

### COMPANY RESULTS

#### Sunway (SWB MK)

1Q24: In Line; Expect Strong 2Q24 On Lumpy Singapore Project Contribution

Sunway saw 1Q24 revenue growing 12% while net profit rose 22% mainly due to strong performances from the property development (higher sales and progress billings) and healthcare (strong operational results from new hospitals) segments. It achieved property sales of RM498m, on track to achieve its sales target of RM2.6b. Downgrade to HOLD due to limited upside with an unchanged target price of RM3.80.

#### 1Q24 RESULTS

Year to 31 Dec (RMm)	1Q24	4Q23	1Q23	qoq % chg	yoy % chg
Revenue	1419.0	1868.8	1263.7	(24.1)	12.3
Property Development	287.7	499.4	247.8	(42.4)	16.1
Construction	372.5	532.8	327.9	(30.1)	13.6
Property Investment	231.2	256.3	209.9	(9.8)	10.1
Pre-tax profit	226.7	350.4	192.0	(35.3)	18.0
Property Development	38.8	69.0	23.1	(43.8)	68.2
Construction	42.4	62.8	39.5	(32.5)	7.2
Property Investment	69.4	68.9	67.2	0.8	3.2
*Healthcare PAT (equity accounting)	36.8	41.7	28.8	(11.8)	27.6
PATAMI	172.2	265.9	141.6	(35.2)	21.6
Core net profit	170.4	212.1	139.6	(19.7)	22.0
Pre-tax Margins (%)	%	%	%	+ppt	+ppt
Property Development	13.5	13.8	9.3	(0.3)	4.2
Construction	11.4	11.8	12.0	(0.4)	(0.7)
Property Investment	30.0	26.9	32.0	3.2	(2.0)

Source: Sunway, UOB Kay Hian

#### RESULTS

• **Within expectations.** Sunway Berhad (Sunway) reported 1Q24 core net profit of RM170m (+20% qoq, +22% yoy) on revenue of RM1.4b (-24% qoq, +12% yoy). 1Q24 net profit accounts for 22% of both our and consensus forecasts. We deem the results as in line as we expect its Singapore project Parc Central to contribute RM130m-140m to net profit in 2Q24. We derived 2023 net profit after excluding exceptional items of RM1.8m (mostly on fair value gain on investment property) from reported net profit of RM738m.

1Q24 revenue grew 12% yoy while net profit rose 22% yoy, driven largely by stronger performance from all business segments. Meanwhile the decline in revenue and earnings qoq was due to a seasonally stronger 4Q.

#### KEY FINANCIALS

Year to 31 Dec (RMm)	2022	2023	2024F	2025F	2026F
Net turnover	5,195	6,140	6,375	6,664	6,976
EBITDA	713	768	877	950	1,039
Operating profit	583	664	766	819	887
Net profit (rep./act.)	677	738	746	800	867
Net profit (adj.)	579	699	746	800	867
EPS (sen)	11.8	11.8	12.6	13.5	14.6
PE (x)	30.9	31.1	29.1	27.1	25.0
P/B (x)	1.4	1.6	1.5	1.5	1.4
EV/EBITDA (x)	41.1	38.2	33.4	30.9	28.2
Dividend yield (%)	1.5	1.5	1.5	1.6	1.6
Net margin (%)	13.0	12.0	11.7	12.0	12.4
Net debt/(cash) to equity (%)	51.8	53.1	52.3	53.8	55.0
Interest cover (x)	49.3	11.3	14.7	19.0	12.9
ROE (%)	5.5	5.6	5.3	5.5	5.8
Consensus net profit	-	-	787	859	946
UOBKH/Consensus (x)	-	-	1.0	0.9	0.9

Source: Sunway Berhad, Bloomberg, UOB Kay Hian  
n.m. : not meaningful; negative P/E, EV/EBITDA reflected as "n.m."

### HOLD

(Downgraded)

Share Price	RM3.66
Target Price	RM3.80
Upside	+3.8%

#### COMPANY DESCRIPTION

A conglomerate in Malaysia with various diversified businesses in areas such as property development, property investment, leisure, hospitality, construction trading and manufacturing, quarry, building materials and healthcare.

#### STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	SWB MK
Shares issued (m):	5,630.2
Market cap (RMm):	20,606.7
Market cap (US\$m):	4,387.4
3-mth avg daily t'over (US\$m):	11.2

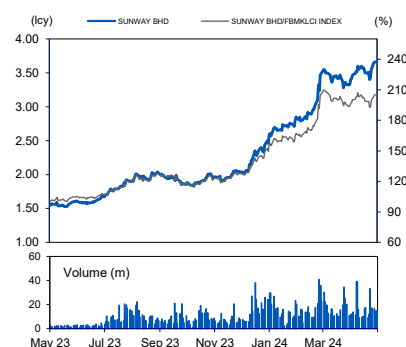
#### Price Performance (%)

52-week high/low	RM3.66/RM1.53			
1mth	3mth	6mth	1yr	YTD
9.9	35.1	84.8	133.1	77.7

#### Major Shareholders

Sungei Way Corp Sdn Bhd	63.0
EPF	5.5
AIA	2.4
FY24 NAV/Share (RM)	2.40
FY24 Net Debt/Share (RM)	1.26

#### PRICE CHART



Source: Bloomberg

#### ANALYST(S)

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### STOCK IMPACT

- Achieved property sales of RM498m (+42% qoq, -1% yoy).** We expect sales to pick up strongly from 2Q24 onwards backed by pipeline launches of RM2.1b. The recent launches like Sunway Aviana Phase 3 in Iskandar Malaysia (gross development value (GDV):RM65m, launched in April with an 86% take-up rate) and Sunway Velocity 3 (GDV: RM566m, launched in May with a 51% take-up rate) have performed well, adding another RM345m in sales. Sunway's overall property segment is expected to remain resilient on higher sales (+7% yoy), strong unbilled sales of RM4.3b (2.7x cover ratio) and lumpy recognition from its Singapore projects (we estimate RM130m-140m for Parc Central in 2Q24).
- The healthcare arm reported 1Q24 core PAT of RM36.8m (-11.8% qoq, +27.6% yoy).** The yoy performance was driven by strong operational results from the three operating hospitals, in line with the increase in licensed bed capacity to 1,158 (1Q23: 866), partially offset by higher staff costs from increased headcount. Qoq decline was due to lower patient volumes during the Chinese New Year and school holidays.
- Construction arm's earnings remained strong underpinned by its outstanding orderbook of RM6.3b** as of 1Q24 (2.6x cover ratio) and on track to meet its 2024 replenishment target of RM3.0b, having already secured nine new contracts collectively worth RM1.72b.
- Property investment revenue and profit before tax grew 10% and 3% yoy,** respectively, underpinned by higher occupancy and average room rates at their hotels and contribution from the leisure business. We expect a continued resilient performance in this segment for 2024 from a sharp recovery in tourism, especially from Chinese tourists on the back of the visa-free travel arrangement.

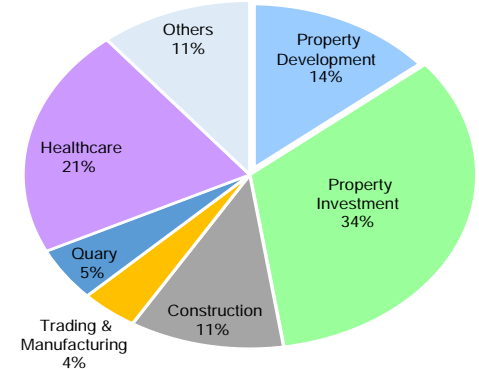
### VALUATION/RECOMMENDATION

- Downgrade to HOLD with an unchanged target price of RM3.80, as we believe current share price has already priced in most positives at this juncture.** Our target price is based on SOTP valuation and implies a 2024-26F PE of 26-30x (+2SD above its five-year mean of 15.6x) and 2024-26F P/B of 1.5-1.6x (+3SD above its five-year mean of 0.9x). We believe the premium is justifiable given: a) Sunway's robust track record in township development (which we think will be implemented in its Iskandar Malaysia township), and b) promising healthcare growth.
- Despite downgrading the stock to HOLD, we do not rule out the possibility of further rally in the share price amid the bullish market and potential catalysts such as: a) its inclusion into the KLCI by May 24 (which could attract more foreign investors given the low current foreign shareholding of 5.3% vs the eight-year high of 10.5%, and b) earlier-than-expected IPO of its healthcare segment, which we estimate could reach a blue-sky valuation of RM14b (compared with our embedded valuation in the target price of RM8.5b). If we apply the RM14b valuation now, the blue-sky scenario target price would be RM4.55.

### ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

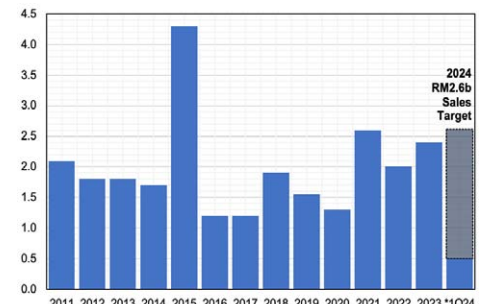
<b>Environmental</b> - Installed photovoltaic solar panels at most of its properties.
<b>Social</b> - Launched Sunway Cancer Support Fund worth RM2.5m in Oct 22.
<b>Governance</b> - Good company transparency along with an anti-bribery and anti-corruption policy.

### PAT BREAKDOWN (1Q24)



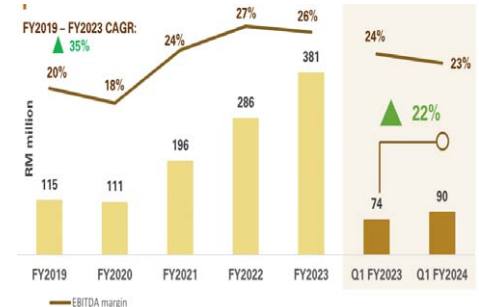
Source: Sunway, UOB Kay Hian

### PROPERTY SALES TREND



Source: Sunway, UOB Kay Hian

### HEALTHCARE EBITDA



Source: Sunway, UOB Kay Hian

### SOTP-BASED VALUATION

Segment	(RMm)	% of SOTP	Remarks
Property development	7,735	33%	35% discount to property RNAV
REIT (40.9% stake)	2,385	10%	Valuation based on TP of RM1.71, based on DDM
Construction (54.4% stake)	2,342	10%	Valuation based on TP of RM3.33, 22x 2024F PE
Quarry & building materials	240	1%	10x PE 2024F quarry profits
Trading	595	3%	10x PE 2024F trading profits
Investment Properties	2,993	13%	Market Value
Healthcare (84% stake)	7,140	31%	20x EV/EBITDA 2024F; 2024F EBITDA RM450m
Less: Holding co (debt)	-348	-2%	
<b>Total SOTP value (A)</b>	<b>23,092</b>		
Share base (m) (B)	5,932		
Warrants proceeds (C)	57		
<b>Total SOTP value post warrants proceeds (A+C)</b>	<b>23,149</b>		
Enlarged share base (m)	6,098		
<b>Target Price (RM)</b>	<b>3.80</b>		

Source: Sunway, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Net turnover	6,140	6,375	6,664	6,976
EBITDA	768	877	950	1,039
Deprec. & amort.	104	111	131	151
EBIT	664	766	819	887
Associate contributions	397	424	440	498
Net interest income/(expense)	(68)	(60)	(50)	(81)
Pre-tax profit	993	1,130	1,209	1,305
Tax	(138)	(283)	(302)	(326)
Minorities	(118)	(102)	(106)	(111)
Net profit	738	746	800	867
Net profit (adj.)	699	746	800	867

### CASH FLOW

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Operating	390	796	472	520
Pre-tax profit	993	1,130	1,209	1,305
Tax	(138)	(283)	(302)	(326)
Deprec. & amort.	104	111	131	151
Associates	(397)	(424)	(440)	(498)
Working capital changes	(482)	202	(176)	(192)
Non-cash items	310	60	50	81
Investing	(472)	(518)	(537)	(557)
Capex (growth)	(402)	(418)	(437)	(457)
Investments	(115)	(100)	(100)	(100)
Proceeds from sale of assets	208	0	0	0
Others	(163)	0	0	0
Financing	402	(395)	(394)	(427)
Dividend payments	(270)	(336)	(344)	(347)
Issue of shares	676	0	0	0
Proceeds from borrowings	479	0	0	0
Others/interest paid	(484)	(60)	(50)	(81)
Net cash inflow (outflow)	320	(117)	(459)	(465)
Beginning cash & cash equivalent	1,981	2,300	2,183	1,725
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	2,300	2,183	1,725	1,260

### BALANCE SHEET

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Fixed assets	6,716	7,124	7,529	7,935
Other LT assets	11,816	12,240	12,679	13,177
Cash/ST investment	2,300	2,183	1,725	1,260
Other current assets	7,780	7,716	8,001	8,309
<b>Total assets</b>	<b>28,613</b>	<b>29,263</b>	<b>29,935</b>	<b>30,682</b>
ST debt	6,018	6,018	6,018	6,018
Other current liabilities	3,256	3,394	3,504	3,619
LT debt	3,633	3,633	3,633	3,633
Other LT liabilities	708	708	708	708
Shareholders' equity	13,855	14,265	14,721	15,241
Minority interest	1,143	1,245	1,351	1,463
<b>Total liabilities &amp; equity</b>	<b>28,613</b>	<b>29,263</b>	<b>29,935</b>	<b>30,682</b>

### KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	12.5	13.8	14.3	14.9
Pre-tax margin	16.2	17.7	18.1	18.7
Net margin	12.0	11.7	12.0	12.4
ROA	2.7	2.6	2.7	2.9
ROE	5.6	5.3	5.5	5.8
<b>Growth</b>				
Turnover	18.2	3.8	4.5	4.7
EBITDA	7.7	14.2	8.3	9.3
Pre-tax profit	8.0	13.8	6.9	7.9
Net profit	9.0	1.1	7.3	8.3
Net profit (adj.)	20.9	6.7	7.3	8.3
EPS	(0.4)	6.7	7.3	8.3
<b>Leverage</b>				
Debt to total capital	39.2	38.4	37.5	36.6
Debt to equity	69.7	67.7	65.6	63.3
Net debt/(cash) to equity	53.1	52.3	53.8	55.0
Interest cover (x)	11.3	14.7	19.0	12.9

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