



AmInvestment Bank

SUNWAY

(SWB MK EQUITY, SWAY.KL)

23 Nov 2023

Company Report

Khoo Zing Sheng

khoo.zing-sheng@ambankgroup.com

+03-2036 2299

Rationale for report: Company Results

BUY

(Maintained)

Price	RM1.94
Fair Value	RM2.40
52-week High/Low	RM2.07/RM1.45

Key Changes

Fair value	↔
EPS	↔

YE to Dec	FY22	FY23F	FY24F	FY25F
Revenue (RM mil)	5,194.9	5,593.6	5,787.8	6,023.6
Core net profit (RM mil)	600.0	610.3	711.7	752.5
FD Core EPS (sen)	12.2	12.4	14.4	15.3
FD Core EPS growth (%)	53.9	1.7	16.6	5.7
Consensus Net Profit (RM mil)	-	667.6	739.8	792.7
DPS (sen)	5.5	6.2	7.3	7.7
PE (x)	16.0	15.7	13.5	12.7
EV/EBITDA (x)	27.7	21.8	20.5	19.6
Div yield (%)	2.8	3.1	3.7	3.9
ROE (%)	4.9	4.8	5.4	5.6
Net Gearing (%)	52.5	53.3	53.9	54.3

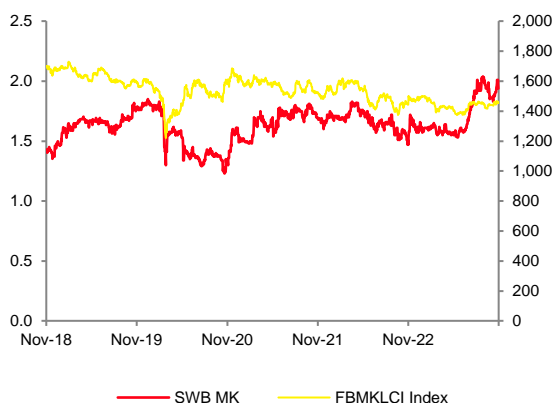
Stock and Financial Data

Shares Outstanding (million)	5,005.0*
Market Cap (RMmil)	9,709.7
Book Value (RM/Share)	2.54
P/BV (x)	0.8
ROE (%)	4.9
Net Gearing (%)	52.5

* before conversion of ICPS and warrants

Major Shareholders	Sungei Way (57.9%) EPF (5.0%) Active Equity (3.4%)
Free Float	33.7
Avg Daily Value (RMmil)	17.6

Price performance	3mth	6mth	12mth
Absolute (%)	2.1	23.6	28.5
Relative (%)	1.8	20.4	27.2



Investment Highlights

- We maintain BUY on Sunway with an unchanged SOP-based fair value (FV) of RM2.40/share, which implies FY24F PE of 17x, 1 standard deviation above its 3-year median of 12x. Our FV also reflects a 3% premium for our 4-star ESG rating (Exhibits 5 & 6).
- We made no changes to our earnings forecasts as Sunway's 9MFY23 core net profit (CNP) of RM484mil came in within our expectation, accounting for 79% of our FY23F earnings and 72% of street's. We note 3QFY23 recognised a lumpy development profit from its Singapore property development project, which is unlikely to recur in the next quarter.
- In 9MFY23, Sunway's property development revenue rose by 27% YoY while PBT grew 68% YoY. This was driven by higher property sales and stronger progress billings from new and ongoing local projects. Its current strong unbilled sales of RM4.6bil are expected to be recognised progressively in FY23F-FY25F.
- Sunway's 9MFY23 new sales surged 46% YoY to RM2bil, attaining 91% of its FY23F sales target of RM2.3bil (Exhibit 3). The major sales contributors are its projects from Singapore (43%), and Velocity TWO (11%) and Sunway Flora Residences (11%) from Malaysia.
- Sunway has successfully achieved its FY23F targeted launch of RM3.5bil, driven by its 9MFY23 launches of RM3.5bil (6.5x YoY). The major projects are The Continuum (RM2bil) and Terra Hills (RM700mil) in Singapore (Exhibit 4). In 4QFY23, we expect Sunway to launch the remaining RM170mil worth of projects in Ipoh and Johor.
- 9MFY23 property investment's revenue earnings improved 40% YoY as a result of increased visitors to its theme parks and improved hotel occupancy rates. However, 9MFY23 PBT declined by 15% due to elevated utility charges and increased manpower costs.
- 9MFY23 revenue of the construction segment rose by 17% YoY while PBT increased by 6%. This was mainly attributed to higher progress billings from local construction projects.
- Healthcare's 9MHFY23 share of net profit grew 6% YoY to RM111mil as a result of the improvement in hospital activities, particularly at Sunway Medical Centre (SMC), Sunway City and SMC Velocity, which mitigated the share of start-up operational losses from SMC Penang and Sunway Sanctuary as well as higher operating costs. In addition, there was a higher share of additional tax payable of RM5mil following the normalisation of SMC Sunway City's tax paying status as its investment tax allowance was fully utilised in FY22.

- On a QoQ comparison, all segments except “others” posted stronger PBT in 3QFY23. In 3QFY23, property development PBT expanded 44% QoQ due to the recognition of a lumpy development profit of RM46mil from its Singapore property development project. Due to the adoption of MFRS 15, the development profit from 2 of Sunway’s Singapore property development projects will only be recognised upon completion and handover of the projects instead of the typical practice of recognising on a progress billing basis.
- The 3QFY23 PBT in property investment segment surged 63% QoQ from increased visitors to its theme parks as well as higher contribution of associate company, Sunway REIT. Meanwhile, the construction segment’s 3QFY23 PBT was 15% higher QoQ due to stronger progress billings of local construction projects. The 3QFY23 PBT for other segments slid 6% QoQ from lower contributions of community pharmacy business and treasury functions.
- Nevertheless, we believe the long-term outlook for Sunway remains bright premised on its:
 - (i) strong unbilled sales of RM4.6bil (3x FY24F property development revenue),
 - (ii) robust outstanding order book of RM5.8bil (4x FY24F construction revenue), and
 - (iii) expansion plans for healthcare business.
- The stock currently trades at a compelling FY24F PE of 13.5x vs. its 5-year peak of over 20x.

EXHIBIT 1: EARNINGS SUMMARY

YE to Dec (RM mil)	3QFY22	2QFY23	3QFY23	QoQ %	YoY %	9MFY22	9MFY23	YTD %
Revenue	1,270.5	1,468.2	1,539.1	4.8	21.1	3,663.4	4,271.0	16.6
Operating costs	(1,151.7)	(1,318.4)	(1,394.0)	5.7	21.0	(3,347.7)	(3,869.1)	15.6
EBITDA	118.8	149.8	145.1	(3.1)	22.2	315.6	402.0	27.3
Other income	42.5	21.8	14.3	(34.5)	(66.4)	149.6	74.4	(50.2)
Depreciation	(28.9)	(31.5)	(40.3)	27.8	39.3	(94.5)	(103.9)	10.0
Net finance income	(1.5)	(14.6)	(28.0)	92.3	>100	(13.9)	(46.7)	>100
JV/Associate contributions	92.9	77.6	156.7	>100	68.7	269.0	317.0	17.9
Profit before tax	223.8	203.0	247.8	22.1	10.7	625.9	642.8	2.7
Taxation	(41.6)	(30.8)	(40.5)	31.6	(2.5)	(93.3)	(104.6)	12.1
MI	(17.5)	(22.3)	(27.0)	21.0	54.4	(58.9)	(66.4)	12.7
Profit after tax	164.7	149.9	180.3	20.3	9.5	473.7	471.9	(0.4)
Exceptional item	(46.4)	4.2	8.6	>100	>100	(59.5)	11.8	>100
Core PATMI	118.3	154.1	188.9	22.6	59.7	414.3	483.7	16.8
EPS (sen)	2.4	3.1	3.8	22.6	59.7	8.4	9.8	16.8
EBIT margin (%)	9.3	10.2	9.4	(0.8)	0.1	8.6	9.4	0.8
Effective tax rate (%)	18.6	15.2	16.4	1.2	(2.2)	14.9	16.3	1.4
Core PATMI margin (%)	9.3	10.5	12.3	1.8	3.0	11.3	11.3	0.0

Source: AmlInvestment Bank Bhd

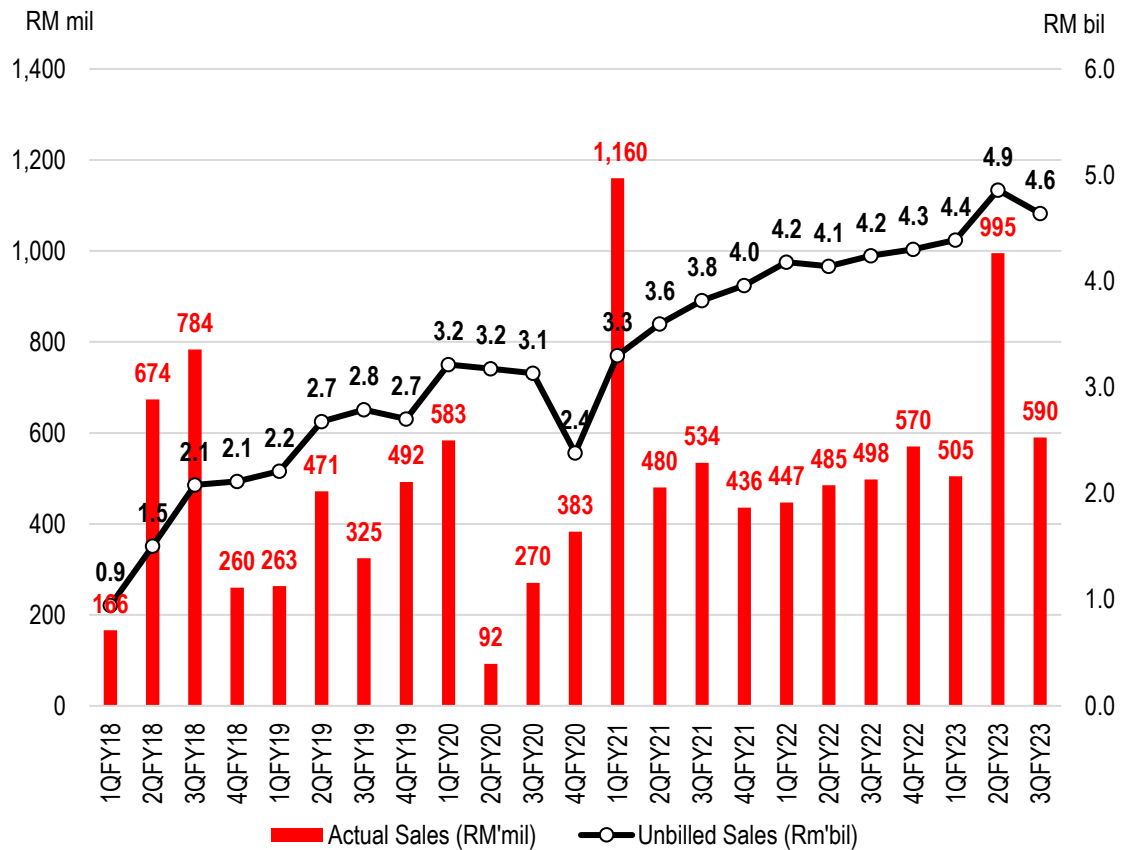
EXHIBIT 2: SEGMENTAL BREAKDOWN

FY31 Dec (RM mil)	3QFY22	2QFY23	3QFY23	QoQ %	YoY %	9MFY22	9MFY23	YTD %
Property development	278.1	362.1	309.5	(14.5)	11.3	722.7	919.4	27.2
Property investment	188.6	199.4	232.8	16.8	23.4	459.3	642.1	39.8
Construction	305.1	404.1	424.0	4.9	39.0	990.6	1,156.0	16.7
Others*	498.7	502.6	572.8	14.0	14.8	1,490.8	1,553.5	4.2
Revenue	1,270.5	1,468.2	1,539.1	4.8	21.1	3,663.4	4,271.0	16.6
Property development	35.8	49.1	70.4	43.5	96.8	84.9	142.6	67.9
Property investment	85.7	33.9	55.2	63.0	(35.6)	184.1	156.3	(15.1)
Construction	35.6	44.5	51.1	14.7	43.5	127.8	135.1	5.7
Others*	68.1	75.6	71.1	(5.9)	4.4	216.0	208.9	(3.3)
PBT/(LBT)	225.2	203.0	247.8	22.1	10.1	612.8	642.8	4.9
Pretax margin (%)								
Property development	12.9	13.6	22.8	9.2	9.9	11.7	15.5	3.8
Property investment	45.4	17.0	23.7	6.7	(21.7)	40.1	24.3	(15.7)
Construction	11.7	11.0	12.1	1.0	0.4	12.9	11.7	(1.2)
Others*	13.7	15.0	12.4	(2.6)	(1.2)	14.5	13.4	(1.0)

*Including building materials, community pharmacy business and other segments

Source: AmlInvestment Bank Bhd

EXHIBIT 3: ACTUAL SALES AND UNBILLED SALES



Source: AmlInvestment Bank Bhd

EXHIBIT 4: PLANNED LAUNCHES IN 2023

Project	Product Type	Location	GDV (RM'mil)	Percentage (%)	Launch	Take-up (%)
Sunway Flora (Tower A)	Serviced Apartments & Retail	Bukit Jalil, Kuala Lumpur	306	8	✓	79
Sunway Flora (Tower B)	Serviced Apartments & Retail	Bukit Jalil, Kuala Lumpur	304	8	✓	nm
Jernih Residence (Tower B)	Serviced Residence	Kajang, Selangor	179	5	✓	nm*
Sunway Bayu	Landed Apartments	Sunway City Ipoh, Ipoh	70	2		
Sunway Lenang Heights	Semi - D homes and bungalows	Taman Molek, Johor Bahru	90	2		
Sunway Maple	Landed linked homes	Sunway Iskandar Puteri, Johor	10	0.3		
Sunway Aviana	Landed linked homes	Sunway Iskandar Puteri, Johor	94	2	✓	57*
Sunway Dora	Serviced Apartments	Bayan Baru, Penang	70	2	✓	74
Terra Hills	Private Condominium	Pasir Panjang, Singapore	700	18	✓	39
The Continuum	Private Condominium	Thiam Siew Avenue, Singapore	2,000	51	✓	33
Sunway Gardens Phase 3	Condominium	Tianjin, China	120	3	✓	nm
Total			3,943	100		

*Launched in October 2023

Source: Sunway, AmlInvestment Bank Bhd

EXHIBIT 5: RNAV CALCULATIONS

DEVELOPMENT PROPERTIES	Outstanding GDV (RMmil)	NPV @8% (RMmil)	Stake (%)
Selangor/KL			
Sunway Damansara	1,953.3	96.9	60.0
Sunway South Quay	2,486.7	241.1	100.0
Sunway Monterez	38.0	2.2	60.0
Sunway Semenyih	728.6	49.7	70.0
Sunway Cheras	241.8	23.5	100.0
Sunway Duta	120.0	6.5	60.0
Sunway Resort City	660.1	59.4	100.0
Sunway Velocity	1,984.0	151.7	85.0
Sunway Velocity TWO	600.0	32.4	60.0
Sunway Velocity 3	1,200.0	64.4	60.0
Sunway Tower KL 1	240.0	21.6	100.0
Sunway Termuning	265.2	19.1	80.0
Mont Putra, Rawang	156.0	14.0	100.0
Kelana Jaya	1,450.0	130.4	100.0
Jalan Belfield	450.0	40.5	100.0
Lot One, Kajang	236.0	21.2	100.0
USJ 1, Subang Jaya	1,400.0	125.9	100.0
Sri Hartamas	220.0	19.4	70.0
Wangsa Maju-1	40.0	2.0	55.0
Bukit Jalil (Sterling Paradise)	800.0	98.0	100.0
Dengkil (Emerald Tycoon)	813.2	73.1	100.0
Jalan Cochrane	1,150.0	80.8	70.0
Kuang, Rawang	2,000.0	134.7	70.0
Perak			
Sunway City Ipoh	928.4	74.8	96.0
Penang			
Sunway Hills	849.0	70.6	100.0
Sunway Wellesley, Bukit Mertajam	710.5	59.1	100.0
Paya Terubong	1,500.0	124.3	100.0
Sunway Tunas, Balik Pulau	60.0	5.0	100.0
Sunway Betong, Balik Pulau	110.0	9.2	100.0
Johor			
Bukit Lenang	568.4	23.8	80.0
Medini	10,616.0	333.3	60.0
Pendas	18,000.0	565.2	60.0
Singapore			
Flynn Park, Pasir Panjang	2,300.0	68.0	30.0
Thiam Siam Avenue, Tanjong Katong	6,150.0	182.0	30.0
China			
Tianjin Eco-City	688.8	42.1	60.0
Unbilled sales		1,045.0	
Subtotal		4,110.9	
Property (40% discount to RNAV)		2,466.5	
Investment properties		2,443.1	
Sunway Construction (54.4% stake @ AmlInvestment Valuation)		1,297.9	
Sunway REIT (40.9% stake @ AmlInvestment Valuation)		2,464.7	
Healthcare (84% stake @30x FY24 earnings)		4,265.9	
Quarry & building materials (6x FY24 earnings)		142.8	
Trading & manufacturing (6x FY24 earnings)		325.5	
Total SOP		13,406.5	
NAV @ Property development		1,648.8	
Fair value		15,055.3	
Enlarged share base (mil shares)		6,516.6	
Fair value/share (RM)		2.32	
(+) 3% premium for 4-star ESG rating		0.08	
Fair value/share (RM)+ ESG Premium		2.40	

Source: AmlInvestment Bank Bhd

EXHIBIT 6: 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: AmlInvestment Bank Bhd

EXHIBIT 1: PB BAND CHART



EXHIBIT 2: PE BAND CHART



EXHIBIT 3: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Revenue	3,717.3	5,194.9	5,593.6	5,787.8	6,023.6
EBITDA	544.7	583.5	754.8	818.0	868.8
Depreciation/Amortisation	(216.9)	(130.2)	(87.3)	(90.4)	(94.1)
Operating income (EBIT)	327.8	583.5	667.4	727.6	774.8
Other income & associates	81.2	351.1	195.9	299.6	309.7
Net interest	54.9	(14.5)	50.0	49.7	47.1
Exceptional items	2,390.5	-	-	-	-
Pretax profit	2,854.4	920.1	913.3	1,076.9	1,131.5
Taxation	(116.2)	(167.0)	(127.6)	(161.5)	(169.7)
Minorities/pref dividends	(73.7)	(76.3)	(131.2)	(137.7)	(143.3)
Net profit	2,664.4	676.8	654.5	777.7	818.5
Core net profit	389.9	600.0	610.3	711.7	752.5
Balance Sheet (RMmil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Fixed assets	1,262.8	1,265.1	1,576.2	1,630.9	1,697.3
Intangible assets	432.8	441.4	445.8	450.2	454.7
Other long-term assets	15,389.1	16,008.9	16,205.9	16,446.3	16,691.5
Total non-current assets	17,084.7	17,715.4	18,227.8	18,527.4	18,843.6
Cash & equivalent	2,814.0	1,958.1	2,575.8	2,663.9	2,752.7
Stock	2,423.0	3,279.5	3,085.8	3,290.2	3,720.6
Trade debtors	2,483.8	1,754.1	1,961.6	2,140.7	2,392.9
Other current assets	281.3	1,349.7	1,591.9	1,612.8	1,636.2
Total current assets	8,002.2	8,341.4	9,215.1	9,707.6	10,502.4
Trade creditors	2,470.6	2,406.5	2,430.5	2,439.8	2,623.5
Short-term borrowings	4,093.8	5,360.8	5,956.9	6,153.7	6,394.4
Other current liabilities	141.2	238.0	265.4	178.1	213.4
Total current liabilities	6,705.6	8,005.3	8,652.8	8,771.6	9,231.3
Long-term borrowings	4,114.2	3,186.2	3,488.9	3,687.4	3,833.9
Other long-term liabilities	1,143.7	1,292.7	1,303.8	1,315.0	1,326.3
Total long-term liabilities	5,257.9	4,478.9	4,792.7	5,002.4	5,160.2
Shareholders' funds	12,034.8	12,540.8	12,891.3	13,316.6	13,763.5
Minority interests	1,088.7	1,031.8	1,106.0	1,144.4	1,191.1
BV/share (RM)	2.44	2.54	2.61	2.70	2.79
Cash Flow (RMmil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Pretax profit	2,854.4	920.1	913.3	1,076.9	1,131.5
Depreciation/Amortisation	216.9	130.2	87.3	90.4	94.1
Net change in working capital	107.4	(443.2)	(361.8)	(513.1)	(478.3)
Others	(2,199.9)	(212.1)	919.9	214.2	144.1
Cash flow from operations	978.7	394.9	1,558.8	868.4	891.4
Capital expenditure	(343.9)	(110.8)	(311.1)	(54.7)	(66.4)
Net investments & sale of fixed assets	(13.5)	(204.4)	-	-	-
Others	(922.2)	(870.5)	-	-	-
Cash flow from investing	(1,279.6)	(1,069.1)	(311.1)	(54.7)	(66.4)
Debt raised/(repaid)	1,290.4	370.6	(281.1)	(307.2)	(298.4)
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(152.0)	(222.5)	(241.4)	(352.4)	(371.7)
Others	(293.5)	(76.9)	(44.2)	(66.0)	(66.0)
Cash flow from financing	845.0	(160.4)	(566.6)	(725.6)	(736.2)
Net cash flow	544.1	(834.6)	681.2	88.1	88.8
Net cash/(debt) b/f	2,182.8	2,732.2	1,894.7	2,575.8	2,663.9
Net cash/(debt) c/f	2,732.2	1,894.7	2,575.8	2,663.9	2,752.7
Key Ratios (YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Revenue growth (%)	15.8	39.8	7.7	3.5	4.1
EBITDA growth (%)	83.3	7.1	29.4	8.4	6.2
Pretax margin (%)	76.8	17.7	16.3	18.6	18.8
Net profit margin (%)	71.7	13.0	11.7	13.4	13.6
Interest cover (x)	nm	40.3	nm	nm	nm
Effective tax rate (%)	4.1	18.1	14.0	15.0	15.0
Dividend payout (%)	4.5	39.2	36.9	45.3	45.4
Debtors turnover (days)	244	123	128	135	145
Stock turnover (days)	222	200	208	201	212
Creditors turnover (days)	242	171	158	154	153

SOURCE: COMPANY, AMINVESTMENT BANK BHD ESTIMATES

DISCLOSURE AND DISCLAIMER

This report is prepared for information purposes only and it is issued by AmInvestment Bank Berhad (“AmInvestment”) without regard to your individual financial circumstances and objectives. Nothing in this report shall constitute an offer to sell, warranty, representation, recommendation, legal, accounting or tax advice, solicitation or expression of views to influence any one to buy or sell any real estate, securities, stocks, foreign exchange, futures or investment products. AmInvestment recommends that you evaluate a particular investment or strategy based on your individual circumstances and objectives and/or seek financial, legal or other advice on the appropriateness of the particular investment or strategy.

The information in this report was obtained or derived from sources that AmInvestment believes are reliable and correct at the time of issue. While all reasonable care has been taken to ensure that the stated facts are accurate and views are fair and reasonable, AmInvestment has not independently verified the information and does not warrant or represent that they are accurate, adequate, complete or up-to-date and they should not be relied upon as such. All information included in this report constitute AmInvestment’s views as of this date and are subject to change without notice. Notwithstanding that, AmInvestment has no obligation to update its opinion or information in this report. Facts and views presented in this report may not reflect the views of or information known to other business units of AmInvestment’s affiliates and/or related corporations (collectively, “AmBank Group”).

This report is prepared for the clients of AmBank Group and it cannot be altered, copied, reproduced, distributed or republished for any purpose without AmInvestment’s prior written consent. AmInvestment, AmBank Group and its respective directors, officers, employees and agents (“Relevant Person”) accept no liability whatsoever for any direct, indirect or consequential losses, loss of profits and/or damages arising from the use or reliance of this report and/or further communications given in relation to this report. Any such responsibility is hereby expressly disclaimed.

AmInvestment is not acting as your advisor and does not owe you any fiduciary duties in connection with this report. The Relevant Person may provide services to any company and affiliates of such companies in or related to the securities or products and/or may trade or otherwise effect transactions for their own account or the accounts of their customers which may give rise to real or potential conflicts of interest.

This report is not directed to or intended for distribution or publication outside Malaysia. If you are outside Malaysia, you should have regard to the laws of the jurisdiction in which you are located.

If any provision of this disclosure and disclaimer is held to be invalid in whole or in part, such provision will be deemed not to form part of this disclosure and disclaimer. The validity and enforceability of the remainder of this disclosure and disclaimer will not be affected.