (%)							
Op cashflow growth (% YoY)	20.4	(28.4)	20.9	25.5	19.7	(12.2)	(31.3)
FCF growth (% YoY)	34.9	(27.7)	(20.8)	2.9	103.5	(23.6)	(69.5)
Capex growth (%)	6.0	(29.3)	75.3	38.7	(17.0)	0.0	0.0
Other key ratios (%)							
Capex/sales (%)	7.8	6.2	13.6	16.0	11.2	10.1	11.0
Capex/op cashflow (%)	44.0	43.4	62.9	69.6	48.3	55.0	80.0
Operating cashflow payout ratio (%)	36.3	64.6	8.8	9.7	8.9	17.3	22.2
Cashflow payout ratio (%)	36.3	64.6	8.8	9.7	8.9	17.3	22.2
Free cashflow payout ratio (%)	64.8	114.1	23.8	32.0	17.2	38.4	110.9

DuPont analysis

Year to 31 December	2018A	2019A	2020A	2021A	2022CL	2023CL	2024CL
Ebit margin (%)	11.0	11.9	6.5	9.7	8.5	10.4	8.9
Asset turnover (x)	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Interest burden (x)	1.3	1.4	2.2	1.2	1.5	1.7	1.9
Tax burden (x)	0.8	0.9	0.8	0.8	0.9	0.9	0.9
Return on assets (%)	2.4	2.4	0.9	1.5	1.5	2.1	1.6
Leverage (x)	2.4	2.3	2.2	2.0	1.9	1.9	1.8
ROE (%)	7.1	7.8	4.6	3.3	3.9	6.4	5.4

EVA® analysis

Year to 31 December	2018A	2019A	2020A	2021A	2022CL	2023CL	2024CL
Ebit adj for tax	498	512	201	346	389	538	423
Average invested capital	6,173	7,424	8,026	7,456	6,824	6,819	7,107
ROIC (%)	8.1	6.9	2.5	4.6	5.7	7.9	5.9
Cost of equity (%)	10.9	10.9	10.9	10.9	10.9	10.9	10.9
Cost of debt (adj for tax)	2.5	2.7	2.4	2.4	2.6	2.6	2.6
Weighted average cost of capital (%)	8.1	8.2	8.1	8.1	8.1	8.1	8.1
EVA/IC (%)	0.0	(1.3)	(5.6)	(3.4)	(2.4)	(0.2)	(2.2)
EVA (RMm)	(2)	(95)	(448)	(255)	(165)	(16)	(156)

Source: www.clsa.com



Research subscriptions

To change your report distribution requirements, please contact your CLSA sales representative or email us at cib@clsa.com. You can also fine-tune your Research Alert email preferences at https://www.clsa.com/member/tools/email_alert/.

Companies mentioned

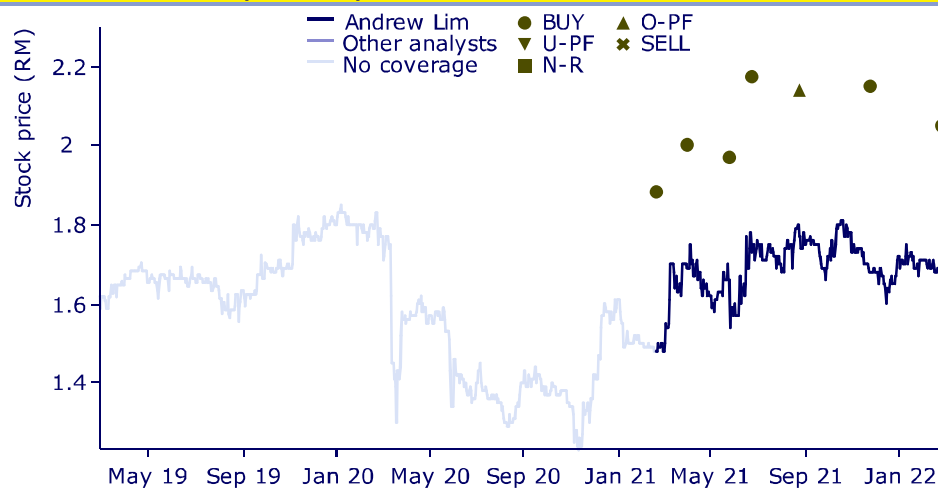
Sunway (SWB MK - RM1.68 - BUY)
 AME ELITE (AME MK - RM1.69 - BUY)
 Eco World (ECW MK - RM1.06 - BUY)
 GIC Pte Ltd (N-R)
 IOI Properties (N-R)
 Mah Sing (MSGB MK - RM0.68 - O-PF)
 Sime Darby Property (SDPR MK - RM0.64 - BUY)
 SP Setia (SPSB MK - RM1.31 - BUY)
 SunCon (SCGB MK - RM1.50 - BUY)
 Sunway Reit (SREIT MK - RM1.39 - O-PF)
 UEM Sunrise (N-R)

Analyst certification

The analyst(s) of this report hereby certify that the views expressed in this research report accurately reflect my/our own personal views about the securities and/or the issuers and that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation or views contained in this research report.

Important disclosures

Recommendation history of Sunway Bhd SWB MK



Date	Rec	Target	Date	Rec	Target
LATEST	BUY	2.05	26 May 2021	BUY	1.97
25 Nov 2021	BUY	2.15	01 Apr 2021	BUY	2.00
25 Aug 2021	O-PF	2.14	20 Feb 2021	BUY	1.88
24 Jun 2021	BUY	2.17			

Source: CLSA

CLSA ("CLSA") in this report refers to CLSA Limited, CLSA Americas, LLC, CLSA Australia Pty Ltd, CLSA India Private Limited, PT CLSA Sekuritas Indonesia, CLSA Securities Japan Co., Ltd., CLSA Securities Korea Ltd., CLSA Securities Malaysia Sdn. Bhd., CLSA Philippines, Inc, CLSA Singapore Pte Ltd, CLSA Securities (Thailand) Limited, CLSA (UK), CLSA Europe B.V. and/or their respective affiliates. CLST ("CLST") in this report refers to CL Securities Taiwan Co., Ltd.

The policies of CLSA and CLST are to only publish research that is impartial, independent, clear, fair, and not misleading. Regulations or market practice of some jurisdictions/markets prescribe certain disclosures to be made for certain actual, potential or perceived conflicts of interests relating to a research report as below. This research disclosure should be read in conjunction with the research disclaimer as set out hereof and at www.clsa.com/disclaimer.html, the

Terms and Conditions of Use as set out at <https://www.clsa.com/terms-and-conditions-of-use/> and the applicable regulation of the concerned market where the analyst is stationed and hence subject to. Investors are strongly encouraged to review this disclaimer before investing.

Neither analysts nor their household members or associates may have a financial interest in, or be an officer, director or advisory board member of companies covered by the analyst unless disclosed herein. In circumstances where an analyst has a pre-existing holding in any securities under coverage, those holdings are grandfathered and the analyst is prohibited from trading such securities.

(For full disclosure of interest for all companies covered by CLSA in this report, please refer to http://www.clsa.com/member/research_disclosures/ for details.)

The analysts included herein hereby confirm that they have not been placed under any undue influence, intervention or pressure by any person/s in compiling this research report. In addition, the analysts attest that they were not in possession of any material, non-public information regarding the subject company that has securities listed in the relevant jurisdiction(s) at the time of publication of this report. Save from the disclosure below (if any), the analyst(s) is/are not aware of any material conflict of interest.

As analyst(s) of this report, I/we hereby certify that the views expressed in this research report accurately reflect my/our own personal views about the securities and/or the issuers and that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation or views contained in this report or to any investment banking relationship with the subject company covered in this report (for the past one year) or otherwise any other relationship with such company which leads to receipt of fees from the company except in ordinary course of business of the company. The analyst/s also state/s and confirm/s that he/she/they has/have not been placed under any undue influence, intervention or pressure by any person/s in compiling this research report. In addition, the analysts included herein attest that they were not in possession of any material, non-public information regarding the subject company that has securities listed in the relevant jurisdiction(s) at the time of publication of this report. The analysts further confirm that none of the information used in this report was received from CLSA's Corporate Finance department or CLSA's and/or CLST's Sales and Trading business. Save from the disclosure below (if any), the analyst(s) is/are not aware of any material conflict of interest.

Key to CLSA/CLST investment rankings: BUY: Total stock return (including dividends) expected to exceed 20%; O-PF (aka ACCUMULATE): Total expected return below 20% but exceeding market return; U-PF (aka REDUCE): Total expected return positive but below market return; SELL: Total return expected to be negative. For relative performance, we benchmark the 12-month total forecast return (including dividends) for the stock against the 12-month forecast return (including dividends) for the market on which the stock trades.

"High Conviction" Ideas are not necessarily stocks with the most upside/downside, but those where the Research Head/Strategist believes there is the highest likelihood of positive/negative returns. The list for each market is monitored weekly.

Overall rating distribution for CLSA (exclude CLST) only Universe: Overall rating distribution: BUY / Outperform - CLSA: 80.49%, Underperform / SELL - CLSA: 19.43%, Restricted - CLSA: 0.09%; Data as of 1 Jan 2022. Investment banking clients as a % of rating category: BUY / Outperform - CLSA: 13.41%, Underperform / SELL - CLSA: 1.92%; Restricted - CLSA: 0.09%. Data for 12-month period ending 1 Jan 2022.

Overall rating distribution for CLST only Universe: Overall rating distribution: BUY / Outperform - CLST: 90.16%, Underperform / SELL - CLST: 9.84%, Restricted - CLST: 0.00%. Data as of 1 Jan 2022. Investment banking clients as a % of rating category: BUY / Outperform - CLST: 0.00%, Underperform / SELL - CLST: 0.00%, Restricted - CLST: 0.00%. Data for 12-month period ending 1 Jan 2022.

There are no numbers for Hold/Neutral as CLSA/CLST do not have such investment rankings. For a history of the recommendation, price targets and disclosure information for companies mentioned in this report please write to: CLSA Group Compliance, 18/F, One Pacific

Place, 88 Queensway, Hong Kong and/or; CLST Compliance (27/F, 95, Section 2 Dun Hua South Road, Taipei 10682, Taiwan, telephone (886) 2 2326 8188). EVA® is a registered trademark of Stern, Stewart & Co. "CL" in charts and tables stands for CLSA estimates, "CT" stands for CLST estimates, "CRR" stands for CRR Research estimates and "CS" for Citic Securities estimates unless otherwise noted in the source.

Charts and tables sourced to CLSA in this report may include data extracted from CLSA's automated databases, which derive their original data from a range of sources. These can include: companies; analyst estimates/calculations; local exchanges and/or third-party data or market pricing providers such as Bloomberg, FactSet or IBES. Additional information on data sources for specific charts or tables can be obtained by contacting the publishing analysts.

This report is subject to and incorporates the terms and conditions of use set out on the [www.clsa.com](https://www.clsa.com/terms-and-conditions-of-use/) website (<https://www.clsa.com/terms-and-conditions-of-use/>) and the references to "publication/communication" or "Publications" thereof shall include this report. Neither this report nor any portion hereof may be reprinted, sold, resold, copied, reproduced, distributed, redistributed, published, republished, displayed, posted or transmitted in any form or media or by any means without the written consent of CLSA and/or CLST. CLSA and/or CLST has/have produced this report for private circulation to professional, institutional and/or wholesale clients only, and may not be distributed to retail investors. The information, opinions and estimates herein are not directed at, or intended for distribution to or use by, any person or entity in any jurisdiction where doing so would be contrary to law or regulation or which would subject CLSA and/or CLST to any additional registration or licensing requirement within such jurisdiction. The information and statistical data (for private or public companies) herein have been obtained from sources we believe to be reliable. Such information has not been independently verified and CLSA and/or CLST makes no representation or warranty as to its fairness, adequacy, accuracy, completeness or correctness. The replication of any third party views in this report should not be treated necessarily as an indication that CLSA and/or CLST agrees with or concurs with such views. None of CLSA and/or CLST, its affiliates and their respective directors, officers, employees, advisers and representatives makes any representation or warranty, express or implied, as to and no reliance should be placed on, the fairness, accuracy, completeness or correctness of such data or information contained herein or any statement made in this report. Any opinions or estimates herein reflect the judgment of CLSA and/or CLST at the date of this report and are subject to change at any time without notice. Where any part of the information, opinions or estimates contained herein reflects the views and opinions of a sales person or a non-analyst, such views and opinions may not correspond to the published view of CLSA and/or CLST. Any price target given in the report may be projected from one or more valuation models and hence any price target may be subject to the inherent risk of the selected model as well as other external risk factors. Where the publication does not contain ratings, the material should not be construed as research but is offered as factual commentary. It is not intended to, nor should it be used to form an investment opinion about the non-rated companies.

This report is for information purposes only and it does not constitute or contain, and should not be considered as an offer or invitation to sell, or any solicitation or invitation of any offer to subscribe for or purchase any securities in any jurisdiction and recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein. This is not intended to provide professional, investment or any other type of advice or recommendation and does not take into account the particular investment objectives, financial situation or needs of individual recipients. Before acting on any information in this report, you should consider whether it is suitable for your particular circumstances and, if appropriate, seek professional advice, including legal or tax advice. Investments involve risks, and investors should exercise prudence and their own judgment in making their investment decisions. The value of any investment or income may go down as well as up, and investors may not get back the full (or any) amount invested. Investments that are denominated in foreign currencies may fluctuate in value as a result of exposure to movements of exchange

rate. Past performance is not necessarily a guide to future performance or liquidity. CLSA and/or CLST do/does not accept any responsibility and cannot be held liable for any person's use of or reliance on the information and opinions contained herein. To the extent permitted by applicable securities laws and regulations, CLSA and/or CLST accept(s) no liability whatsoever for any direct or consequential loss arising from the use of this report or its contents.

To maintain the independence and integrity of our research, our Corporate Finance, Sales Trading, Asset Management and Research business lines are distinct from one another. This means that CLSA's Research department is not part of and does not report to CLSA's Corporate Finance department or CLSA's Sales and Trading business. Accordingly, neither the Corporate Finance department nor the Sales and Trading department supervises or controls the activities of CLSA's research analysts. CLSA's research analysts report to the management of the Research department, who in turn report to CLSA's senior management. CLSA has put in place a number of internal controls designed to manage conflicts of interest that may arise as a result of CLSA engaging in Corporate Finance, Sales and Trading, Asset Management and Research activities. Some examples of these controls include: the use of information barriers and other controls designed to ensure that confidential information is only shared on a "need to know" basis and in compliance with CLSA's Chinese Wall policies and procedures; measures designed to ensure that interactions that may occur among CLSA's Research personnel, Corporate Finance, Asset Management, and Sales and Trading personnel, CLSA's financial product issuers and CLSA's research analysts do not compromise the integrity and independence of CLSA's research.

Subject to any applicable laws and regulations at any given time, CLSA, CLST, their respective affiliates, officers, directors or employees may have used the information contained herein before publication and may have positions in, or may from time to time purchase or sell or have a material interest in any of the securities mentioned or related securities, or may currently or in future have or have had a business or financial relationship with, or may provide or have provided corporate finance/capital markets and/or other services to, the entities referred to herein, their advisors and/or any other connected parties. As a result, you should be aware that CLSA and/or CLST and/or their respective affiliates, officers, directors or employees may have one or more conflicts of interest. Regulations or market practice of some jurisdictions/markets prescribe certain disclosures to be made for certain actual, potential or perceived conflicts of interests relating to research reports. Details of the disclosable interest can be found in certain reports as required by the relevant rules and regulation and the full details are available at http://www.clsa.com/member/research_disclosures/. Disclosures therein include the position of CLSA and CLST only. Unless specified otherwise, CLSA did not receive any compensation or other benefits from the subject company, covered in this report, or from any third party. If investors have any difficulty accessing this website, please contact webadmin@clsa.com. If you require disclosure information on previous dates, please contact compliance_hk@clsa.com.

Any disputes related to this report shall be governed by the laws of Hong Kong and to the non-exclusive jurisdiction of the courts of Hong Kong in connection with any suite, action or proceeding arising out of or in connection with this material. In the event any of the provisions in these Terms of Use shall be held to be unenforceable, that provision shall be enforced to the maximum extent permissible to reflect the intention underlying the unenforceable term, and the remainder of these General Disclaimer shall be unimpaired.

This report is distributed for and on behalf of CLSA (for research compiled by non-US and non-Taiwan analyst(s)), CLSA Americas, LLC (for research compiled by US analyst(s)) and/or CLST (for research compiled by Taiwan analyst(s)) in Australia by CLSA Australia Pty Ltd (ABN 53 139 992 331/AFSL License No: 350159); in Hong Kong by CLSA Limited (Incorporated in Hong Kong with limited liability); in India by CLSA India Private Limited, (Address: 8/F, Dalamal House, Nariman Point, Mumbai 400021. Tel No: +91-22-66505050. Fax No: +91-22-22840271; CIN: U67120MH1994PLC083118; SEBI Registration No: INZ000001735 as Stock Broker, INM000010619 as Merchant Banker and INH000001113 as Research Analyst; in Indonesia by PT CLSA Sekuritas Indonesia; in Japan by CLSA Securities Japan Co., Ltd.; in Korea by CLSA Securities Korea Ltd.; in

Malaysia by CLSA Securities Malaysia Sdn. Bhd.; in the Philippines by CLSA Philippines Inc (a member of Philippine Stock Exchange and Securities Investors Protection Fund); in Singapore by CLSA Singapore Pte Ltd and solely to persons who qualify as an "Institutional Investor", "Accredited Investor" or "Expert Investor" MCI (P) 085/11/2021; in Thailand by CLSA Securities (Thailand) Limited; in Taiwan by CLST and in the European Economic Area ("EEA") by CLSA Europe BV and in the United Kingdom by CLSA (UK).

Hong Kong: This research report is distributed by CLSA Limited. This research report is distributed in Hong Kong only to professional investors (as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and any rules promulgated thereunder) and may not be distributed to retail investors. Recipients should contact CLSA Limited, Tel: +852 2600 8888 in respect of any matters arising from, or in connection with, the analysis or report.

Australia: CLSA Australia Pty Ltd ("CAPL") (ABN 53 139 992 331/AFS License No: 350159) is regulated by ASIC and is a Market Participant of ASX Limited and CHI-X. This material is issued and distributed by CAPL in Australia to "wholesale clients" only. This material does not take into account the specific investment objectives, financial situation or particular needs of the recipient. The recipient of this material must not distribute it to any third party without the prior written consent of CAPL. For the purposes of this paragraph the term "wholesale client" has the meaning given in section 761G of the Corporations Act 2001. CAPL's research coverage universe spans listed securities across the ASX All Ordinaries index, securities listed on offshore markets, unlisted issuers and investment products which Research management deem to be relevant to the investor base from time to time. CAPL seeks to cover companies of relevance to its domestic and international investor base across a variety of sectors.

India: CLSA India Private Limited, incorporated in November 1994 provides equity brokerage services (SEBI Registration No: INZ000001735), research services (SEBI Registration No: INH000001113) and merchant banking services (SEBI Registration No. INM000010619) to global institutional investors, pension funds and corporates. CLSA and its associates may have debt holdings in the subject company. Further, CLSA and its associates, in the past 12 months, may have received compensation for non-investment banking securities and/or non-securities related services from the subject company. For further details of "associates" of CLSA India please contact Compliance-India@clsa.com.

Singapore: This report is distributed in Singapore by CLSA Singapore Pte Ltd to institutional investors, accredited investors or expert investors (each as defined under the Financial Advisers Regulations) only. Singapore recipients should contact CLSA Singapore Pte Ltd, 80 Raffles Place, #18-01, UOB Plaza 1, Singapore 048624, Tel: +65 6416 7888, in respect of any matters arising from, or in connection with, the analysis or report. By virtue of your status as an institutional investor, accredited investor or expert investor, CLSA Singapore Pte Ltd is exempted from complying with certain requirements under the Financial Advisers Act (Chapter 110), the Financial Advisers Regulations and the relevant Notices and Guidelines issued thereunder (as disclosed in Part C of the Securities Dealing Services – Singapore Annex of the CLSA terms of business), in respect of any financial advisory services that CLSA Singapore Pte Ltd may provide to you. MCI (P) 085/11/2021

United States of America: Where any section of the research is compiled by US analyst(s), it is distributed by CLSA Americas, LLC. Where any section is compiled by non-US analyst(s), it is distributed into the United States by CLSA (except CLSA Americas, LLC) solely to persons who qualify as "Major US Institutional Investors" as defined in Rule 15a-6 under the Securities and Exchange Act of 1934 and who deal with CLSA Americas, LLC. However, the delivery of this research report to any person in the United States shall not be deemed a recommendation to effect any transactions in the securities discussed herein or an endorsement of any opinion expressed herein. Any recipient of this research in the United States wishing to effect a transaction in any security mentioned herein should do so by contacting CLSA Americas, LLC.

The United Kingdom: This document is a marketing communication. It has not been prepared in accordance with the legal requirements designed to promote the independence of investment research, and is not subject to any prohibition on dealing ahead of the

dissemination of investment research. The document is disseminated in the UK by CLSA (UK) and directed at persons having professional experience in matters relating to investments, as defined in the relevant applicable local regulations. Any investment activity to which it relates is only available to such persons. If you do not have professional experience in matters relating to investments you should not rely on this document. Where research material is compiled by UK analyst(s), it is produced and disseminated by CLSA (UK). For the purposes of the Financial Conduct Rules in the UK such material is prepared and intended as substantive research material. CLSA (UK) is

authorised and regulated by the Financial Conduct Authority.

The European Economic Area ("EEA"): research is distributed by CLSA Europe BV, authorised and regulated by the Netherlands Authority for Financial Markets.

For all other jurisdiction-specific disclaimers please refer to <https://www.clsa.com/disclaimer.html>. The analysts/contributors to this report may be employed by any relevant CLSA entity or CLST, which is different from the entity that distributes the report in the respective jurisdictions. © 2022 CLSA and/or CL Securities Taiwan Co., Ltd. ("CLST").