

Sunway Berhad

(5211 | SWB MK) Main | Industrial Products & Services

Solid Earnings


KEY INVESTMENT HIGHLIGHTS

- **1HFY23 earnings within expectations**
- **Solid earnings**
- **1HFY23 new sales at RM1.5b**
- **Earnings forecast maintained**
- **Maintain NEUTRAL with an unchanged TP of RM1.71**

1HFY23 earnings within expectations. Sunway Berhad 1HFY23 core net income of RM315.4m came in within expectations, making up 53% and 45% of our and consensus full year forecast respectively. Note that we have excluded one-off items and distribution for Perpetual Sukuk holders in our core net income calculations. Sunway Berhad announced first interim dividend of 2sen per share.

Solid earnings. Sequentially, 2QFY23 core net earnings was higher at RM167.5m (+13.5%qoq) as most business divisions recorded stronger earnings except for property investment division which dragged by seasonally factor. On yearly basis, 2QFY23 core net earnings was solid (+23.6%yoy), bringing cumulative earnings in 1HFY23 to RM315.4m (+16%yoy). The higher earnings were driven by higher contribution from property development division, property investment division and healthcare segment. Profit before tax (PBT) of property development division grew by 47%yoy due to higher earnings recognition from its ongoing and new development projects. Meanwhile, PBT of property investment division was marginally higher (+2.7%yoy) as performance of investment assets improved following reopening of international borders. Similarly, PBT of healthcare division was higher (+4.7%yoy) due to better performance of SMC Sunway City and SMC Velocity.

1HFY23 new sales at RM1.5b. Sunway Berhad chalked up new property sales of RM995m in 2QFY23, higher than new sales of RM505m in 1QFY23. That brought total new sales to RM1.5b in 1HFY23. Half of total new sales were contributed by project in Singapore, followed by Velocity TWO (11%) and Sunway Flora (10%). Meanwhile, new sales in 1HFY23 is well on track to hit management new sales target of RM2.3b for FY23. Looking ahead, new sales momentum is expected to sustain by its residential Singapore projects namely Terra Hills and The Continuum. On the other hand, unbilled sales were flattish at RM4.86b in 2QFY23.

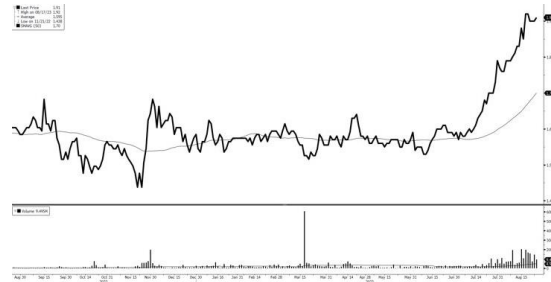
Maintain NEUTRAL with an unchanged TP of RM1.71. We maintain our earnings forecast for FY23F/24F/25F. We also maintain our **TP** for Sunway Berhad at **RM1.71**, based on Sum-of-parts valuation. We see brighter earnings outlook for Sunway Berhad on the back of stable new sales outlook. Nevertheless, we maintain our **NEUTRAL** call on Sunway Berhad due to limited upside. 

Maintain NEUTRAL
Unchanged Target Price: RM1.71

RETURN STATISTICS

Price @ 24 th Aug 2023 (RM)	1.91
Expected share price return (%)	-10.5
Expected dividend yield (%)	2.9
Expected total return (%)	-7.6

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	14.4	11.9
3 months	20.9	20.4
12 months	15.1	18.1

INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	5,523	5,884	6,381
Operating Profit	683	690	726
Profit Before Tax	886	906	954
Core PATAMI	599	616	647
Core EPS	10.21	10.51	11.03
DPS	5.50	5.50	6.00
Dividend Yield	2.9%	2.9%	3.1%

KEY STATISTICS

FBM KLCI	1,444.67
Issue shares (m)	4,889.07
Estimated free float (%)	22.73
Market Capitalisation (RM'm)	9,463.37
52-wk price range	RM1.45-RM1.94
3-mth average daily volume (m)	4.62
3-mth average daily value (RM'm)	7.75
Top Shareholders (%)	
Sungei Way Corp Sdn Bhd	57.92
EPF	7.75

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SUNWAY BERHAD: 2QFY23 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY23	%YoY	%QoQ	FY23	%YoY
Revenue	1468.2	14.7%	16.2%	2,731.9	14.2%
EBIT	140.0	-15.8%	23.5%	253.4	8.4%
Core PBT	220.5	21.4%	11.4%	418.9	21.8%
Net Income	149.9	-11.2%	5.9%	291.6	-4.6%
Core Net Income	167.5	23.6%	13.5%	315.4	16.0%
EPS (sen)	2.54	-11.8%	5.2%	5.0	-4.9%
Core EPS (sen)	2.84	22.7%	12.7%	5.4	24.6%
Net DPS (sen)	2.00	0.0%	NA	2.0	0.0%
NTA/share (RM)	2.10	3%	0%	2.1	3.2%
Net Gearing (x)	0.55	NA	NA	0.55	NA
EBIT Margin	9.5%	NA	NA	9.3%	NA
Core PBT Margin	15.0%	NA	NA	15.3%	NA

Sum-of-Parts

Division	Methodology	PER (x)	Stake	Discount	Value (RM m)
Property Development	NPV of profits	n/a	100%	25%	2759.2
Property Investment	Net Book Value	n/a	100%	n/a	2186.3
Construction	18x FY23E PER	18	54%	n/a	1332.7
Sunway REIT	Target Price of RM1.73	n/a	35%	n/a	2043.6
Healthcare	23x FY23 PER	23	84%	n/a	985.2
Trading and manufacturing	12x FY23E PER	12	100%	n/a	125.2
Quarry	12x FY23E PER	12	100%	n/a	575.2
Total SOP					10007.5
Number of shares					5866.0
Target Price (RM)					1.71

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	3,714	5,195	5,523	5,884	6,381
EBIT	539	583	683	690	726
PBT	539	871	886	906	954
Net Income	2,665	677	599	616	647
Core Net Income	452	635	599	616	647
Core EPS (sen)	7.7	10.8	10.2	10.5	11.0
Core PER (x)	24.8	17.7	18.7	18.2	17.3
NTA/share	1.99	2.14	2.36	2.42	2.47
P/NTA	0.96	0.89	0.81	0.79	0.77

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
Property, plant and equipment	1,262	1,264	1,283	1,334	1,348
Investment properties	2,186	2,443	2,497	2,173	2,129
Investment in JV	6,192	6,653	6,799	7,010	7,165
Total non-current assets	17,086	18,179	18,561	19,025	19,443
Inventories	2,422	3,280	3,345	3,512	3,590
Cash and bank balances	2,810	1,957	2,302	2,356	2,408
Other assets	2,766	2,642	2,414	2,445	2,415
Total Assets	25,084	26,058	26,622	27,338	27,857
LT Term Loans	4,021	3,537	3,856	4,049	4,332
ST Borrowings	4,093	4,919	5,017	5,293	5,399
Other Liabilities	3,847	4,040	3,901	3,777	3,623
Total Liability	11,962	12,496	12,774	13,118	13,354
Share capital	5,394	5,394	5,394	5,394	5,394
Other Equity	7,728	8,168	8,454	8,826	9,108
Total Equity	13,122	13,562	13,848	14,220	14,502
Equity + Liability	25,084	26,058	26,622	27,338	27,857

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
Cash flows from operating activities					
Net income before taxation	2852	920	886	906	954
Net cash from operating activities	979	395	391	396	388
Cash flows from investing activities					
Acquisition of property, plant and equipment	-344	-111	-112	-119	-103
Net cash used in investing activities	-1280	-1069	-1090	-971	-738
Cash flows from financing activities					
Net cash from/(used in) financing activities	845	-160	342	368	355
Net increase/(decrease) in cash and cash equivalents	544	-835	-357	-207	5
Cash and cash equivalent at 1 January	2183	2732	1895	1537	1331
Cash and cash equivalent at 1 December	2732	1895	1537	1331	1336

Profitability Margins	2021A	2022A	2023E	2024F	2025F
EBIT margin	14.5%	11.2%	12.4%	11.7%	11.4%
PBT margin	14.5%	16.8%	16.0%	15.4%	14.9%
PAT margin	71.8%	13.0%	10.8%	10.5%	10.1%
Core PATAMI margin	12.2%	12.2%	10.8%	10.5%	10.1%
ROE	3.8%	5.1%	4.3%	4.3%	4.5%
ROA	1.8%	2.4%	2.3%	2.3%	2.3%

Source: Bloomberg, MIDFR

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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