

Sunway Berhad

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

New sales target at RM2.3b

KEY INVESTMENT HIGHLIGHTS

- **FY22 earnings above expectations**
- **Ended FY22 on a stronger note**
- **FY23 new sales target at RM2.3b**
- **Earnings forecast revised upwards**
- **Maintain Neutral with a revised TP of RM1.64**

FY22 earnings above expectations. Sunway Berhad (SUNWAY) FY22 core net earnings of RM635.5m came in above expectations, making up 120% and 116% of our and consensus full year forecast respectively. The positive deviation could be attributed to the stronger than expected contribution from property development division. Meanwhile, SUNWAY announced dividend of 3.5sen per share, bringing total dividend to 5.5sen and implies dividend yield of 3.4%

Ended FY22 on a stronger note. Sequentially, 4QFY22 core net income was higher at RM230.7m (+62.5%qoq) mainly due to better contribution from property development division. Profit before tax (PBT) for property development division was higher (+96.7%qoq) due to higher progress billing from on-going projects and higher recognition from the completion of a local development project. On yearly basis, 4QFY22 core net income grew to RM230.7m (+12.5%yoy), bringing FY22 core net income higher at RM635.5m (+40.5%yoy). The earnings growth was mainly fueled by earnings recovery of property investment division post reopening of economy and country border. Meanwhile, earnings contribution from property development division was flattish while construction division contributed higher earnings.

FY23 new sales target at RM2.3b. SUNWAY recorded new property sales of RM590m in 4QFY22, higher than new sales of RM498m in 3QFY22. That brought total new sales to RM2.02b which was slightly lower than new sales target of RM2.2b. Looking ahead, management set new sales target at RM2.3b for FY23 driven by ongoing projects and new launches. SUNWAY plans to launch project with total GDV of RM3.5b in FY23. On the other hand, unbilled sales were flattish at RM4.31b in 4QFY22 against unbilled sales of RM4.24b in 3QFY22.

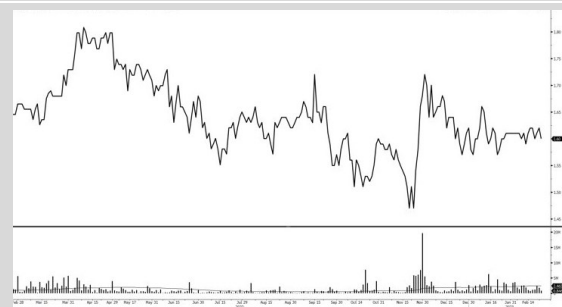
Maintain NEUTRAL

Revised Target Price: RM1.64
(Previously RM1.63)

RETURN STATISTICS

Price @ 23 Feb 2023 (RM)	1.62
Expected share price return (%)	+1.2
Expected dividend yield (%)	3.4
Expected total return (%)	+4.6

SHARE PRICE CHART




Share price performance (%)	Absolute	Relative
1 month	1.3	3.8
3 months	-1.2	7.3
12 months	-4.8	3.2

KEY STATISTICS

FBM KLCI	1,457.65
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆
Issue shares (m)	4,889.07
Estimated free float (%)	68.22
Market Capitalisation (RM'm)	7,993
52-wk price range (RM)	RM1.46 - RM1.85
Beta vs FBM KLCI (x)	0.61
3-mth average daily volume (m)	2.46
3-mth average daily value (RM'm)	3.98
Top Shareholders (%)	
Sungei Way Corp Sdn Bhd	14.19
Employees Provident Fund Board	8.26

Analyst(s)

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Maintain NEUTRAL with a revised TP of RM1.64. We revise our FY23F earnings forecast by +13.9% after factor in higher progress billing of its projects. We revise our **TP** slightly higher to **RM1.64** from RM1.63 after factor in narrower RNAV discount of 17% (previously 18%) to property division in our Sum-of-parts valuation. While earnings outlook for SUNWAY is expected to remain supported by property development and property investment divisions going forward, we think that positives are largely priced in. Hence, we maintain our **NEUTRAL** call on SUNWAY. 

INVESTMENT STATISTICS

FYE Dec	FY21A	FY22A	FY23F	FY24F	FY25F
Revenue	3714.2	5195.0	5540.3	5893.9	6346.9
Core EBIT	538.8	583.4	684.9	691.3	721.1
Core PBT	538.8	871.3	888.1	906.8	949.1
Net Income	2665.4	676.7	600.5	617.0	644.8
Core Net Income	452.4	635.5	600.5	617.0	644.8
EPS (sen)	45.4	11.5	10.2	10.5	11.0
Core EPS (sen)	7.7	10.8	10.2	10.5	11.0
Net DPS (sen)	2.50	5.50	5.50	5.50	6.00
Net Dvd Yield	1.5%	3.4%	3.4%	3.4%	3.7%
Core PER	21.01	14.96	15.83	15.40	14.74
NTA/share (RM)	1.99	2.14	2.18	2.22	2.26
P/NTA	0.82	0.76	0.74	0.73	0.72
Core ROE	3.8%	5.1%	4.7%	4.7%	4.9%
Core ROA	1.8%	2.4%	2.2%	2.3%	2.4%

Source: MIDF Research

SUNWAY BERHAD: 4QFY22 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY22	%YoY	%QoQ	FY22	%YoY
Revenue	1531.6	23.1%	20.5%	5,195.0	39.9%
EBIT	212.7	-10.3%	60.7%	583.4	78.4%
Core PBT	321.6	10.0%	60.0%	871.3	61.7%
Net Income	203.0	-91.7%	23.2%	676.7	-74.6%
Core Net Income	230.7	12.5%	62.5%	635.5	40.5%
EPS (sen)	3.46	-91.7%	23.2%	11.5	-74.7%
Core EPS (sen)	3.93	12.5%	62.5%	10.7	44.6%
Net DPS (sen)	3.50	133.3%	75.0%	5.5	120.0%
NTA/share (RM)	2.07	4%	1%	2.1	4.2%
Net Gearing (x)	0.52	NA	NA	0.52	NA
EBIT Margin	13.9%	NA	NA	11.2%	NA
Core PBT Margin	21.0%	NA	NA	16.8%	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%	17%	2872.9
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					9643.0
Number of shares					5866.0
Target Price (RM)					1.64

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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