

## Sunway Berhad

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

### Stable Earnings Growth

#### KEY INVESTMENT HIGHLIGHTS

- **FY23 earnings within expectations**
- **Stable earnings growth in FY23**
- **New sales target at RM2.6b**
- **Earnings forecast maintained**
- **Maintain BUY with an unchanged TP of RM3.01**

**FY23 earnings within expectations.** Sunway Berhad's FY23 core net income of RM698m came in within expectations, making up 103% and 104% of our and consensus full year estimates respectively. Note that we have excluded one-off items, fair value gain on investment properties and distribution for Perpetual Sukuk holders in our core net income calculations. Meanwhile, Sunway Berhad announced dividend of 3.5sen per share for 4QFY23, bringing total dividend to 5.5sen in FY23 which translates into dividend yield of 2%.

**Stable earnings growth in FY23.** Sequentially, 4QFY23 core net income was flattish at RM190.5m (-0.7%qoq), bringing FY23 core net income to RM698m (+6.6%yoy). The earnings growth in FY23 was contributed by improved performance of most of its business divisions. Notably, profit before tax (PBT) of property development division was higher at RM211m (+36.3%yoy), supported by higher progress billing of local projects and contribution from Singapore project. Meanwhile, property investment recorded higher PBT due to recovery in hospitality and leisure business. Similarly, construction division was supported by higher billing from local construction projects. Likewise, healthcare division recorded improved performance due to higher contribution from Sunway Medical Centre Sunway City and Sunway Medical Centre Velocity.

**New sales target at RM2.6b.** Sunway Berhad secured new property sales of RM350m in 4QFY23, bringing total new sales to RM2.44b in FY23 which is slightly ahead of its new sales target of RM2.3b for FY23. Close to half of new sales in FY23 were contributed by oversea projects in Singapore and China. Looking ahead, Sunway Berhad set higher new sales target of RM2.6b for FY24 with planned launches of RM2.1b for FY24. On the other hand, unbilled sales eased to RM4.06b in 4QFY23 from RM4.64b in 3QFY23.

**Maintain BUY with an unchanged TP of RM3.01.** We maintain our earnings forecast for FY24/25F and introduce earnings forecast for FY26F. Our **TP** for Sunway Berhad is maintained at **RM3.01**, based on sum-of-parts valuation. We maintain our **BUY** call on Sunway Berhad as we see that outlook for Sunway Berhad is positive due to improving outlook for Sunway Iskandar. Besides listing of healthcare division will provide catalyst in the medium term.

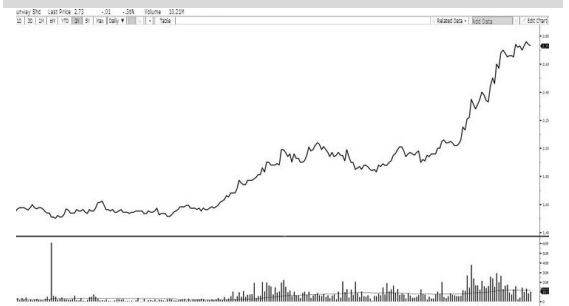
**Maintain BUY**

**Unchanged Target Price: RM3.01**

#### RETURN STATISTICS

Price @ 21 Feb 2024 (RM)	2.71
Expected share price return (%)	+11.1
Expected dividend yield (%)	+2.4
<b>Expected total return (%)</b>	<b>+13.5</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	13.8	11.7
3 months	32.5	33.7
12 months	68.5	64.1

#### INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	6,131	6,578	6,977
Operating Profit	686	727	787
Profit Before Tax	713	761	791
Core PATAMI	718	767	791
Core EPS	11.16	11.92	12.29
DPS	6.50	7.00	7.00
Dividend Yield	2.40%	2.58%	2.58%

#### KEY STATISTICS

FBM KLCI	1,552.40
Issue shares (m)	5,536
Estimated free float (%)	26.17
Market Capitalisation (RM'm)	15,005
52-wk price range	RM1.52-RM2.78
3-mth average daily volume (m)	11.80
3-mth average daily value (RM'm)	27.17
Top Shareholders (%)	
Sungei Way Corp Sdn Bhd	49.54
Cheah Fook Ling	11.03
Employees Provident Fund Board	5.23

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**SUNWAY BERHAD: 4QFY23 RESULTS SUMMARY**

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY23	%YoY	%QoQ	FY23	%YoY
Revenue	1868.8	22.0%	21.4%	6,139.8	18.2%
EBIT	291.9	37.2%	145.0%	664.4	14.8%
Core PBT	275.0	-20.2%	6.1%	953.4	7.2%
Net Income	265.9	31.0%	47.5%	737.8	9.6%
Core Net Income	190.5	-24.9%	-0.7%	698.0	6.6%
EPS (sen)	4.13	19.5%	36.0%	12.1	5.7%
Core EPS (sen)	2.96	-31.5%	-8.4%	11.5	4.6%
Net DPS (sen)	3.50	0.0%	NA	5.5	0.0%
NTA/share (RM)	2.09	1%	-2%	2.1	1.1%
Net Gearing (x)	0.53	NA	NA	0.53	NA
EBIT Margin	15.6%	NA	NA	10.8%	NA
Core PBT Margin	14.7%	NA	NA	15.5%	NA

**Sum-of-Parts**

Division	Methodology	Multiple	Stake	Discount	Value (RM m)
Property Development	NPV of profits	n/a	100%	15%	3696.7
Property Investment	Net Book Value	n/a	100%	n/a	2443.0
Construction	15x FY24E PER	15	54%	n/a	1305.6
Sunway REIT	Target Price of RM1.70	n/a	35%	n/a	2008.2
Healthcare	20x EV EBITDA	20	84%	n/a	7560.0
Trading and manufacturing	10x FY24E PER	10	100%	n/a	303.5
Quarry & Others	10x FY24E PER	10	100%	n/a	340.8
<b>Total SOP</b>					<b>17657.7</b>
Number of shares					5866.0
<b>Target Price (RM)</b>					<b>3.01</b>

**FINANCIAL SUMMARY**

<b>Income Statement (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
Revenue	5,195	6,140	6,131	6,578	6,977
EBIT	579	664	686	727	787
PBT	890	953	713	761	791
Net Income	673	738	718	767	791
Core Net Income	655	698	718	767	791
Core EPS (sen)	11.2	10.8	11.2	11.9	12.3
Core PER (x)	24.3	25.0	24.3	22.7	22.0
NTA/share	2.14	2.15	2.39	2.44	2.53
P/NTA	1.27	1.26	1.13	1.11	1.07

<b>Balance Sheet (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
Property, plant and equipment	1,264	1,358	1,412	1,426	1,440
Investment properties	2,443	2,664	2,317	2,271	2,226
Investment in JV	6,653	7,105	7,326	7,487	7,652
Total non-current assets	18,179	18,533	18,996	19,414	19,841
Inventories	3,280	3,561	3,739	3,821	3,905
Cash and bank balances	1,957	2,300	2,356	2,408	2,461
Other assets	2,642	4,219	4,267	4,240	4,215
<b>Total Assets</b>	<b>26,058</b>	<b>28,613</b>	<b>29,358</b>	<b>29,883</b>	<b>30,422</b>
LT Term Loans	3,537	3,633	3,814	4,081	4,367
ST Borrowings	4,919	6,018	6,349	6,476	6,605
Other Liabilities	4,040	3,965	3,809	3,644	3,463
Total Liability	12,496	13,615	13,971	14,201	14,435
Share capital	5,394	6,161	6,161	6,161	6,161
Other Equity	8,168	8,837	9,226	9,521	9,826
Total Equity	13,562	14,998	15,387	15,682	15,987
<b>Equity + Liability</b>	<b>26,058</b>	<b>28,613</b>	<b>29,358</b>	<b>29,883</b>	<b>30,422</b>

<b>Cash Flow (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
<b>Cash flows from operating activities</b>					
Net income before taxation	920	993	713	761	791
Net cash from operating activities	395	390	395	387	379
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment	-111	-96	-102	-88	-76
Net cash used in investing activities	-1069	-472	-420	-319	-243
<b>Cash flows from financing activities</b>					
Net cash from/(used in) financing activities	-160	402	432	417	425
Net increase/(decrease) in cash and cash equivalents	-835	320	407	485	561
Cash and cash equivalent at 1 January	2732	1895	2230	2637	3122
Cash and cash equivalent at 1 December	1895	2230	2637	3122	3683

<b>Profitability Margins</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
EBIT margin	11.1%	10.8%	11.2%	11.1%	11.3%
PBT margin	17.1%	15.5%	11.6%	11.6%	11.3%
PAT margin	13.0%	12.0%	11.7%	11.7%	11.0%
Core PATAMI margin	12.6%	11.4%	11.7%	11.7%	11.0%
ROE	5.2%	5.0%	4.7%	4.9%	4.9%
ROA	2.5%	2.4%	2.4%	2.6%	2.6%

Source: Bloomberg, MIDFR

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#### 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