

COMPANY RESULTS

Sunway Bhd (SWB MK)

Strong 3Q on Lumpy Singapore Contribution; Achieved 85% of Sales Target

Sunway saw its 9M23 revenue grow 17% while net profit rose 21% mainly due to strong performance from the property development (lumpy Singapore contribution), property investment (higher leisure and hospitality contribution), and healthcare (strong operational results from SMC Sunway City segments). 9M23 effective property sales stood at RM1.86b (85% of target). Maintain BUY. Target price: RM2.38.

3Q23 RESULTS

	3Q23	2Q23	qoq % chg	yoy % chg	9M23	yoy % chg
Year to 31 Dec (RMm)						
Revenue	1539.1	1468.2	4.8	21.1	4271.0	16.6
Property Development	309.5	362.1	-14.5	11.3	919.4	27.2
Construction	424.0	404.1	4.9	39.0	1156.0	16.7
Property Investment	232.8	199.4	16.8	23.4	642.1	39.8
Pre-tax profit	247.8	203.0	22.1	10.7	642.8	2.7
Property Development	70.4	49.1	43.5	96.8	142.6	67.9
Construction	51.1	44.5	14.7	43.5	135.1	5.7
Property Investment	55.2	33.9	63.0	-35.6	156.3	-15.1
*Healthcare PAT (equity accounting)	44.4	37.7	17.8	7.2	111.0	5.7
PATAMI	180.3	149.9	20.3	9.5	471.9	1.2
Core net profit	189.0	158.5	19.3	32.2	487.1	20.7
Pre-tax Margins (%)	%	%	+ppt	+ppt	%	+ppt
Property Development	22.8	13.6	9.2	13.8	15.5	3.8
Construction	12.1	11.0	1.0	(2.0)	11.7	(1.2)
Property Investment	23.7	17.0	6.7	(12.0)	24.3	(15.7)

Source: Sunway, UOB Kay Hian

RESULTS

- 3Q23 results within expectations.** Sunway Bhd (Sunway) reported a 2Q23 core net profit of RM189m (+19.3% qoq, +32.2% yoy) on revenue of RM1.54b (+5% qoq, +21% yoy). Cumulatively, 9M23 core net profit of RM487 (+21% yoy) accounts for around 73% of our and consensus' full-year forecasts. We deem the results in line as we expect seasonally stronger 4Q property investment contribution coupled with resilient performance from other segments (especially construction and property development from higher progressive billings).
- 9M23 core net profit was derived after excluding exceptional items amounting to -RM15.2m (mostly on impairment of trade receivables and inventories) from reported net profit of

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	3,717	5,195	5,348	5,502	5,675
EBITDA	544	702	712	740	776
Operating profit	328	583	598	614	638
Net profit (rep./act.)	293	677	664	696	730
Net profit (adj.)	321	626	664	696	730
EPS (sen)	6.6	12.8	13.6	14.2	14.9
PE (x)	29.6	15.1	14.3	13.6	13.0
P/B (x)	0.8	0.8	0.7	0.7	0.7
EV/EBITDA (x)	30.5	23.6	23.3	22.4	21.3
Dividend yield (%)	1.3	2.8	2.8	2.9	3.1
Net margin (%)	7.9	13.0	12.4	12.7	12.9
Net debt/(cash) to equity (%)	44.1	51.8	45.1	39.5	39.2
Interest cover (x)	6.0	(40.3)	7.3	7.5	7.8
ROE (%)	2.7	5.5	5.2	5.3	5.4
Consensus net profit	-	-	668	740	793
UOBKH/Consensus (x)	-	-	0.99	0.94	0.92

Source: Sunway Bhd, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM1.94
Target Price	RM2.38
Upside	+22.7%

COMPANY DESCRIPTION

A leading construction company and property developer in Malaysia.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	SWB MK
Shares issued (m):	4,960.0
Market cap (RMm):	9,622.4
Market cap (US\$m):	2,057.4
3-mth avg daily t'over (US\$m):	3.8

Price Performance (%)

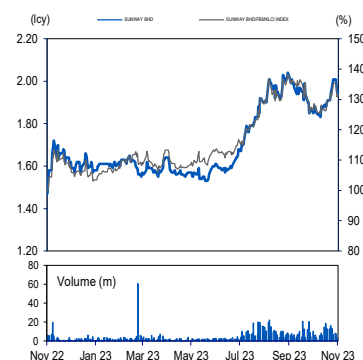
52-week high/low RM2.04/RM1.47

1mth	3mth	6mth	1yr	YTD
3.7	2.1	23.6	28.5	19.8

Major Shareholders

	%
Sungei Way Corp Sdn Bhd	57.9
EPF	7.8
Active Equity Sdn Bhd	3.4
FY23 NAV/Share (RM)	2.65
FY23 Net Debt/Share (RM)	1.19

PRICE CHART



Source: Bloomberg

ANALYST(S)

Nazira Abdullah
+603 2147 1934
nurulnazira@uobkayhian.com

STOCK IMPACT

- Property development: 9M23 revenue and net profit saw strong growth** of 27% yoy and 68% yoy respectively, mainly due lumpy contribution from Singapore (Parc Canberra) amounting to RM46.3m. Sunway had RM3.8b worth of launches in 10M23, surpassing its target of RM3.5b. Some new recent launches were: a) Sunway Aviana in Johor with GDV of RM94m in Oct 23 (booking currently at 57%), and b) China's Sunway Garden (GDV: RM120m). Take-up rates for Singapore projects The Continuum (GDV: RM2b) and Terra Hills (GDV: RM700m) were within expectations at 30-40%. We expect the take-up rate to improve gradually as the Singapore property market conditions stabilise. Historically, Sunway's Singapore projects were fully taken up with the recent one Ki Residence (still under construction) at 98% take-up rate. Meanwhile, local projects' take-up rates are expected to remain resilient with a >70% take-up rate historically.
- Effective property sales in 9M23 stood at RM1.86b** (85% of its full-year sales target of RM2.2b for 2023), mainly contributed by Singapore projects (49% of total sales) with the rest mostly being local projects. We believe target sales of RM2.2b is achievable with possible upside from higher-than-expected sales from Singapore projects. Sunway Sunway's overall property segment is expected to remain resilient on higher sales (+22% yoy), strong unbilled sales of RM4.2b (4.2x cover ratio) and lumpy recognition from its Singapore projects (we estimate RM110m-130m for Parc Central in 1Q24).
- Healthcare: Spearing growth going forward.** The healthcare arm reported 3Q23 core PAT of RM44m (+18% qoq, +7% yoy). The qoq performance was strong, mainly on strong operational results from SMC Sunway City and SMC Velocity which mitigated the start-up operational losses from SMC Penang and Sunway Sanctuary.
- Construction: Prime beneficiary of mega projects.** 9M23 PBT of the construction segment came in at RM135m (+6% yoy) on the back of revenue of RM1.2b (+17%). Operating margin was lower due to high-base effect in 9M22 on cost savings from completed projects. We expect higher earnings ahead from stronger progress billings on improved labour intake. Orderbook remained robust at RM5.8b (2.7x cover ratio).
- Property Investment: Strong revenue from the leisure and hospitality businesses.** While 9M23 saw property investment revenue grow 40% (mainly on higher hotel and theme park occupancy), PBT declined by 15% due to higher utility charges. Nonetheless, we expect a better performance in 4Q23 from seasonally stronger quarter from festivities.

EARNINGS REVISION/RISK

- None.

VALUATION/RECOMMENDATION

- Maintain BUY with an unchanged target price of RM2.38**, based on a 10% discount to our SOTP-based valuation of RM2.64/share. Our target price implies a 2023F PE of 14.3x (within its five-year mean) and P/B of 0.7x (close to -1SD from its five-year mean). Sunway's 1,632 acres of landbank in Johor with GDV of RM29b (57% of its remaining total GDV of RM51.4b) may stand to benefit from the positive prospects of Johor's property landscape in light of developments such as the Rapid Transit System and special economic zone.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

<ul style="list-style-type: none"> Environmental <ul style="list-style-type: none"> - Installed photovoltaic (PV) solar panels at most of its properties, with the latest being Sunway Carnival Mall. Social <ul style="list-style-type: none"> - Launched Sunway Cancer Support Fund worth RM2.5m in Oct 22. Governance <ul style="list-style-type: none"> - Good company transparency along with an anti-bribery and anti-corruption policy.

SOTP-BASED VALUATION

	(RMm)	Remarks
Property development	4,270	20% discount to property RNAV
REIT (40.9% stake)	2,325	Valuation based on target price of RM1.66, based on DDM
Construction (54.4% stake)	1,189	Valuation based on target price of RM1.69, 14x 2024F PE
Quarry & building materials	218	8x PE 2023F quarry profits
Trading	374	8x PE 2023F trading profits
Investment Properties	1,777	Valuation based on DDM
Healthcare	4,346	25x PE 2023F healthcare profit
Less: Holding co (debt)/ cash	-589	
Total SOTP value (A)	13,909	
Share base (m) (B)	4,955	
Warrants proceeds (C)	951	Assume conversion price at RM1.42/share (expiring in Oct 24)
Total SOTP value post warrants proceeds (A+C)	14,859	
Enlarged share base (m)	5,624	
SOTP/share (RM)	2.64	
Discount	10%	
Target price (RM)	2.38	

Source: Sunway, UOB Kay Hian

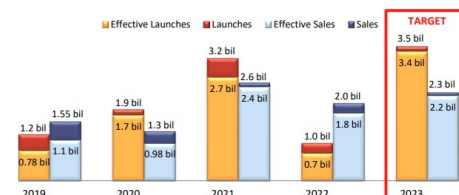
EXPANSION PLAN FOR MEDICAL CENTRES

State	Location	Total beds	Exp. completion
Existing Medical Centre			
Kuala Lumpur	Sunway City (Tower A,B,C)	616	Completed
	Velocity	121	Completed
Penang	Seberang Jaya	333	Opened Nov 22
Kuala Lumpur	Sunway City (Tower D and E)	108	Opened May 23
Expansion plan			
Kuala Lumpur	Sunway City (Tower F)	357	TBD
	Velocity (Phase 2)	229	4Q23
Selangor	Damansara	336	4Q24
Perak	Ipoh	260	1Q25
Kelantan	Kota Bharu	200	TBD
Penang	Paya Terubong	120**	Planning stage
Johor	Iskandar	200**	Planning stage
Total		2,880	

** Estimates

Source: Sunway, UOB Kay Hian

SALES AND LAUNCHES



Source: Sunway

ASSUMPTIONS

	2023F	2024F	2025F
Property Sales (RMb)	2.2	2.3	2.4
Overall Takeup Rate (%)	60	70	70

PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net turnover	5,195	5,348	5,502	5,675
EBITDA	702	712	740	776
Deprec. & amort.	118	114	126	138
EBIT	583	598	614	638
Associate contributions	351	309	339	371
Net interest income/(expense)	(14)	81	81	81
Pre-tax profit	920	988	1,034	1,090
Tax	(167)	(247)	(259)	(273)
Minorities	(76)	(77)	(79)	(87)
Net profit	677	664	696	730
Net profit (adj.)	626	664	696	730

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	5,548	5,816	6,065	6,310
Other LT assets	12,167	12,476	12,815	13,186
Cash/ST investment	1,958	2,277	2,834	2,702
Other current assets	6,383	6,577	6,743	6,929
Total assets	26,057	27,146	28,456	29,128
ST debt	5,361	4,093	4,093	4,093
Other current liabilities	2,644	3,598	4,409	4,553
LT debt	3,095	4,021	4,021	4,021
Other LT liabilities	1,384	1,384	1,384	1,384
Shareholders' equity	12,541	12,941	13,361	13,801
Minority interest	1,032	1,109	1,188	1,276
Total liabilities & equity	26,057	27,146	28,456	29,128

CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Operating	337	1,225	1,127	461
Pre-tax profit	920	988	1,034	1,090
Tax	(167)	(247)	(259)	(273)
Deprec. & amort.	118	114	126	138
Associates	(351)	(309)	(339)	(371)
Working capital changes	(482)	759	645	(43)
Non-cash items	298	(81)	(81)	(81)
Investing	(845)	(382)	(375)	(384)
Capex (growth)	(324)	(267)	(275)	(284)
Investments	(8)	(115)	(100)	(100)
Proceeds from sale of assets	249	0	0	0
Others	(762)	0	0	0
Financing	(325)	(523)	(195)	(209)
Dividend payments	(271)	(264)	(277)	(290)
Issue of shares	0	0	0	0
Proceeds from borrowings	334	(341)	0	0
Others/interest paid	(387)	81	81	81
Net cash inflow (outflow)	(832)	319	557	(131)
Beginning cash & cash equivalent	2,795	1,958	2,277	2,834
Changes due to forex impact	(5)	0	0	0
Ending cash & cash equivalent	1,958	2,277	2,834	2,702

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	13.5	13.3	13.5	13.7
Pre-tax margin	17.7	18.5	18.8	19.2
Net margin	13.0	12.4	12.7	12.9
ROA	2.6	2.5	2.5	2.5
ROE	5.5	5.2	5.3	5.4
Growth				
Turnover	39.8	2.9	2.9	3.1
EBITDA	29.0	1.5	3.9	4.9
Pre-tax profit	98.3	7.4	4.7	5.4
Net profit	131.4	(1.9)	4.9	4.9
Net profit (adj.)	95.2	6.0	4.9	4.9
EPS	95.2	6.0	4.9	4.9
Leverage				
Debt to total capital	38.4	36.6	35.8	35.0
Debt to equity	67.4	62.7	60.7	58.8
Net debt/(cash) to equity	51.8	45.1	39.5	39.2
Interest cover (x)	(40.3)	7.3	7.5	7.8

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Securities (M) Sdn. Bhd. ("UOBKHM") which is a licensed corporation providing investment advisory services in Malaysia.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKHM. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKHM may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKHM and its associated persons (as defined in the Capital Market Services Act 2007) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKHM to be reliable. However, UOBKHM makes no representation as to the accuracy or completeness of such sources or the Information and UOBKHM accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKHM and its associate may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKHM and its connected persons are subject to change without notice. UOBKHM reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKHM, its associated persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKHM, its associated persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKHM may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKHM may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report is prepared by UOBKHM, a company authorized, as noted above, to engage in investment advisory in Malaysia. UOBKHM is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKHM (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKHM by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKHM.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKHM who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKHM or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKHM's total revenues, a portion of which are generated from UOBKHM's business of investment advisory.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia. Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ("U.S.")	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2023, UOB Kay Hian Securities (M) Sdn. Bhd. All rights reserved.

<http://www.utrade.com.my>