

Sunway Berhad

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

Expanding Presence in Singapore


KEY INVESTMENT HIGHLIGHTS

- **Land award in Singapore**
- **Expanding presence in Singapore**
- **Limited impact on earnings**
- **Earnings forecast unchanged**
- **Maintain NEUTRAL with an unchanged TP of RM1.71**

Land award in Singapore. Sunway Berhad announced that the Housing and Development Board of Singapore has on 11th September 2023 awarded a land parcel at Tengah Plantation Close for a 99-year lease term Executive Condominium Housing Development at SGD348.5m (equivalent to RM1.2b) to Hoi Hup Realty Ptd Ltd ("Hoi Hup") and Sunway Developments Pte Ltd ("SDPL"), a subsidiary of Sunway. The land award was following a successful tender jointly submitted by the parties. Hoi Hup and SDPL will incorporate a JV in which Hoi Hup and SDPL shall have equity interest of 65% and 35% respectively to undertake the development of the Tengah Land.

Expanding presence in Singapore. We are neutral to slight positive on the land award as it allows Sunway Berhad to expand its presence in Singapore. Proposed development on the land is executive condominium with development period of 60 years commencing from the date of land award. GDV of the proposed development is yet to be finalised and target launch of the project is expected in early 2025. Sunway Berhad continues to expand its presence in Singapore as it launched two projects Singapore in 1HFY23 namely Terra Hills (GDV: SGD 845m) and The Continuum (GDV: SGD 2.2b) which enjoyed stable take up rate of 36% and 27% as of June 2023. Note that ongoing projects of Sunway Berhad in Singapore namely Parc Canberra and Parc Central Residences recorded 100% take up rate amid strong demand for property in Singapore.

Limited earnings impact. Sunway Berhad intends to fund the consideration for land award by internally generated funds and borrowings. We estimate net gearing to increase to 0.58x from 0.55x in 2QFY23. Meanwhile, we see limited impact to earnings in the near-term as Sunway Berhad targets to launch the project in early 2025. Hence, we maintain our earnings forecast for FY23-25F.

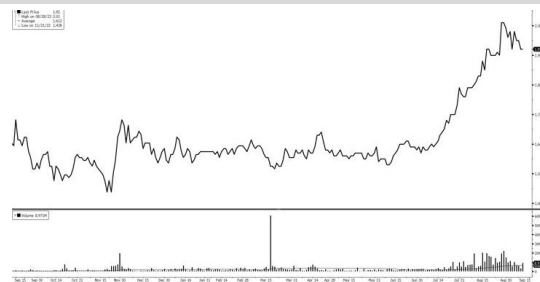
Maintain NEUTRAL with an unchanged TP of RM1.71. We maintain our **TP** for Sunway Berhad at **RM1.71**, based on sum-of-parts valuation. While we are sanguine on the expansion presence of Sunway Berhad in Singapore, upside is limited. Hence, we maintain our **NEUTRAL** call on Sunway Berhad. 

Maintain NEUTRAL
Unchanged Target Price: RM1.71

RETURN STATISTICS

Price @ 12th Sept 2023 (RM)	1.92
Expected share price return (%)	-10.9
Expected dividend yield (%)	2.9
Expected total return (%)	-8.0

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	4.9	5.2
3 months	21.5	18.4
12 months	15.7	18.4

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	2.86%	2.86%	3.13%

KEY STATISTICS

FBM KLCI	1,453.39
Issue shares (m)	4,954
Estimated free float (%)	23.65
Market Capitalisation (RM'm)	9,512
52-wk price range	RM1.45-RM2.03
3-mth average daily volume (m)	6.51
3-mth average daily value (RM'm)	11.98
Top Shareholders (%)	
Sungei Way Corp Sdn Bhd	57.92
EPF	6.82

Analyst

 Jessica Low Jze Tieng
 jessica.low@midf.com.my

Figure 1: Overview of Tengah Plantation Close



Source: Company

Figure 2: Site view



Source: Company

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)	24.9	17.8	18.8	18.3	17.4
NTA/share	1.99	2.14	2.36	2.42	2.47
P/NTA	0.97	0.90	0.81	0.79	0.78

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

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 – X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related BNM and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loss, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such BNM mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

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