

"1H24 results were within expectations, supported by higher earnings across the board"

Share price performance



	1M	3M	12M
Absolute (%)	-8.0	5.7	94.5
Rel KLCI (%)	-11.4	1.9	67.7

	BUY	HOLD	SELL
Consensus	8	-	2

Stock Data

Sector	Property
Issued shares (m)	5,657.0
Mkt cap (RMm)/(US\$m)	22,119/5,094.2
Avg daily vol - 6mth (m)	16.3
52-wk range (RM)	1.82-4.42
Est free float	36.9%
Stock Beta	0.89
Net cash/(debt) (RMm)	(7,052)
ROE (2024E)	5.3%
Derivatives	No
Shariah Compliant	Yes
FTSE4Good Constituent	No
FBM EMAS (Top 200)	Top 25%
ESG Rank	
ESG Risk Rating	8.6 (-0.3 yoy)

Key Shareholders

Sungei Way Corp Sdn	45.2%
Cheah Fook Ling	10.9%
Employees Provident	6.0%
Active Equity Snd Bhd	3.0%

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

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Sunway Berhad (SWB MK)

BUY (maintain)

Up/Downside: +12.6%

Price Target: RM4.40

Previous Target (Rating): RM4.40 (BUY)

Within expectations; Stronger earnings across the board

- Core net profit grew 33% yoy to RM402m in 1H24, mainly driven by higher property development, quarry and construction earnings
- The group saw slower property pre-sales of RM1.3bn (-15% yoy) dragged by reduced overseas sales from China and Singapore
- Sunway remains a top sector BUY, providing three compelling growth catalysts. Our 12-month TP of RM4.40 is based on an unchanged 10% discount to our RNAV.

Results were within expectations

Core net profit of RM402m (+33% yoy) in 1H24 was equivalent to 51% of consensus and our forecasts of RM783-797m. Revenue (excluding healthcare division) grew 10% yoy to RM3bn in 1H24, driven by higher yoy revenue across all divisions. PBT increased 44% yoy to RM568m in 1H24, primarily attributed to the surge in property development earnings (+51% yoy) and property investment (+54% yoy), coupled with certain one-off exceptional items amounting to RM89m from a fair value gain on redemption of investments and newly acquired 6 Giant Hypermarket by SREIT. Meanwhile, its healthcare division reported PAT of RM86m (+29% yoy), supported by higher in-patient volumes (+9% yoy to 644k in 1H24) and improved hospital performance. Revenue rose 11% qoq to RM1.58bn in 2Q24. Core net profit rose faster at 35% qoq to RM235m as all divisions reported a better performance.

Flat property pre-sales but higher new construction contract wins

Sunway's property pre-sales eased 15% yoy to RM1.3bn in 1H24, compared to RM1.5bn in 1H23, mainly on lower overseas sales (-65% yoy). Sunway is targeting RM2.6bn of pre-sales in 2024E. Launched GDV of RM919m in 1H24 amounted to 43% of total planned launches. Unbilled sales of RM4.5bn should support revenue growth over the next 2-3 years. Sunway Construction (SCGB MK, RM3.89, BUY) achieved RM3.5bn in new contract wins YTD, expanding its remaining order book to RM7.4bn. SunCon is now involved in 5 data centre packages, making up 51% of its total outstanding order book

Top sector pick; reaffirming our BUY call

In light of the recent broad market correction, we view this as an opportune moment for investors to accumulate the stock. Sunway offers investors three compelling growth catalysts: i) sustained, multi-year expansion in Sunway City Iskandar Malaysia; ii) the anticipated public listing of Sunway Healthcare Group (SHG), potentially as early as 2026; and iii) a robust pipeline of data centre-related projects fueling SCGB's growth. We maintain our core EPS forecasts and 12-month TP of RM4.40, based on a 10% discount to our RNAV/share of RM4.90. We reaffirm our BUY call as Sunway remains a top sector pick, given its strategic land bank within key growth areas. Downside risks: lower-than-expected property sales.

Earnings & Valuation Summary

FYE 31 Dec	2022	2023	2024E	2025E	2026E
Revenue (RMm)	5,195.0	6,139.8	7,321.7	9,255.3	9,428.4
EBITDA (RMm)	753.1	865.7	963.1	1,253.0	1,361.3
Pretax profit (RMm)	919.8	993.2	1,059.4	1,375.3	1,483.8
Net profit (RMm)	676.7	737.8	783.6	1,015.9	1,099.4
EPS (sen)	13.8	14.9	15.8	20.5	22.2
PER (x)	28.2	26.3	24.7	19.1	17.6
Core net profit (RMm)	716.1	797.6	783.6	1,015.9	1,099.4
Core EPS (sen)	14.6	16.1	15.8	20.5	22.2
Core EPS growth (%)	82.4	9.9	(1.8)	29.6	8.2
Core PER (x)	26.7	24.3	24.7	19.1	17.6
Net DPS (sen)	5.5	5.5	5.5	6.5	7.0
Dividend Yield (%)	1.4	1.4	1.4	1.7	1.8
EV/EBITDA	34.8	30.9	27.6	21.6	19.5
Chg in EPS (%)			0.0	0.0	0.0
Affin/Consensus (x)			1.0	1.1	1.1

Source: Company, Bloomberg, Affin Hwang forecasts

Fig 1: Results comparison

FYE 31 Dec (RMm)	2Q23	1Q24	2Q24	QoQ % chg	YoY % chg	6M23	6M24	YoY % chg	Comment
Revenue	1,468	1,419	1,580	11.3	7.6	2,732	2,999	9.8	1H24: Higher revenue yoy across all divisions
Op costs	(1,286)	(1,226)	(1,368)	11.6	6.4	(2,405)	(2,601)	8.2	
EBITDA	182	193	212	10.0	16.3	327	398	21.5	
<i>EBITDA margin (%)</i>	<i>12.4</i>	<i>13.6</i>	<i>13.4</i>	<i>-0.2</i>	<i>1.0</i>	<i>12.0</i>	<i>13.3</i>	<i>1.3</i>	
Depn and amort	(32)	(32.49)	(36.10)	11.1	14.5	(64)	(69)	7.8	
EBIT	151	160	176	9.7	16.7	264	329	24.8	
<i>EBIT margin (%)</i>	<i>10.3</i>	<i>11.3</i>	<i>11.1</i>	<i>-0.2</i>	<i>0.9</i>	<i>9.7</i>	<i>11.0</i>	<i>1.3</i>	
Interest income	64	59	86	45.7	35.4	122	146	19.2	
Interest expense	(78)	(85)	(96)	12.5	22.4	(141)	(181)	28.8	
Associates	78	94	139	47.5	79.3	160	233	45.6	
Forex gain (losses)	(80)	(44)	(5)	(89.3)	(94.1)	(66)	(49)	(26.2)	Unrealised forex loss on US\$ debt. But partly hedged by derivatives.
Exceptional items	69	42	40	(4.8)	(41.3)	56	90	60.0	
Pretax profit	203	227	341	50.4	68.0	395	568	43.7	Higher earnings for property development, construction, trading and quarry operations. Though partially boosted by one-off gains arising from the redemption of investments.
Tax	(31)	(36)	(45)	24.8	44.8	(64)	(80)	25.4	
<i>Tax rate (%)</i>	<i>15.2</i>	<i>15.8</i>	<i>13.1</i>	<i>-2.7</i>	<i>-2.1</i>	<i>16.2</i>	<i>14.1</i>	<i>-2.1</i>	
Minority interests	(22)	(19)	(26)	38.8	16.6	(39)	(45)	13.4	
Net profit	150	172	270	57.0	80.4	292	443	51.8	Within expectation
EPS (sen)	3	2	4	81.1	61.8	5	6	41.4	
Core net profit	161	174	235	34.9	46.2	302	402	33.1	Within expectation, excluding exceptional items.

Source: Affin Hwang, Company

Fig 2: Segmental revenue breakdown

FYE 31 Dec (RMm)	2Q23	1Q24	2Q24	QoQ % chg	YoY % chg	6M23	6M24	YoY % chg
Ppty dev	362	288	372	29.2	2.7	610	660	8.2
Ppty inv	199	231	231	(0.1)	15.8	409	462	12.9
Construction	404	372	381	2.3	(5.7)	732	754	2.9
Trading	228	241	255	5.7	12.0	452	497	9.9
Quarry	94	105	112	6.8	18.5	173	217	25.5
Other	180	181	229	26.1	26.9	356	410	15.2
Total	1,468	1,419	1,580	11.3	7.6	2,732	2,999	9.8

Source: Affin Hwang, Company

Fig 3: Segmental PBT breakdown

FYE 31 Dec (RMm)	2Q23	1Q24	2Q24	QoQ % chg	YoY % chg	6M23	6M24	YoY % chg
Ppty dev	49	39	70	80.8	42.9	72	109	51.0
Ppty inv	34	69	86	24.1	154.5	101	156	53.9
Construction	45	42	52	23.8	17.8	84	95	12.8
Trading	10	9	10	16.4	3.4	20	19	(1.4)
Quarry	4	11	11	0.8	154.4	8	22	182.6
Other	61	56	111	96.4	81.2	110	167	51.3
Total	203	227	341	50.2	68.0	395	568	43.7

Source: Affin Hwang, Company



Fig 4: Segmental PBT margin

FYE 31 Dec (%)	2Q23	1Q24	2Q24	QoQ ppt	YoY ppt	6M23	6M24	QoQ ppt
Ppty dev	13.6	13.5	18.9	5.4	5.3	11.8	16.5	4.7
Ppty inv	17.0	30.0	37.3	7.3	20.3	24.7	33.7	9.0
Construction	11.0	11.4	13.8	2.4	2.7	11.5	12.6	1.1
Trading	4.4	3.7	4.1	0.4	(0.3)	4.4	3.9	(0.4)
Quarry	4.7	10.6	10.0	(0.6)	5.3	4.6	10.3	5.7
Others	33.9	31.1	48.4	17.3	14.5	30.9	40.6	9.7
Total	13.8	16.0	21.6	5.6	7.8	14.5	18.9	4.5

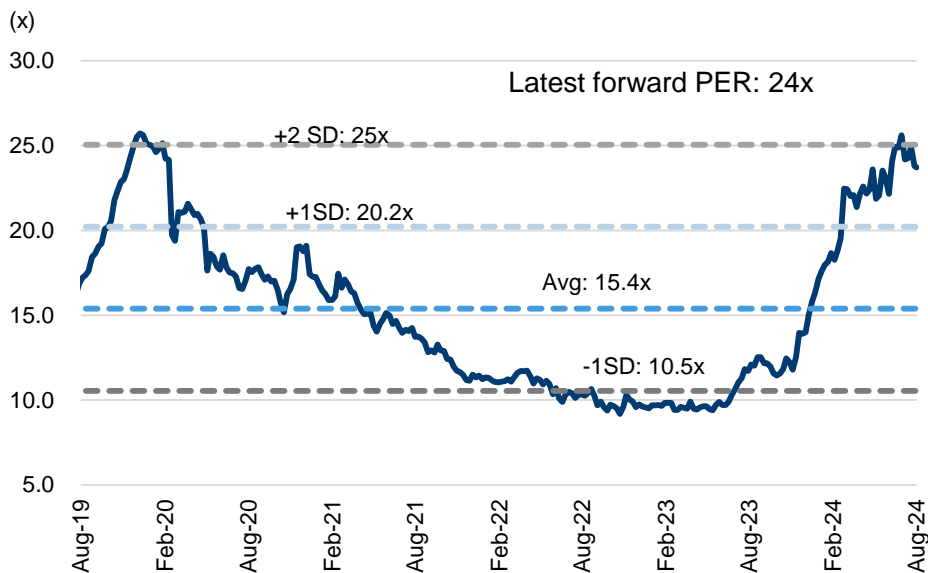
Source: Affin Hwang, Company

Fig 5: RNAV and target price

RNAV by business segments	PER (X)	EV/EBITDA (X)	RNAV (RMm)
Property development			8,286
Property development JV			3,382
Property investment			5,327
Construction	18		3,883
Building materials	14		700
Quarry	14		420
Healthcare		20	9,912
Total			31,910
Co. net cash/(debt)			(589.3)
RNAV			31,321
Number of shares			4,955
RNAV/share (RM)			6.32
Fully-diluted no. of shares			6,602
Fully-diluted RNAV/share (RM)			4.90
Target price @ 10% discount to RNAV (RM)			4.40

Source: Affin Hwang forecasts

Fig 6: 12-month forward PER



Source: Bloomberg, Affin Hwang forecasts

Important Disclosures and Disclaimer

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	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.

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