

THIS REPORT IS STRICTLY FOR INTERNAL CIRCULATION ONLY*

Sunway Bhd

A Steady 1H24

TP: RM4.76 (+21.7%)

Last Traded: RM3.91

BUY (ESG: ★★★★★)

Thiam Chiann Wen

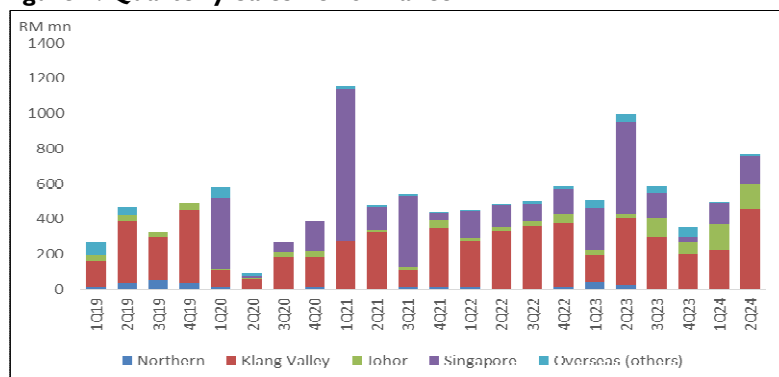
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Review

- Stripping off the exceptional items amounting to RM96.0mn, Sunway's 1H24 core net profit of RM346.7mn (+18% YoY) came in within expectations, accounting for 44% and 43% of ours and consensus' full-year forecasts, respectively.
- A first interim dividend of 2.0sen/share was declared, matching the amount declared in the corresponding period last year.
- YoY:** In 1H24, revenue grew by 10% YoY to RM3.0bn, fuelled by stronger performance across all business segments. Core PBT increased by 19%, in line with the revenue growth. Notably, the property development segment achieved a 51% rise in PBT, thanks to higher sales and progress billings. Similarly, the property investment division saw a 23% increase in core PBT, driven by higher visitor numbers at theme parks, improved hotel occupancy rates, and increased revenue from investment assets. Additionally, the healthcare division's PBT rose by 30%, supported by improved operational results from its hospitals, increased licensed bed capacity, and better census performance compared to the previous period.
- QoQ:** In 2Q24, revenue increased by 11%, driven by higher contributions from most business segments, though the property investment segment saw a marginal decline. Despite this, core net profit grew by only 1.3% QoQ to RM174.5mn, mainly due to lower margins in the property investment division, higher tax expenses, and increased minority interests.
- Sunway's 2Q24 property sales decreased 23% YoY but increased 55% QoQ to RM771mn. This brought the YTD 1H24 property sales to RM1.3bn, representing a 15% YoY decline. The Klang Valley region contributed 53% of total sales – see **Figure I**.

Figure I: Quarterly Sales Performance


Source: Sunway, TA Research

Share Information

Bloomberg Code	SWB MK
Stock Code	5211
Listing	Main Market
Share Cap (mn)	5,657.0
Market Cap (RMmn)	22,119.0
52-wk Hi/Lo (RM)	4.42/1.82
12-mth Avg Daily Vol ('000 shrs)	13,413.0
Estimated Free Float (%)	36.9
Beta	0.8
Major Shareholders (%)	
Tan Sri Dato' Seri Dr. Jeffery Cheah (63.6)	
EPF (6.0)	

Forecast Revision

	FY24	FY25
Forecast Revision (%)	0.0	0.0
Net profit (RMmn)	783.4	888.9
Consensus	797.5	885.5
TA's / Consensus (%)	98.2	100.4
Previous Rating	Buy (Maintained)	
Consensus Target Price (RM)	4.14	

Financial Indicators

	FY24	FY25
Net gearing (%)	53.2	52.6
CFPS (sen)	2.6	4.3
P/CFPS (x)	153.3	91.7
ROE (%)	5.6	6.1
ROA (%)	2.7	3.0
NTA/Share (RM)	2.1	2.2
Price/NTA (x)	1.9	1.8

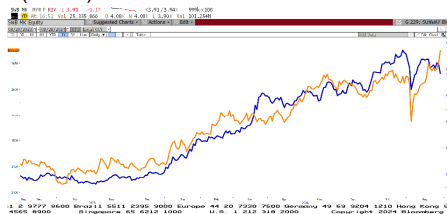
Scorecard

	% of FY	
vs TA	44.0	Within
vs Consensus	43.0	Within

Share Performance (%)

Price Change	SWB	FBM KLCI
1 mth	(8.0)	3.9
3 mth	5.7	3.7
6 mth	40.1	8.4
12 mth	94.5	16.0

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

Impact

- No change to our FY24-26 earnings forecasts.

Outlook

- Sunway maintains its new sales target of RM2.6bn this year, with 1H24 sales already accounting for 49% of the target. Looking ahead, the group has lined up RM1.2bn worth of new launches in the 2H.
- With unbilled sales of RM4.5bn and an outstanding construction order book of RM5.4bn (external jobs only), Sunway has earnings visibility for the next 3-4 years.
- In our view, Sunway is well-positioned to benefit from the strengthening domestic economy. We believe the retail, leisure, hotel, and healthcare segments are expected to experience positive impacts from this economic growth. Notably, the healthcare sector, a key growth driver for Sunway, is expected to perform strongly, supported by the expansion of existing capacity and the upcoming launch of SMC Damansara and SMC Ipoh in 4Q24 and 1Q25, respectively, adding ~600 beds to the current 1,158 licensed beds.
- Looking ahead, we expect the completion of the Rapid Transit System rail link and the establishment of the Johor-Singapore Special Economic Zone to bode positively for Sunway City Iskandar Puteri (SCIP). The planned sale of land in SCIP for data centre development, along with the Equalbase-Sunway 103° Logistic Hub, Sunway Circuit, Puteri Hill, healthcare facilities, and a tertiary education institution, will enhance SCIP's ecosystem and its appeal to high-income professionals and global corporations seeking regional headquarters.

Valuation

- We arrive at a new SOP-derived TP of RM4.76/share (previously RM4.55/share), after factoring the latest TPs for SunCon and Sunway REIT. Maintain **Buy**.
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SOP Valuation Table

	Stake	Value (RM mn)	RM/share*	Valuation Methodology
Property Dev & Inv	100.0%	9,900.4	1.50	22x CY25 Earnings
SunCon	54.6%	4,341.4	0.66	TP of RM6.15
Sunway REIT	40.9%	2,773.5	0.42	TP of RM1.98
Healthcare	84.0%	12,166.6	1.84	24x CY25 EV/EBITDA
Trading & Manufacturing	100.0%	467.7	0.07	12x CY25 Earnings
Quarry & Others	100.0%	304.4	0.05	12x CY25 Earnings
Total		29,953.9	4.53	
ESG		★★★★★	5.0%	
Fair Value			4.76	

Note *: Fully diluted. The calculation of value/share includes the ordinary shares that will be issued upon the mandatory conversion of

Source: TA Research

Figure 2: 2024 Planned Launches

Development	Location	Type	GDV (RM mn)	Remark
Kelana Jaya Phase 2	Kelana Jaya, Selangor	Serviced Apartments & Super Link House	455	
Sunway Flora Plot 2 Tower A	Bukit Jalil, Kuala Lumpur	Serviced Apartments	232	
Sunway V3 Tower A & B	Taman Maluri, Kuala Lumpur	Serviced Apartments	618	Launched in May, Take up 46%
Sunway Bayu	Sunway City Ipoh, Ipoh	Landed Homes	85	
Sunway Wellesley	Bukit Mertajam, Penang	Townhouses	129	
Sunway Aviana Phase 3	Sunway Iskandar Puteri, Johor	Landed Linked Homes	75	Launched in Apr, Take up 100%
Sunway Sakura Phase 2	Sunway Iskandar Puteri, Johor	Landed Semi-D Homes	110	
Sunway Maple	Sunway Iskandar Puteri, Johor	Townhouses & Linked Homes	170	
Sunway Gardens Phase 3	Tianjin, China	Condominium	243	Launched in Apr, Take up <10%
Total			2,117	

Source: Sunway, TA Research

Earnings Summary (RM mn)

YE Dec 31 (RM'mn)	2022	2023	2024F	2025F	2026F
Revenue	5,195.0	6,139.8	5,779.0	6,466.2	6,719.3
EBITDA	713.6	785.6	733.2	839.0	895.0
EBITDA margin (%)	13.7	12.8	12.7	13.0	13.3
Pretax profit	855.3	908.6	1,016.2	1,154.0	1,181.6
Reported Net profit	676.7	737.8	783.4	888.9	907.5
Net profit -a dj	612.2	653.2	783.4	888.9	907.5
Net profit a djusted for preferential dividend	558.9	601.8	732.0	863.2	907.5
EPS (sen) #	10.6	11.6	11.2	13.1	13.7
EPS - a dj (sen) #	9.5	10.1	11.2	13.1	13.7
EPS Growth (Core) (%)	59.6	6.3	10.8	16.3	5.1
PER (x)	41.0	38.6	34.8	29.9	28.5
GDPS (sen)	5.5	5.5	6.0	6.5	6.5
Div Yield (%)	1.4	1.4	1.5	1.7	1.7
ROE (%)	5.0	5.0	5.6	6.1	6.1

[^] Restated

EPS after preference dividend payment

Note: Following the partial divestment, Sunway Healthcare is presented as discontinued operations in FY20 & FY21. For FY22 onwards, Sunway will recognise its share of the profit or loss in Sunway Healthcare (84% stake on a fully converted basis) under the equity method of accounting.

2Q24 Results Analysis (RM mn)

YE 31 Dec (RM'mn)	2Q23	1Q24	2Q24	QoQ (%)	YoY (%)	IHFY23	IHFY24	YoY(%)	
Revenue	1,468.2	1,419.0	1,579.9	11.3	7.6	2,731.9	2,998.9	9.8	
Property Development	362.1	287.7	371.9	29.2	2.7	609.9	659.6	8.2	
Property Investment	199.4	231.2	231.0	(0.1)	15.8	409.3	462.1	12.9	
Construction	404.1	372.5	381.1	2.3	(5.7)	732.0	753.6	2.9	
Trading & Manufacturing	227.8	241.4	255.2	5.7	12.0	451.9	496.6	9.9	
Quarry	94.5	104.8	111.9	6.8	18.5	172.7	216.8	25.5	
Others	180.3	181.4	228.8	26.1	26.9	356.1	410.2	15.2	
Operating profits	140.0	158.4	211.6	33.5	51.1	253.4	370.0	46.0	
Finance income	63.8	59.3	86.4	45.7	35.4	122.2	145.7	19.2	
Finance costs	(78.4)	(85.3)	(96.0)	12.5	22.4	(140.8)	(181.3)	28.8	
Associates	29.6	38.8	64.4	66.0	117.4	71.3	103.2	44.8	
JV	47.9	55.5	74.7	34.6	55.7	89.0	130.1	46.2	
EI	(3.1)	0.0	96.0	nm	nm	(3.1)	96.0	nm	
PBT	203.0	226.7	341.0	50.4	68.0	395.0	567.7	43.7	
Core PBT	206.1	226.7	245.0	8.1	18.9	398.1	471.7	18.5	
Property Development	49.1	38.8	70.1	80.8	42.9	72.1	108.9	51.0	
Property Investment	37.0	69.4	59.2	(14.8)	60.1	104.2	128.6	23.4	
Construction	44.5	42.4	52.4	23.8	17.8	84.0	94.8	12.8	
Trading & Manufacturing	10.1	9.0	10.5	16.4	3.4	19.7	19.4	(1.4)	
Quarry	4.4	11.1	11.2	0.8	154.4	7.9	22.3	182.6	
Healthcare*	37.7	36.8	49.3	34.0	30.9	66.5	86.1	29.5	
Others	23.3	19.2	(7.7)	(139.9)	(132.9)	43.6	11.6	(73.5)	
Tax	(30.8)	(35.7)	(44.6)	24.7	44.8	(64.1)	(80.3)	25.4	
MI	(22.3)	(18.7)	(26.0)	38.8	16.6	(39.4)	(44.7)	13.4	
Net profit	149.9	172.2	270.5	57.0	80.4	291.6	442.7	51.8	
Core net profit	153.0	172.2	174.5	1.3	14.0	294.7	346.7	17.7	
Prefential dividends on ICPS	0.0	(25.7)	0.0	nm	0.0	(25.7)	(25.7)	0.0	
Net profit less preferential dividend	149.9	146.6	270.5	84.5	80.4	265.9	417.0	56.8	
Core net profit less preferential dividend	153.0	146.6	174.5	19.0	14.0	269.0	321.0	19.3	
Reported EPS	(sen)	2.5	2.3	4.1	81.1	61.8	4.5	6.4	41.2
Adj EPS	(sen)	2.6	2.3	2.6	16.8	1.5	4.6	4.9	7.5
DPS	(sen)	2.0	0.0	2.0	nm	0.0	2.0	2.0	0.0
				ppt	ppt			ppt	
Core PBT margin	(%)	14.0	16.0	15.5	(0.5)	(1.5)	14.6	15.7	1.2
Property Development	(%)	13.6	13.5	18.9	5.4	(5.3)	11.8	16.5	4.7
Property Investment	(%)	18.5	30.0	25.6	(4.4)	(7.1)	25.5	27.8	2.4
Construction	(%)	11.0	11.4	13.8	2.4	(2.7)	11.5	12.6	1.1
Trading & Manufacturing	(%)	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	(%)	12.9	10.6	(3.4)	(14.0)	16.3	18.7	21.0	2.3
Core net margin	(%)	10.4	12.1	11.0	(1.1)	(0.6)	17.2	3.1	(14.1)
Effective tax rate	(%)	(15.2)	(15.8)	(13.1)	2.7	(2.1)	(52.4)	(55.1)	(2.7)

^Restated

* healthcare's contribution from Continuing Operations is based on the Group's share of its net profit.

EPS after preference dividend payment

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Sector Recommendation Guideline

OVERWEIGHT: The total return of the sector, as per our coverage universe, exceeds 12%.

NEUTRAL: The total return of the sector, as per our coverage universe, is within the range of 7% to 12%.

UNDERWEIGHT: The total return of the sector, as per our coverage universe, is lower than 7%.

Stock Recommendation Guideline

BUY : Total return of the stock exceeds 12%.

HOLD : Total return of the stock is within the range of 7% to 12%.

SELL : Total return of the stock is lower than 7%.

Not Rated: The company is not under coverage. The report is for information only.

Total Return of the stock includes expected share price appreciation, adjustment for ESG rating and gross dividend. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

Total Return of the sector is market capitalisation weighted average of total return of the stocks in the sector.

ESG Scoring & Guideline

	Environmental	Social	Governance	Average
Scoring	★★★★★	★★★★★	★★★★★	★★★★★
Remark	The group implements a comprehensive programme aiming to reduce to GHG emission, water & waste with relevant targets and deadlines. It implemented a Zero Single Plastic Use Policy in its property division's assets, venues, and events	The group provides a conducive work environment. Promoting diversity and equal opportunity. The company has strict regulations concerning health and safety, collaborating with suppliers and subcontractors to enforce them.	Sunway upholds high standards of corporate governance and transparency to safeguard shareholders' interests. It has an in-house investor relations team that is easily contactable.	

★★★★★ (≥80%) : Displayed market leading capabilities in integrating ESG factors in all aspects of operations, management and future directions. +5% premium to target price

★★★★ (60-79%) : Above adequate integration of ESG factors into most aspects of operations, management and future directions. +3% premium to target price

★★★ (40-59%) : Adequate integration of ESG factors into operations, management and future directions. No changes to target price

★★ (20-39%) : Have some integration of ESG factors in operations and management but are insufficient. -3% discount to target price

★ (<20%) : Minimal or no integration of ESG factors in operations and management. -5% discount to target price

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As of Thursday, August 29, 2024, the analyst, Thiam Chiann Wen, who prepared this report, has interest in the following securities covered in this report:
(a) nil

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