

## Sunway Berhad

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

### Land Deal with PDC Terminated


#### KEY INVESTMENT HIGHLIGHTS

- **Land deal with PDC terminated**
- **Limited impact on earnings as deposit will be refunded within 30 days**
- **Earnings forecast unchanged**
- **Maintain NEUTRAL with a revised TP of RM1.84**

**Land deal with PDC terminated.** Sunway Berhad announced that Umech Land Sdn Bhd ("Umech Land"), a 70%-owned subsidiary of Sunway Berhad has received the Notice of Termination of Joint Development Agreement (JDA) dated 20<sup>th</sup> October 2023 from Penang Development Corporation (PDC) on 24<sup>th</sup> October 2023. PDC will fully refund the deposit paid by Umech Land which amounted to RM64.6m within a period of 30 days from the date of termination of the JDA.

**Background of land deal.** Recall that Sunway Berhad announced in September that Umech Land has entered into JDA with 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. The land will be developed into Batu Kawan Industrial Park 2 comprising factories, industrial lots and commercial components. 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. Under the land deal, PDC shall be entitled to a land entitlement of RM646m in making the land available for the proposed development and 10% of the land entitlement will be paid as deposit.

**Limited impact on earnings.** We expect limited financial implications to Sunway Berhad following the termination of land deal with PDC as PDC will fully refund the 10% deposit which amounted to RM64.6m within a period of 30 days and hence Sunway Berhad should be able to regain money invested for the land deal. Note that Sunway incurred total of RM45m for the 70% stake in Umech Land and the proportionate initial performance deposit. Meanwhile, we make no changes to our earnings forecast as we had not factored in contribution from the land deal into our earnings projection.

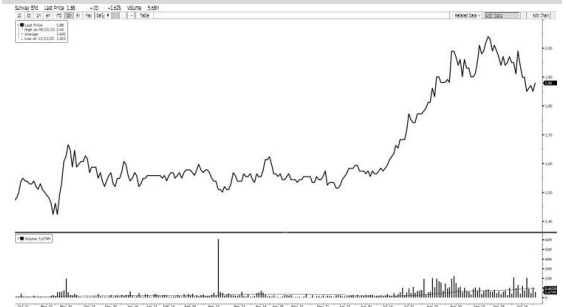
**Maintain NEUTRAL with a revised TP of RM1.84.** We revise our TP for Sunway Berhad to **RM1.84** from RM1.88 as we exclude RNAV contribution from PDC land deal. Our TP is based on Sum-of-Parts valuation. Outlook for Sunway Berhad remains stable with encouraging new property sales contribution from Singapore projects and better outlook for Sunway Iskandar following improvement in property landscape in Johor. Nevertheless, we maintain our **NEUTRAL** call on Sunway Berhad as upside is limited. 

**Maintain NEUTRAL**
**Revised Target Price: RM1.84**  
 (Previously RM1.88)

#### RETURN STATISTICS

Price @ 24 Oct 2023 (RM)	1.88
Expected share price return (%)	-2.1
Expected dividend yield (%)	2.9
<b>Expected total return (%)</b>	<b>0.8</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-7.4	-6.9
3 months	-4.6	12.7
12 months	22.9	23.6

#### 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	2.93%	2.93%	3.19%

#### KEY STATISTICS

FBM KLCI	1,435.65
Issue shares (m)	4,889
Estimated free float (%)	24.98
Market Capitalisation (RM'm)	9,323
52-wk price range	RM1.45-RM2.07
3-mth average daily volume (m)	9.21
3-mth average daily value (RM'm)	17.55
Top Shareholders (%)	
Sungei Way Corp Sdn Bhd	57.86
EPF	5.57

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## Sum-of-Parts

Division	Methodology	PER (x)	Stake	Discount	Value (RM m)
Property Development	NPV of profits	n/a	100%	20%	3,567.5
Property Investment	Net Book Value	n/a	100%	n/a	2,186.3
Construction	18x FY24E PER	18	54%	n/a	1,214.2
Sunway REIT	Target Price of RM1.70	n/a	35%	n/a	2,008.2
Healthcare	25x FY24 PER	25	84%	n/a	1,092.3
Trading and manufacturing	12x FY24E PER	12	100%	n/a	116.2
Quarry	12x FY24E PER	12	100%	n/a	603.9
<b>Total SOP</b>					<b>10,788.6</b>
Number of shares					5,866.0
<b>Target Price (RM)</b>					<b>1.84</b>

## 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)	24.4	17.5	18.4	17.9	17.0
NTA/share	1.99	2.14	2.36	2.42	2.47
P/NTA	0.95	0.88	0.80	0.78	0.76
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
<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>					
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