

"2022 results were above expectations"

### Share price performance



	1M	3M	12M
Absolute (%)	2.5	10.2	-3.6
Rel KLCI (%)	5.3	8.9	4.7

	BUY	HOLD	SELL
Consensus	8	3	-

### Stock Data

Sector	Property
Issued shares (m)	4,889.1
Mkt cap (RMm)/(US\$m)	7,920.3 / 1,785.5
Avg daily vol - 6mth (m)	1.7
52-wk range (RM)	1.45-1.85
Est free float	68.2%
Stock Beta	0.61
Net cash/(debt) (RMm)	(7,098.9)
ROE (2023E)	5.4%
Derivatives	No
Shariah Compliant	Yes
FTSE4Good Constituent	Yes
FBM EMAS (Top 200)	Top 25%
ESG Rank	
ESG Risk Rating	13.6 (NA yoy)

### Key Shareholders

Sungei Way Corp Sdn.	56.9%
EPF	8.5%
AIA Bhd	2.3%

Source: Bloomberg, Affin Hwang, Bursa Malaysia, ESG Risk Rating Powered by Sustainalytics

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## Sunway Berhad (SWB MK)

**BUY (maintain)**

Up/Downside: +44.4%

**Price Target: RM2.34**

Previous Target (Rating): RM2.29 (BUY)

### Sustained earnings rebound

- Sunway's 2022 results surprised us on the upside. Core net profit jumped 80% yoy to RM716m in 2022 as all the divisions performed better
- The group saw a strong earnings recovery with the lifting of pandemic movement restrictions and the reopening of borders, as well as realising gains from the disposal of an investment property and other investments
- We lift our core EPS by 22% over 2023-24E to reflect higher earnings for its property unit. Sunway remains a top sector pick with a higher 12-month TP of RM2.34, based on a 20% discount to our higher RNAV

#### Positive surprise

Core net profit of RM716m (+80% yoy) in 2022 was 31-36% above consensus and our forecasts of RM526-547m. Revenue (excluding healthcare division) surged 40% yoy to RM5.2bn in 2022, driven by higher revenue for all divisions. PBT doubled yoy to RM920m in 2022, driven by higher property investment (RM237m profit in 2022 vs RM8m loss in 2021), construction (+25% yoy), trading (+9% yoy), quarry (+46% yoy) and property development (+2% yoy) earnings. The healthcare division was reclassified as a joint venture following the partial disposal of its stake to GIC, which contributed RM177m share of earnings. Revenue grew 21% qoq in 4Q22 while core net profit jumped 63% qoq with most divisions performing better.

#### Lower sales but higher new construction contract wins

Sunway achieved RM2.02bn in pre-sales for 2022, down 21% yoy from RM2.55bn in 2021, mainly due to lower pre-sales in Singapore. With higher planned launches worth RM3.51bn, Sunway is targeting RM2.3bn of pre-sales in 2023. Unbilled sales of RM4.31bn are set to support revenue growth over the next 2-3 years. Sunway Construction (SunCon) secured RM2.6m new contracts in 2022 (RM1.5bn in 2021) to replenish its remaining order book to RM5.3bn.

#### Reaffirming our BUY call

We like Sunway as a key beneficiary of the re-opening of key economic sectors and re-opening of borders will likely sustain the strong recovery in its leisure and hospitality and healthcare businesses. We lift our 2023-24E core EPS by 22% to reflect higher property development and property investment earnings, partly offset by our earlier cut in Sunway Construction earnings. We expect a 5% dip in core EPS in 2023E from the high base in 2022 but rebound to a 2-year CAGR of 9% in 2023-25E. We lift our RNAV/share to RM2.92 (from RM2.86) to reflect a higher property development valuation. We reaffirm our BUY call on Sunway with a higher 12-month TP of RM2.34 (from RM2.29), based on 20% RNAV discount. Downside risks: lower-than-expected property sales and delays of infrastructure projects.

#### Earnings & Valuation Summary

FYE 31 Dec	2021	2022	2023E	2024E	2025E
Revenue (RMm)	3,714.2	5,195.0	5,293.6	5,355.0	5,492.7
EBITDA (RMm)	582.8	753.1	843.6	860.2	946.3
Pretax profit (RMm)	465.7	919.8	926.8	983.6	1,107.6
Net profit (RMm)	294.4	676.7	677.9	722.3	812.6
EPS (sen)	5.9	13.8	13.9	14.8	16.6
PER (x)	27.3	11.7	11.7	11.0	9.7
Core net profit (RMm)	398.5	716.1	677.9	722.3	812.6
Core EPS (sen)	8.0	14.6	13.9	14.8	16.6
Core EPS growth (%)	4.1	82.4	(5.3)	6.6	12.5
Core PER (x)	20.2	11.1	11.7	11.0	9.7
Net DPS (sen)	2.5	5.5	5.5	5.5	5.5
Dividend Yield (%)	1.5	3.4	3.4	3.4	3.4
EV/EBITDA	23.9	19.9	17.2	16.5	14.7
Chg in EPS (%)			+21.9	+22.1	New
Affin/Consensus (x)			1.1	1.1	NA

Source: Company, Bloomberg, Affin Hwang forecasts

**Fig 1: Results comparison**

FYE 31 Dec (RMm)	4Q21	3Q22	4Q22	QoQ % chg	YoY % chg	2021	2022	YoY % chg	Comment
<b>Revenue</b>	<b>1,243.8</b>	<b>1,270.5</b>	<b>1,531.6</b>	<b>21</b>	<b>23</b>	<b>3,714.2</b>	<b>5,195.0</b>	<b>40</b>	2022: Higher revenue yoy for all segments with the lifting of pandemic lockdowns and reopening of borders. Higher labour and building material costs.
Op costs	(948.1)	(1,126.5)	(1,245.9)	11	31	(3,131.3)	(4,441.9)	42	
<b>EBITDA</b>	<b>295.7</b>	<b>144.0</b>	<b>285.7</b>	<b>98</b>	<b>(3)</b>	<b>582.8</b>	<b>753.1</b>	<b>29</b>	
<i>EBITDA margin (%)</i>	<i>23.8</i>	<i>11.3</i>	<i>18.7</i>	<i>7.3ppt</i>	<i>(5.1ppt)</i>	<i>15.7</i>	<i>14.5</i>	<i>(1.2ppt)</i>	
Depn and amort	(33.1)	(28.9)	(35.8)	24	8	(130.6)	(130.2)	(0)	
<b>EBIT</b>	<b>262.6</b>	<b>115.1</b>	<b>249.9</b>	<b>117</b>	<b>(5)</b>	<b>452.2</b>	<b>622.8</b>	<b>38</b>	
<i>EBIT margin (%)</i>	<i>21.1</i>	<i>9.1</i>	<i>16.3</i>	<i>7.3ppt</i>	<i>(4.8ppt)</i>	<i>12.2</i>	<i>12.0</i>	<i>(0.2ppt)</i>	
Interest income	37.8	47.8	61.6	29	63	157.2	187.7	19	
Interest expense	(34.9)	(49.3)	(62.2)	26	78	(102.3)	(202.2)	98	
Associates	16.7	92.9	81.8	(12)	389	62.7	350.8	460	
Forex gain (losses)	4.5	(41.3)	44.4	(208)	898	(45.2)	(24.2)	(46)	Unrealised forex loss on US\$ debt. But hedged by derivatives.
Exceptional items	(30.0)	58.6	(81.7)	(239)	172	(58.9)	(15.2)	(74)	
<b>Pretax profit</b>	<b>256.6</b>	<b>223.8</b>	<b>293.9</b>	<b>31</b>	<b>15</b>	<b>465.7</b>	<b>919.8</b>	<b>98</b>	Higher earnings for all divisions.
Tax	(73.0)	(41.6)	(73.7)	77	1	(116.2)	(167.0)	44	
<i>Tax rate (%)</i>	<i>28.5</i>	<i>18.6</i>	<i>25.1</i>	<i>6.5ppt</i>	<i>(3.4ppt)</i>	<i>25.0</i>	<i>18.2</i>	<i>(6.8ppt)</i>	
Minority interests	(28.7)	(17.5)	(17.2)	(1)	(40)	(55.1)	(76.1)	38	
<b>Net profit</b>	<b>154.9</b>	<b>164.7</b>	<b>203.0</b>	<b>23</b>	<b>31</b>	<b>294.4</b>	<b>676.7</b>	<b>130</b>	Above expectations.
EPS (sen)	2.6	2.8	3.5	24	31	5.0	10.7	112	
<b>Core net profit</b>	<b>180.4</b>	<b>147.5</b>	<b>240.2</b>	<b>63</b>	<b>33</b>	<b>398.5</b>	<b>716.1</b>	<b>80</b>	Above expectations. Exclude exceptional items.

Source: Affin Hwang, Company

**Fig 2: Segmental revenue breakdown**

FYE 31 Dec (RMm)	4Q21	3Q22	4Q22	QoQ % chg	YoY % chg	2021	2022	YoY % chg
Ppty dev	182.6	278.1	442.7	59	142	624.2	1,165.3	87
Ppty inv	133.4	188.6	230.7	22	73	312.3	690.0	121
Construction	379.6	305.1	291.0	(5)	(23)	1,111.7	1,281.6	15
Trading	229.9	198.8	233.5	17	2	839.8	902.1	7
Quarry	105.7	105.6	123.4	17	17	337.8	406.2	20
Other	212.6	194.3	210.4	8	(1)	488.3	749.8	54
<b>Total</b>	<b>1,243.8</b>	<b>1,270.5</b>	<b>1,531.6</b>	<b>21</b>	<b>23</b>	<b>3,714.2</b>	<b>5,195.0</b>	<b>40</b>

Source: Affin Hwang, Company

**Fig 3: Segmental PBT breakdown**

FYE 31 Dec (RMm)	4Q21	3Q22	4Q22	QoQ % chg	YoY % chg	2021	2022	YoY % chg
Ppty dev	64.4	35.8	70.4	97	9	152.6	155.3	2
Ppty inv	36.8	85.7	52.8	(38)	43	(8.3)	236.9	NA
Construction	91.1	35.6	58.7	65	(36)	148.8	186.6	25
Trading	9.0	12.4	9.1	(27)	1	37.9	41.4	9
Quarry	4.4	1.9	5.1	171	17	9.4	13.7	46
Other	50.9	52.4	97.8	87	92	125.5	285.9	128
<b>Total</b>	<b>256.6</b>	<b>223.8</b>	<b>293.9</b>	<b>31</b>	<b>15</b>	<b>465.7</b>	<b>919.8</b>	<b>98</b>

Source: Affin Hwang, Company

Fig 4: Segmental PBT margin

FYE 31 Dec (%)	4Q21	3Q22	4Q22	QoQ ppt	YoY ppt	2021	2022	YoY ppt
Ppty dev	35.2	12.9	15.9	3.0	(19.3)	24.4	13.3	(11.1)
Ppty inv	27.6	45.4	22.9	(22.6)	(4.7)	(2.7)	34.3	NA
Construction	24.0	11.7	20.2	8.5	(3.8)	13.4	14.6	1.2
Trading	3.9	6.2	3.9	(2.3)	(0.0)	4.5	4.6	0.1
Quarry	4.2	1.8	4.2	2.4	(0.0)	2.8	3.4	0.6
Others	24.0	27.0	46.5	19.5	22.5	25.7	38.1	12.4
<b>Total</b>	<b>20.6</b>	<b>17.6</b>	<b>19.2</b>	<b>1.6</b>	<b>(1.4)</b>	<b>12.5</b>	<b>17.7</b>	<b>5.2</b>

Source: Affin Hwang, Company

Fig 5: RNAV and target price

RNAV by business segments	PER	New RNAV	Old RNAV	Change
	(X)	(RMm)	(RMm)	(%)
Property development		4,066	2,659	52.9
Property development JV		2,229	3,239	(31.2)
Property investment		4,906	5,002	(1.9)
Construction	16	1,638	1,536	6.7
Building materials	14	700	700	0.0
Quarry	14	420	420	0.0
Healthcare	94	4,688	4,688	0.0
<b>Total</b>		<b>18,647</b>	<b>18,245</b>	<b>2.2</b>
Co. net cash/(debt)		(591.8)	(591.8)	0.0
<b>RNAV</b>		<b>18,055</b>	<b>17,653</b>	<b>2.3</b>
Number of shares		4,889	4,889	0.0
<b>RNAV/share (RM)</b>		<b>3.69</b>	<b>3.61</b>	<b>2.3</b>
Fully-diluted no. of shares		6,536	6,536	0.0
<b>Fully-diluted RNAV/share (RM)</b>		<b>2.92</b>	<b>2.86</b>	<b>2.1</b>
<b>Target price @ 20% discount to RNAV (RM)</b>		<b>2.34</b>	<b>2.29</b>	<b>2.1</b>

Source: Affin Hwang estimates and forecasts

## Important Disclosures and Disclaimer

### Equity Rating Structure and Definitions

<b>BUY</b>	Total return is expected to exceed +10% over a 12-month period
<b>HOLD</b>	Total return is expected to be between -5% and +10% over a 12-month period
<b>SELL</b>	Total return is expected to be below -5% over a 12-month period
<b>NOT RATED</b>	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

*The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.*

<b>OVERWEIGHT</b>	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
<b>NEUTRAL</b>	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
<b>UNDERWEIGHT</b>	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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