

## Sunway Berhad

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

### Expanding Industrial Presence in Penang

#### KEY INVESTMENT HIGHLIGHTS

- **Expanding industrial presence in Penang**
- **Strengthening foothold in industrial development**
- **Limited impact on balance sheet**
- **Earnings forecast unchanged**
- **Maintain NEUTRAL with a revised TP of RM1.88**

**Expanding industrial presence in Penang.** Sunway Berhad announced that Umech Land Sdn Bhd ("Umech Land"), a 70%-owned subsidiary of Sunway Berhad, has on 27 September 2023 entered into Joint Development Agreement ("JDA") with Penang Development Corporation (PDC) to specify each party's rights and obligations in respect of the joint development of 558.96 acres of leasehold land in Batu Kawan, Penang. Note that PDC is the development arm of Penang state government which has been entrusted to promote industrial, commercial, residential or other developments in Penang.

**Strengthening foothold in industrial development.** We are positive on the JDA as it allows Sunway Berhad to strengthen its foothold in industrial development which is supported by healthy demand. Sunway Berhad continues to expand its industrial development portfolio following recent industrial land acquisition in Rawang. The land in Batu Kawan will be developed into Batu Kawan Industrial Park 2 comprising factories, industrial lots and commercial components with indicative GDV of at least RM3.5b. Development period for the industrial park is estimated at 8 years and Sunway Berhad targets first launch in early 2025. Meanwhile, development of industrial park is aligned with Malaysia's New Industrial Master Plan 2030 which will attract both local and international investors.

**Limited impact on balance sheet.** PDC shall be entitled to a land entitlement of RM646m in making the land available for the proposed development of industrial park. That translates into cost to GDV ratio of 18.5%. Meanwhile, 10% of the land entitlement will be paid as deposit while balance payment of RM581m shall be paid by way of 4 instalments over 4 years. The deferred payment scheme is expected to have limited impact on Sunway Berhad's balance sheet. Net gearing is expected to remain flattish post payment of deposit considering cash pile of RM2b as of 2QFY23.

**Maintain NEUTRAL with a revised TP of RM1.88.** We make no changes to our earnings forecast as the industrial development will only be launched in FY25. We revise our **TP** for Sunway Berhad to **RM1.88** from RM1.81 after updating our Sum-of-Parts figures. While we are positive on Sunway Berhad's growing presence in industrial development, upside is limited. Hence, we maintain our **NEUTRAL** call on Sunway Berhad.



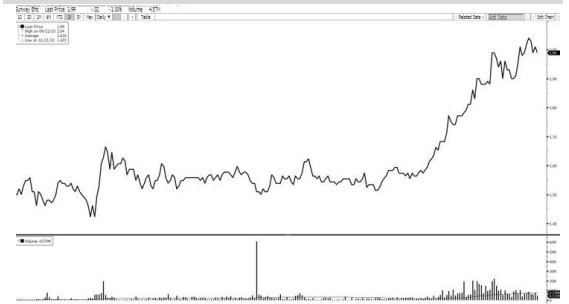
**Maintain NEUTRAL**

**Revised Target Price: RM1.88**  
(Previously RM1.81)

#### RETURN STATISTICS

Price @ 27 Sept 2023 (RM)	1.99
Expected share price return (%)	-5.5
Expected dividend yield (%)	2.8
Expected total return (%)	-2.7

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.0	-0.7
3 months	25.9	20.7
12 months	28.4	25.0

#### 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	2.76%	2.76%	3.02%

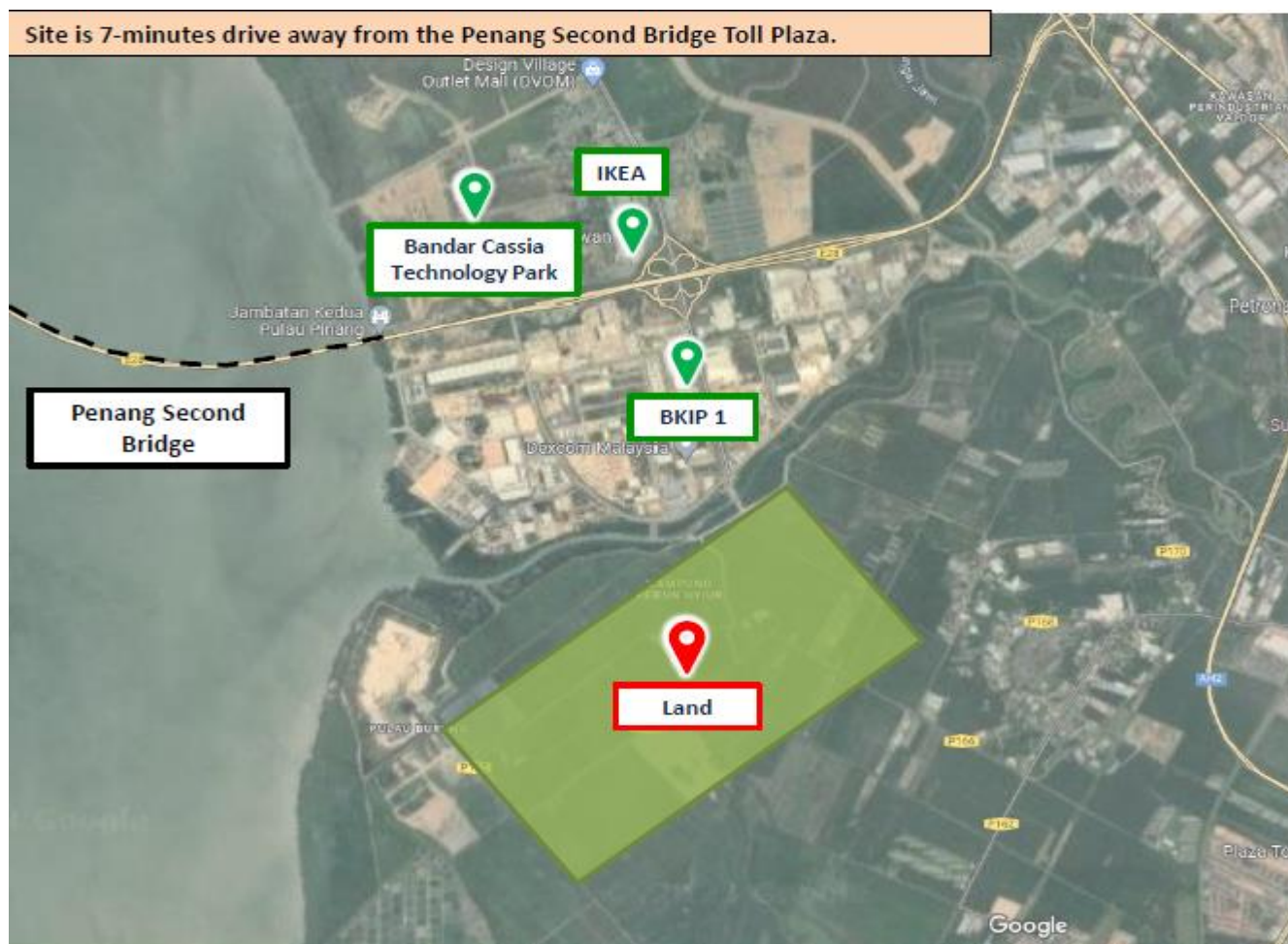
#### KEY STATISTICS

FBM KLCI	1,440.11
Issue shares (m)	4,889
Estimated free float (%)	23.73
Market Capitalisation (RM'm)	9,859
52-wk price range	RM1.45-RM2.07
3-mth average daily volume (m)	7.44
3-mth average daily value (RM'm)	13.97
Top Shareholders (%)	
Sungei Way Corp Sdn Bhd	57.92
EPF	6.75

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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%	20%	3779.6
Property Investment	Net Book Value	n/a	100%	n/a	2186.3
Construction	18x FY24E PER	18	54%	n/a	1214.2
Sunway REIT	Target Price of RM1.70	n/a	35%	n/a	2008.2
Healthcare	25x FY24 PER	25	84%	n/a	1092.3
Trading and manufacturing	12x FY24E PER	12	100%	n/a	116.2
Quarry	12x FY24E PER	12	100%	n/a	603.9
Total SOP					11000.6
Number of shares					5866.0
<b>Target Price (RM)</b>					<b>1.88</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)	25.8	18.5	19.5	18.9	18.0
NTA/share	1.99	2.14	2.36	2.42	2.47
P/NTA	1.00	0.93	0.84	0.82	0.81

<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