

Sunway (SWB MK)

Sets higher property sales target for 2023

Profit above but sales fell short

Sunway's 4Q22 core net profit of MYR193m (+22% YoY, +31% QoQ) was above expectations but 2022 property sales of MYR2b were below its initial target of MYR2.2b. Sunway has set a higher sales goal of MYR2.3b (+15% YoY) for 2023. We revise our FY23-24 earnings forecasts by 23% to 37%. Our TP is raised to MYR1.67 (+4sen; on an unchanged 0.8x FY23E PBV). Maintain HOLD. Our preferred picks for the sector are ECW MK (BUY, CP: MYR0.69, TP: MYR0.81) and SDPR MK (BUY, CP: MYR0.465, TP: MYR0.54).

Beat expectations

Excluding the one-offs (fair value gains), Sunway's 4Q22 core net profit of MYR192.9m brought FY22 core net earnings to MYR637.8m (+73% YoY), accounting for 122%/109% of MIBG/consensus estimates. The earnings gap was mainly due to higher-than-expected contributions from its construction and property investment businesses. Sunway has declared a 2nd interim DPS of 3.5sen in 4Q22 (FY22: 5.5sen), above our expectation.

Sets MYR2.3b property sales target for 2023

Of the MYR2b property sales recorded in 2022, 26% were derived from its JV projects in Singapore and 72% from Klang Valley. Effective unbilled sales were MYR3.82b as at Dec 2022 (2.8x FY23E property revenue). Elsewhere, 55%-owned Sunway Construction Group (SCGB MK; HOLD; CP: MYR1.67, TP: MYR1.58) has secured MYR2.5b worth of jobs in 2022, increasing its outstanding orderbook to MYR5.3b as at Dec 2022.

Earnings adjustments

We revise FY23 and FY24 earnings forecasts by 37% and 23%, respectively, to factor in: i) 2022 actual results, ii) FY23 sales target of MYR2.3b, and iii) the change in SCGB's earnings forecasts. Sunway intends to launch MYR3.5b worth of new projects in 2023. These include *The Continuum* (MYR2b GDV; condominium) and *Terra Hills* (MYR700m; condominium) in Singapore and *Sunway Flora* (MYR300m; serviced apartment and retail).

FYE Dec (MYR m)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	3,717	5,195	7,436	7,956	7,571
EBITDA	328	583	1,142	1,154	1,225
Core net profit	368	638	802	759	784
Core FDEPS (sen)	6.2	10.7	13.5	12.8	13.2
Core FDEPS growth(%)	(26.8)	73.2	25.7	(5.4)	3.3
Net DPS (sen)	2.5	5.5	4.3	4.1	4.2
Core FD P/E (x)	27.7	15.1	12.0	12.7	12.3
P/BV (x)	0.8	0.8	0.7	0.7	0.7
Net dividend yield (%)	1.5	3.4	2.7	2.5	2.6
ROAE (%)	24.7	5.5	6.5	6.0	5.9
ROAA (%)	1.6	2.5	3.0	2.7	2.7
EV/EBITDA (x)	52.1	30.2	14.7	15.4	14.9
Net gearing (%) (incl perps)	45.0	52.3	44.4	49.5	51.1
Consensus net profit	-	-	616	671	na
MIBG vs. Consensus (%)	-	-	36.5	18.9	na

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HOLD

Share Price	MYR 1.62
12m Price Target	MYR 1.67 (+3%)
Previous Price Target	MYR 1.63

Company Description

Sunway Bhd is involved in property development, investment properties and construction businesses

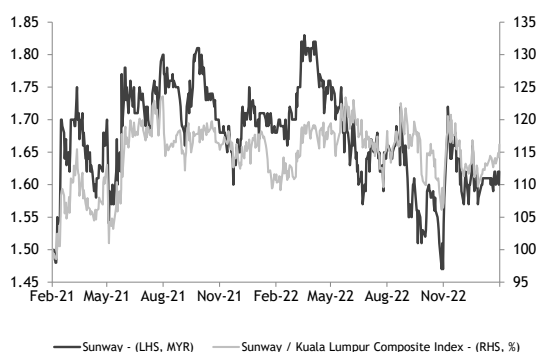
Statistics

52w high/low (MYR)	1.83/1.47
3m avg turnover (USDm)	0.9
Free float (%)	25.2
Issued shares (m)	4,934
Market capitalisation	MYR8.0B
	USD1.8B

Major shareholders:

Active Equity Sdn. Bhd.	60.5%
Employees Provident Fund	8.4%
CHEAH FOOK LING	2.3%

Price Performance



	-1M	-3M	-12M
Absolute (%)	3	10	(4)
Relative to index (%)	5	9	4

Source: FactSet

Fig. 1: Results summary table - Sunway

FY Dec (MYRm)	4Q22	4Q21	%YoY	3Q22	%QoQ	2022	2021	%YoY
Revenue	1531.6	1247.0	22.8	1270.5	20.5	5195.0	3717.3	39.8
- Property dev	442.7	184.1	>+100	278.1	59.2	1165.3	625.8	86.2
- Property inv	230.7	133.4	73.0	188.6	22.3	690.0	312.3	>+100
- Construction	291.0	379.6	-23.3	305.1	-4.6	1281.6	1111.7	15.3
- Trading	233.5	230.7	1.2	198.8	17.4	902.1	840.6	7.3
- Quarry	123.4	105.7	16.7	105.6	16.9	406.2	337.8	20.3
- Others	210.4	213.4	-1.4	194.3	8.3	749.8	489.2	53.3
PBIT	238.7	247.6	-3.6	135.4	76.2	618.5	339.2	82.3
Finance costs	-0.6	2.8	>-100	-1.5	60.0	-14.5	54.9	>-100
Other income	81.8	14.2	>+100	92.9	-11.9	350.8	81.2	>+100
Pretax profit	293.9	254.8	15.3	223.8	31.3	919.8	463.9	98.3
- Property dev	70.4	65.9	6.8	35.8	96.7	155.3	154.1	0.8
- Property inv	52.8	35.1	50.2	85.7	-38.4	236.9	-10.0	>-100
- Construction	58.7	91.1	-35.5	35.6	64.9	186.6	148.8	25.4
- Trading	9.1	9.2	-0.9	12.4	-26.7	41.4	38.0	9.1
- Quarry	5.1	4.4	16.6	1.9	>+100	13.7	9.4	45.7
- Healthcare	71.7	0.0	NA	41.4	73.0	176.7	29.3	>+100
- Others	26.1	49.2	-46.9	11.0	>+100	109.2	123.7	-11.7
Taxation	-73.7	-73.1	0.8	-41.6	-77.1	-167.0	-116.2	-43.6
Minority interest	-17.2	-47.1	-63.4	-17.5	1.2	-76.1	-73.7	-3.3
Net profit	203.0	2454.4	-91.7	164.7	23.2	676.7	2664.4	-74.6
Core net profit	192.9	158.3	21.9	147.2	31.0	637.8	368.3	73.1
			+/- ppt		+/- ppt			
Pretax margin (%)	19.2	20.4	-1.2	17.6	1.6	15.9	12.0	3.9
- Property dev	15.9	35.8	-19.9	12.9	3.0	13.3	24.6	-11.3
- Property inv	22.9	26.3	-3.5	45.4	-22.6	34.3	-3.2	37.5
- Construction	20.2	24.0	-3.8	11.7	8.5	14.6	13.4	1.2
- Trading	3.9	4.0	-0.1	6.2	-2.3	4.6	4.5	0.1
- Quarry	4.2	4.2	0.0	1.8	2.4	3.4	2.8	0.6
- Others	12.4	23.0	-10.6	5.6	6.8	14.6	25.3	-10.7
Tax rate (%)	-26.3	-30.9	4.6	-20.7	-5.6	-20.2	-26.1	5.9

Source: Maybank IBG Research

Fig 2: Our RNAV estimate

	Stake	Acres	MV (MYR m)	BV (MYR m)	Surplus (MYR m)
1. Landbank - MARKET VALUE					
Sunway Semenyih	70%	526.1	572.9	128.0	311.5
Suncity Ipoh	96%	336.4	58.6	58.7	(0.1)
Sunway Integrated Resort	100%	7.7	4.8	8.3	(3.5)
Sunway Tower KL 1	100%	1.9	122.8	28.3	94.5
Sunway JB, Bukit Lenang	80%	49.9	54.3	134.5	(64.1)
Sg Long Balakong	80%	111	140.2	21.8	94.8
Mont Putra Rawang	100%	163	49.7	35.1	14.6
Sunway Iskandar - Pendas, freehold	60%	1079	1175.1	596.6	347.1
Sub-total (1)					794.8
2. Active developments - WACC (10.5-13.1%)					
	Stake				(MYR m)
South Quay	100%				284.1
Sunway Cheras	100%				0.8
Bangi	100%				1.5
Casa Kiara III	80%				13.2
Sunway Velocity	85%				123.7
Penang projects	100%				19.6
Mount Sophia	30%				1.9
Sunway Iskandar -leasehold (Medini)	51%				322.0
Kelana Jaya	100%				62.3
Industrial projects at Kelana Jaya and Subang	100%				4.9
Sunway Velocity extension	50%				85.1
Belfield	100%				89.7
Kajang	100%				34.9
Subang	100%				75.6
Wangsamaju	55%				8.7
PKNS Kota Damansara	60%				30.1
Pasir Panjang	30%				39.1
Tanjong Katong	30%				103.5
Sub-total (2):					1,300.7
3. Investment properties - MARKET VALUE					
	Stake		MV	BV	Surplus
			(MYR m)	(MYR m)	(MYR m)
Sunway Velocity Mall	59%		1,600	1,172	252.3
Sub-total (3)					252.3

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	Surplus (MYR m)
4. Other businesses or assets	
Valuation for SunREIT on Maybank IB's MYR1.46 TP	142.8
Valuation for SCG based on Maybank IB's MYR1.58 TP	961.4
Healthcare (30x 2023 PER)	2,390.2
Building material (10x 2023 PER)	111.9
Trading (10x 2023 PER)	317.0
Sub-total (4)	3,923.3
Grand total = (1) + (2) + (3) + (4)	6,271.1
Shareholders' funds (MYR m) - Dec 2022	12,529.1
Proceeds from warrants (MYR1.56 exercise price; expiring in Oct 2024)	1,044.4
RNAV (MYR m)	19,844.6
Number of shares (m)	4,934.0
Number of warrants (m)	669.5
ICPS	977.8
FD RNAV/share (MYR)	3.02

Source: Maybank IBG Research

Upside and downside risks

1) Slower-than-expected property sales and longer-than-expected downturn in the property sector; 2) delay in obtaining necessary approvals for its projects; 3) slower progress billings in construction works; 4) higher raw material costs; and 5) labour shortage that hit its construction and hotel units.

FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Key Metrics					
P/E (reported) (x)	3.7	14.5	11.3	11.9	11.6
Core P/E (x)	27.4	14.9	11.9	12.5	12.1
Core FD P/E (x)	27.7	15.1	12.0	12.7	12.3
P/BV (x)	0.8	0.8	0.7	0.7	0.7
P/NTA (x)	0.8	0.7	0.7	0.7	0.6
Net dividend yield (%)	1.5	3.4	2.7	2.5	2.6
FCF yield (%)	3.9	nm	12.3	nm	nm
EV/EBITDA (x)	52.1	30.2	14.7	15.4	14.9
EV/EBIT (x)	52.1	30.2	15.3	16.0	15.5

INCOME STATEMENT (MYR m)

Revenue	3,717.3	5,195.0	7,436.0	7,956.2	7,571.2
EBITDA	327.8	583.4	1,141.8	1,154.0	1,225.2
Depreciation	0.0	0.0	(37.9)	(42.1)	(46.3)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	327.8	583.4	1,103.9	1,112.0	1,178.9
Net interest income / (exp)	54.9	(14.5)	(171.3)	(190.7)	(200.7)
Associates & JV	81.2	350.8	274.9	235.2	222.2
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	463.9	919.8	1,207.5	1,156.5	1,200.4
Income tax	(116.2)	(167.0)	(289.8)	(277.6)	(288.1)
Minorities	(73.7)	(76.1)	(76.9)	(81.1)	(89.6)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	2,664.4	676.7	840.8	797.8	822.7
Core net profit	368.3	637.8	801.9	758.9	783.8

BALANCE SHEET (MYR m)

Cash & Short Term Investments	2,810.3	1,957.3	2,756.1	1,785.5	1,286.5
Accounts receivable	2,484.8	1,957.9	2,802.5	2,998.6	2,853.5
Inventory	2,422.4	3,279.6	3,195.5	4,584.6	5,422.3
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	1,262.3	1,264.0	1,401.9	1,544.0	1,690.3
Intangible assets	376.2	378.1	378.1	378.1	378.1
Investment in Associates & JVs	8,901.7	9,343.5	9,343.5	9,343.5	9,343.5
Other assets	6,826.8	7,877.9	7,877.9	7,877.9	7,877.9
Total assets	25,084.3	26,058.4	27,755.6	28,512.2	28,852.1
ST interest bearing debt	4,093.6	4,918.7	4,918.7	4,918.7	4,918.7
Accounts payable	2,469.3	2,490.8	3,565.2	3,814.7	3,630.1
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	4,621.9	4,137.5	4,137.5	4,137.5	4,137.5
Other liabilities	777.0	949.0	949.0	949.0	949.0
Total Liabilities	11,962.0	12,496.3	13,570.8	13,820.2	13,635.6
Shareholders Equity	12,030.4	12,529.1	13,151.9	13,659.0	14,183.6
Minority Interest	1,091.9	1,032.9	1,032.9	1,032.9	1,032.9
Total shareholder equity	13,122.3	13,562.0	14,184.8	14,691.9	15,216.5
Total liabilities and equity	25,084.3	26,058.4	27,755.6	28,512.2	28,852.1

CASH FLOW (MYR m)

Pretax profit	463.9	919.8	1,207.5	1,156.5	1,200.4
Depreciation & amortisation	0.0	0.0	37.9	42.1	46.3
Adj net interest (income)/exp	132.9	202.2	(171.3)	(190.7)	(200.7)
Change in working capital	107.4	(443.2)	876.0	(909.8)	(478.6)
Cash taxes paid	(105.3)	(170.6)	(289.8)	(277.6)	(288.1)
Other operating cash flow	(2,008.5)	(113.3)	0.0	0.0	0.0
Cash flow from operations	978.7	394.9	1,660.3	(179.5)	279.3
Capex	(580.2)	(487.5)	(487.5)	(487.5)	(487.5)
Free cash flow	398.5	(92.6)	1,172.8	(667.1)	(208.2)
Dividends paid	(152.0)	(222.5)	(374.0)	(303.6)	(290.7)
Equity raised / (purchased)	0.2	1.0	0.0	0.0	0.0
Change in Debt	1,203.7	340.7	0.0	0.0	0.0
Other invest/financing cash flow	(993.1)	(891.2)	0.0	0.0	0.0
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	457.4	(864.5)	798.8	(970.6)	(498.9)

FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Key Ratios					
Growth ratios (%)					
Revenue growth	15.8	39.8	43.1	7.0	(4.8)
EBITDA growth	40.9	78.0	95.7	1.1	6.2
EBIT growth	40.9	78.0	89.2	0.7	6.0
Pretax growth	(5.4)	98.3	31.3	(4.2)	3.8
Reported net profit growth	645.8	(74.6)	24.3	(5.1)	3.1
Core net profit growth	(12.5)	73.1	25.7	(5.4)	3.3
Profitability ratios (%)					
EBITDA margin	8.8	11.2	15.4	14.5	16.2
EBIT margin	8.8	11.2	14.8	14.0	15.6
Pretax profit margin	12.5	17.7	16.2	14.5	15.9
Payout ratio	5.5	47.7	30.0	30.0	30.0
DuPont analysis					
Net profit margin (%)	71.7	13.0	11.3	10.0	10.9
Revenue/Assets (x)	0.1	0.2	0.3	0.3	0.3
Assets/Equity (x)	2.1	2.1	2.1	2.1	2.0
ROAE (%)	24.7	5.5	6.5	6.0	5.9
ROAA (%)	1.6	2.5	3.0	2.7	2.7
Leverage & Expense Analysis					
Asset/Liability (x)	2.1	2.1	2.0	2.1	2.1
Net gearing (%) (incl perps)	45.0	52.3	44.4	49.5	51.1
Net gearing (%) (excl. perps)	45.0	52.3	44.4	49.5	51.1
Net interest cover (x)	na	40.3	6.4	5.8	5.9
Debt/EBITDA (x)	nm	15.5	7.9	7.8	7.4
Capex/revenue (%)	15.6	9.4	6.6	6.1	6.4
Net debt/ (net cash)	5,905.2	7,098.9	6,300.1	7,270.7	7,769.7

Source: Company; Maybank IBG Research

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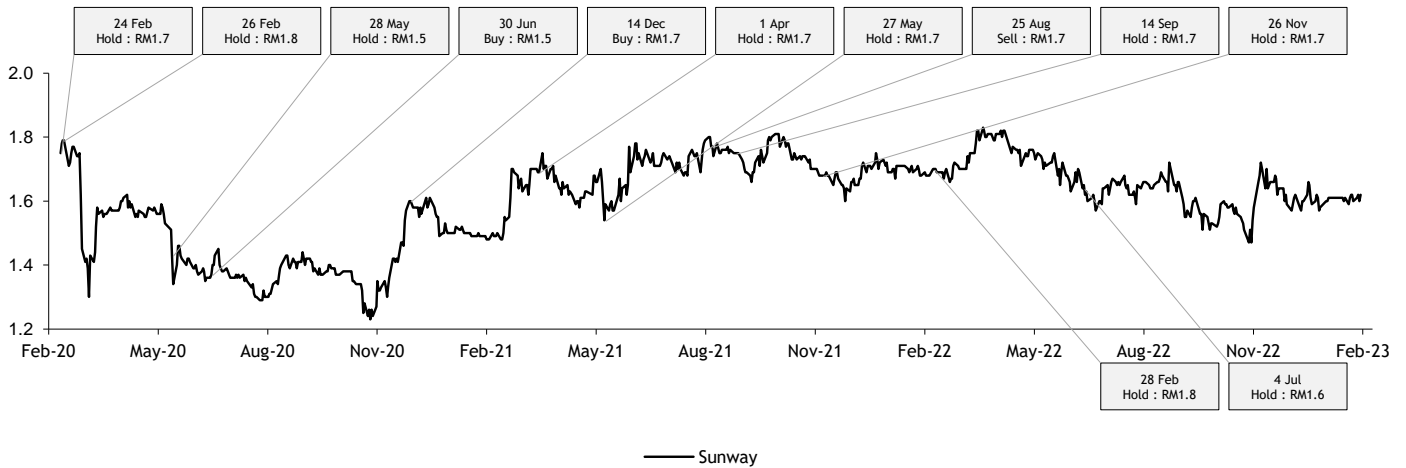
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