

## Sunway Berhad

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

### Acquisition of Industrial Land in Rawang

#### KEY INVESTMENT HIGHLIGHTS

- **Acquisition of industrial land in Rawang**
- **Expanding industrial portfolio**
- **Minimal impact on earnings and balance sheet**
- **Earnings forecast unchanged**
- **Maintain NEUTRAL with an unchanged TP of RM1.66**

**Acquisition of industrial land in Rawang.** Sunway Berhad announced that its wholly owned subsidiary, Sunway Rawang City Sdn Bhd had signed a Sale and Purchase Agreement (SPA) to acquire a 245 acres of freehold land at Kuang, Rawang from Kauthar Equities Sdn Bhd for a purchase consideration of RM115m. The acquisition and proposed development of the land will be carried out via a joint venture between Sunway City Sdn Bhd, a wholly-owned subsidiary of Sunway Berhad and Amal Resources Sdn Bhd whereby Sunway will hold 70% stake in the JV company. The land acquisition is expected to complete in 1Q2024.

**Expanding industrial portfolio.** We are neutral to slight positive on the land acquisition as it allows Sunway Berhad to expand portfolio into industrial development. The land will be developed into an Industrial Tech Park which comprise factories, warehouses and commercial components with a GDV of at least RM2b. Currently there are a few industrial developments nearby namely Kuang Industrial Area (1km away from site), Rawang Industrial Park (3.6km from site), Kundang Industrial Area (5.3km from site) and Sg Buloh Industrial Park (5.5km away from site). Hence, we think that Sunway Berhad industrial project at Kuang should do well considering the burgeoning industrial areas in Kuang and Rawang regions. Meanwhile, land cost to GDV is attractive at 5.7%.

**Limited earnings impact.** Sunway Berhad intends to fund the purchase consideration by internally generated funds and borrowings. We estimate muted earnings impact on balance sheet considering Sunway Berhad's cash pile of RM2b in 1QFY23. Net gearing is expected to increase marginally to 0.52x from 0.51x in 1QFY23. Meanwhile, we see limited impact to earnings in the near-term as Sunway Berhad targets to launch the project in early 2026 with development period of 10 years. Hence, we maintain our earnings forecast for FY23-25F.

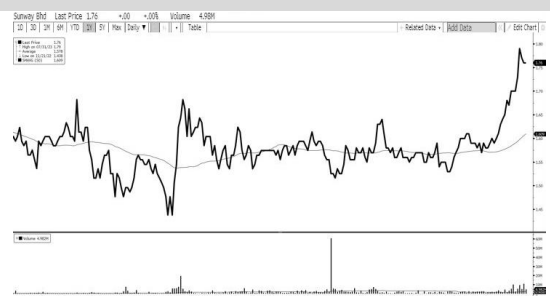
**Maintain NEUTRAL with an unchanged TP of RM1.66.** We maintain our **TP** for Sunway Berhad at **RM1.66**, based on sum-of-parts valuation. Outlook for Sunway Berhad is improving due to the improving property scene at Johor. Note that Sunway Berhad has 1,632 acres of land in Johor. Nevertheless, upside is limited at this juncture. Hence, we maintain our **NEUTRAL** call on Sunway Berhad.


**Maintain NEUTRAL**
**Unchanged Target Price: RM1.66**

#### RETURN STATISTICS

Price @ 3 Aug 2023 (RM)	1.76
Expected share price return (%)	-5.7
Expected dividend yield (%)	3.1
Expected total return (%)	-2.6

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	10.7	7.2
3 months	11.4	11.6
12 months	6.0	9.6

#### 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	3.13%	3.13%	3.41%

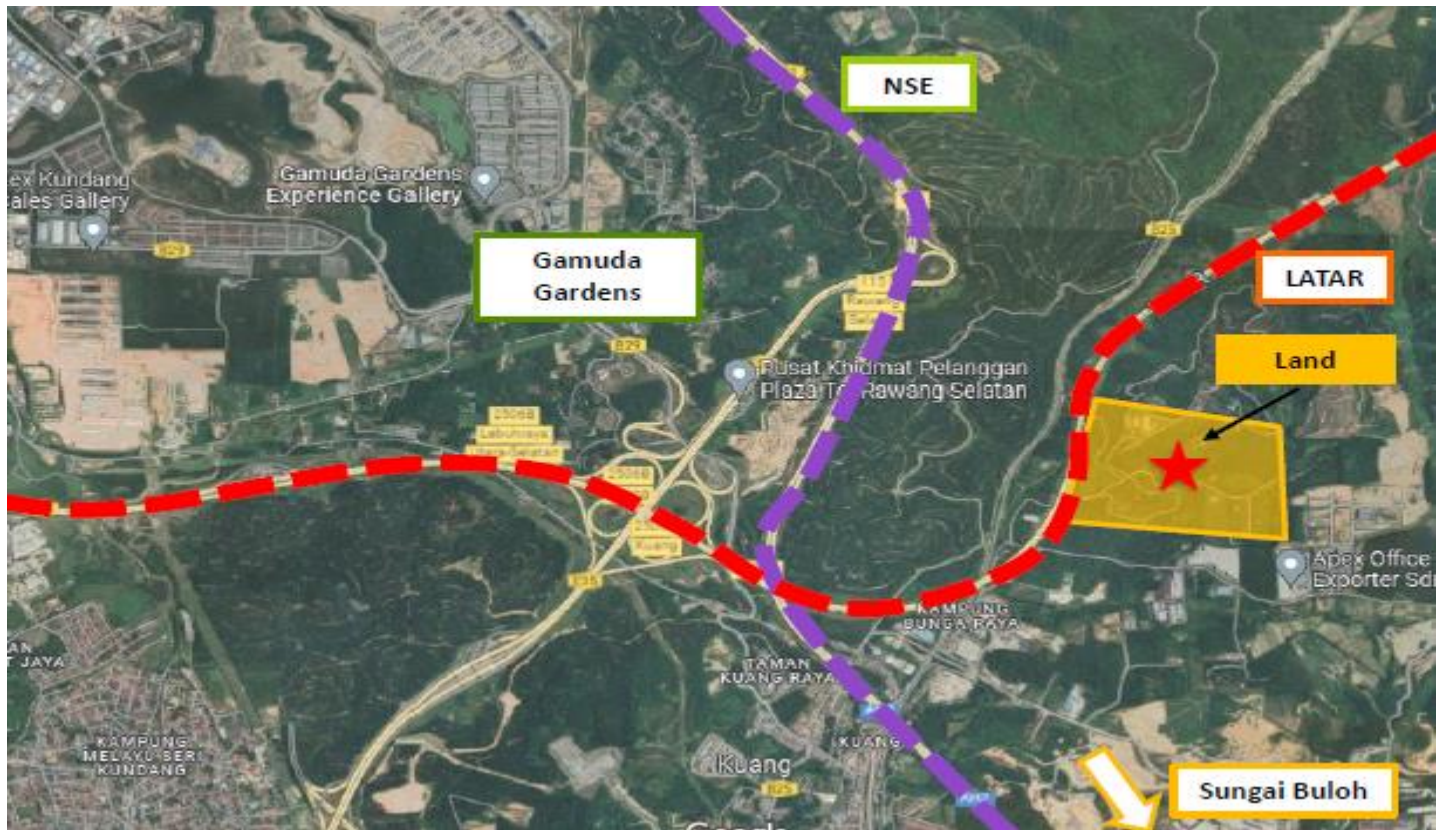
#### KEY STATISTICS

FBM KLCI	1,441.85
Issue shares (m)	4,954
Estimated free float (%)	21.81
Market Capitalisation (RM'm)	8,720
52-wk price range	RM1.45-RM1.82
3-mth average daily volume (m)	2.36
3-mth average daily value (RM'm)	3.86
Top Shareholders (%)	
Sungei Way Corp Sdn Bhd	57.92
EPF	8.66

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Figure 1: Location of land



Source: Company

### Sum-of-Parts

Division	Methodology	PER (x)	Stake	Discount	Value (RM m)
Property Development	NPV of profits	n/a	100%	30%	2501.7
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
<b>Total SOP</b>					<b>9750.0</b>
Number of shares					5866.0
<b>Target Price (RM)</b>					<b>1.66</b>

**FINANCIAL SUMMARY**

<b>Income Statement (RM'm)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>
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)	22.8	16.3	17.2	16.8	16.0
NTA/share	1.99	2.14	2.36	2.42	2.47
P/NTA	0.89	0.82	0.75	0.73	0.71

<b>Balance Sheet (RM'm)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>
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
<b>Total Assets</b>	<b>25,084</b>	<b>26,058</b>	<b>26,622</b>	<b>27,338</b>	<b>27,857</b>
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
<b>Equity + Liability</b>	<b>25,084</b>	<b>26,058</b>	<b>26,622</b>	<b>27,338</b>	<b>27,857</b>

<b>Cash Flow (RM'm)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>
<b>Cash flows from operating activities</b>					
Net income before taxation	2852	920	886	906	954
Net cash from operating activities	979	395	391	396	388
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment	-344	-111	-112	-119	-103
Net cash used in investing activities	-1280	-1069	-1090	-971	-738
<b>Cash flows from financing activities</b>					
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

<b>Profitability Margins</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>
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