

Sunway Berhad

(5211 | SWB MK) Industrial Products & Services | Diversified Industrials

Stellar earnings of property investment division

KEY INVESTMENT HIGHLIGHTS

- **9MFY22 earnings within our expectation**
- **Stellar earnings of property investment division**
- **9MFY22 new property sales at RM1.43b**
- **Earnings forecast maintained**
- **Maintain Neutral with an unchanged TP of RM1.63**

9MFY22 earnings within our expectation. Sunway Berhad (SUNWAY) 9MFY22 core net earnings of RM417.3m came in above consensus expectation but within ours, making up 84% and 79% of our and consensus full year forecast respectively.

Stellar earnings of property investment division. Sequentially, 3QFY22 core net earnings increased marginally to RM142m (+4.8%qoq) as higher earnings of property development division and property investment division cushioned lower contribution from construction division. On yearly basis, 3QFY22 core net earnings was higher (+69.1%yoy), bringing 9MFY22 earnings to RM417.3m (+68.7%yoy). The higher earnings were underpinned by property investment division and construction division while performance property development division was flattish. Note that property investment division returned to the black in 9MFY22 due to higher rental from the SUNWAY's shopping malls, higher occupancy rate at SUNWAY's hotels as well as higher contribution from theme park.

9MFY22 new property sales at RM1.43b. SUNWAY registered new property sales of RM498m in 3QFY22, slightly higher than new property sales of RM485m in 2QFY22. That brought total new sales to RM1.43b in 9MFY22 which makes up 65% of management new sales target of RM2.2b for FY22. On the other hand, unbilled sales were flattish at RM4.24b in 3QFY22 from RM4.14b in 2QFY22.

Maintain NEUTRAL with an unchanged TP of RM1.63. We make no changes to our earnings forecast for FY22/23F. Our **TP** is unchanged at **RM1.63**, based on Sum-of-parts valuation. Earnings prospect for SUNWAY remains stable with stable contribution from property investment division. Nevertheless, we think that positives have been largely priced in. Hence, we maintain our **NEUTRAL** call on SUNWAY.

Maintain NEUTRAL

Unchanged Target Price: RM1.63

RETURN STATISTICS

| | |
|----------------------------------|------------|
| Price @ 25 Nov 2022 (RM) | 1.58 |
| Expected share price return (%) | 3.2 |
| Expected dividend yield (%) | 1.9 |
| Expected total return (%) | 5.1 |

SHARE PRICE CHART



| Share price performance (%) | Absolute | Relative |
|-----------------------------|----------|----------|
| 1 month | -0.6 | -3.3 |
| 3 months | 0.6 | -3.4 |
| 12 months | -6.0 | -4.3 |

KEY STATISTICS

| | |
|----------------------------------|-----------------|
| FBM KLCI | 1,486.54 |
| Syariah compliant | Yes |
| F4BGM Index | Yes |
| ESG Grading Band (Star rating) | ☆☆☆ |
| Issue shares (m) | 4,888.93 |
| Estimated free float (%) | 68.41 |
| Market Capitalisation (RM'm) | 7724.74 |
| 52-wk price range (RM) | RM1.46 - RM1.85 |
| Beta vs FBM KLCI (x) | 0.68 |
| 3-mth average daily volume (m) | 1.12 |
| 3-mth average daily value (RM'm) | 1.74 |
| Top Shareholders (%) | |
| Sungei Way Corp Sdn Bhd | 14.19 |
| Employees Provident Fund Board | 8.26 |

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INVESTMENT STATISTICS

| FYE Dec | FY19A | FY20A | FY21A | FY22F | FY23F |
|-----------------|--------|--------|--------|--------|--------|
| Revenue | 4780.4 | 3829.1 | 3714.2 | 5731.5 | 5430.3 |
| Core EBIT | 565.2 | 250.8 | 538.8 | 619.6 | 588.2 |
| Core PBT | 801.2 | 487.8 | 538.8 | 799.4 | 791.4 |
| Net Income | 709.2 | 359.6 | 2665.4 | 528.0 | 527.3 |
| Core Net Income | 597.6 | 338.1 | 452.4 | 528.0 | 527.3 |
| EPS (sen) | 14.5 | 7.4 | 45.4 | 9.0 | 9.0 |
| Core EPS (sen) | 12.3 | 7.0 | 7.7 | 9.0 | 9.0 |
| Net DPS (sen) | 9.10 | 1.50 | 2.50 | 3.00 | 3.50 |
| Net Dvd Yield | 5.8% | 0.9% | 1.6% | 1.9% | 2.2% |
| Core PER | 12.89 | 22.67 | 20.49 | 17.56 | 17.58 |
| NTA/share (RM) | 1.66 | 1.86 | 1.99 | 2.09 | 2.12 |
| P/NTA | 0.95 | 0.85 | 0.80 | 0.76 | 0.74 |
| Core ROE | 7.1% | 3.5% | 3.8% | 4.3% | 4.2% |
| Core ROA | 2.8% | 1.6% | 1.8% | 2.0% | 1.9% |

Source: MIDF Research

SUNWAY BERHAD: 3QFY22 RESULTS SUMMARY

| FYE Dec (RM'm, unless otherwise stated) | Quarterly Results | | | Cumulative | |
|---|-------------------|--------|--------|------------|--------|
| | 3QFY22 | %YoY | %QoQ | FY22 | %YoY |
| Revenue | 1270.5 | 19.3% | -0.8% | 3,663.4 | 20.1% |
| EBIT | 132.4 | 58.9% | -20.4% | 370.8 | 119.6% |
| Core PBT | 201.1 | 72.2% | 10.7% | 549.7 | 91.0% |
| Net Income | 164.7 | 103.1% | -2.5% | 473.7 | 125.5% |
| Core Net Income | 142.0 | 69.1% | 4.8% | 417.3 | 68.7% |
| EPS (sen) | 2.81 | 103.1% | -2.5% | 8.1 | 113.6% |
| Core EPS (sen) | 2.42 | 69.1% | 4.8% | 6.8 | 73.4% |
| Net DPS (sen) | 2.00 | NA | NA | 4.0 | NA |
| NTA/share (RM) | 2.06 | 31% | 1% | 2.1 | 30.7% |
| Net Gearing (x) | 0.49 | NA | NA | 0.49 | NA |
| EBIT Margin | 10.4% | NA | NA | 10.1% | NA |
| Core PBT Margin | 15.8% | NA | NA | 15.0% | NA |

Source: Company, MIDF Research

Sum-of-Parts

| Division | Methodology | PER (x) | Stake | Discount | Value (RM m) |
|---------------------------|------------------------|---------|-------|----------|---------------|
| Property Development | NPV of profits | n/a | 100% | 18% | 2783.0 |
| Property Investment | Net Book Value | n/a | 100% | n/a | 1490.0 |
| Construction | 18x FY23E PER | 18 | 54% | n/a | 1422.3 |
| Sunway REIT | Target Price of RM1.68 | n/a | 35% | n/a | 1984.6 |
| Healthcare | 23x FY23 PER | 23 | 84% | n/a | 1172.8 |
| Trading and manufacturing | 12x FY23E PER | 12 | 100% | n/a | 125.2 |
| Quarry | 12x FY23E PER | 12 | 100% | n/a | 575.2 |
| Total SOP | | | | | 9553.1 |
| Number of shares | | | | | 5866.0 |
| Target Price (RM) | | | | | 1.63 |

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

| | |
|--------------|--|
| BUY | Total return is expected to be >10% over the next 12 months. |
| TRADING BUY | Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow. |
| NEUTRAL | Total return is expected to be between -10% and +10% over the next 12 months. |
| SELL | Total return is expected to be <-10% over the next 12 months. |
| TRADING SELL | Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow. |

SECTOR RECOMMENDATIONS

| | |
|----------|--|
| POSITIVE | The sector is expected to outperform the overall market over the next 12 months. |
| NEUTRAL | The sector is to perform in line with the overall market over the next 12 months. |
| NEGATIVE | The sector is expected to underperform the overall market over the next 12 months. |

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

| | |
|------|--|
| ☆☆☆☆ | Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell |
| ☆☆☆ | Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell |
| ☆☆ | Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell |
| ☆ | Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell |

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology