

## Sunway Berhad

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

### Won Land Tender in Singapore


#### KEY INVESTMENT HIGHLIGHTS

- **Won land tender in Singapore**
- **Strengthening foothold in Singapore**
- **Limited impact to balance sheet**
- **Earnings forecast maintained**
- **Maintain BUY with a revised TP of RM3.01 (previously RM2.25)**

**Won land tender in Singapore.** Sunway Berhad announced that the Housing and Development Board of Singapore has on 14th February 2024 awarded a land parcel measuring approximately 2 hectares or 5 acres at Plantation Close, Tengah in Singapore for a 99-year lease term Executive Condominium Housing Development at SGD423.38m (equivalent to RM1.5b) to Hoi Hup Realty Ptd Ltd ("Hoi Hup") and Sunway Developments Pte Ltd ("SDPL"), a subsidiary of Sunway Berhad. 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.

**Strengthening foothold in Singapore.** The land tender is expected to be slight positive to Sunway Berhad as it strengthens Sunway Berhad's property presence in Singapore. Recall that Sunway won a land tender at Tengah Plantation Close in September 2023 for development of executive condominium. Besides, Sunway Berhad has two ongoing projects in Singapore namely Terra Hills and The Continuum. Meanwhile, proposed development on the awarded land is also executive condominium with development period of 60 years commencing from 14<sup>th</sup> February 2024. Nevertheless, GDV of the proposed development is yet to be finalised.

**Limited impact to balance sheet.** Sunway Berhad intends to fund the land award via internally generated funds and borrowings. We estimate net gearing of Sunway Berhad to inch up to 0.58x from 0.54x as of 3QFY23. Meanwhile, we see limited impact to earnings in the near-term as Sunway Berhad targets to launch the project in mid of 2025. Hence, we maintain our earnings forecast for FY23-25F.

**Maintain BUY with a revised TP of RM3.01.** We revise our **TP** for Sunway Berhad to **RM3.01** from RM2.25 as we update our sum-of-parts valuation. We value healthcare division at Enterprise Value (EV)/EBITDA of 20x as listing of its healthcare division by 2027 will unlock value of its healthcare division. We also update our valuation for construction division, in line with our in-house earnings estimate for Sunway Construction. We maintain our **BUY** call on Sunway Berhad as we believe that the strengthening property presence of Sunway Berhad in Singapore, improving outlook for Sunway Iskandar and listing of healthcare division will provide catalyst in the medium term. 

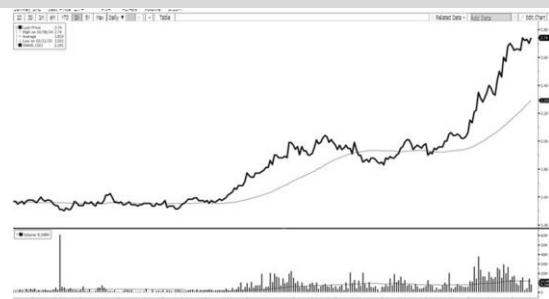
**Maintain BUY**

**Revised Target Price: RM3.01**  
(Previously RM2.35)

#### RETURN STATISTICS

|                                  |             |
|----------------------------------|-------------|
| Price @ 15 Feb 2024 (RM)         | 2.73        |
| Expected share price return (%)  | 10.3        |
| Expected dividend yield (%)      | 2.4         |
| <b>Expected total return (%)</b> | <b>12.7</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           | 2023E | 2024F | 2025F |
|-------------------|-------|-------|-------|
| Revenue           | 5,749 | 6,131 | 6,578 |
| Operating Profit  | 758   | 686   | 727   |
| Profit Before Tax | 991   | 713   | 761   |
| Core PATAMI       | 680   | 718   | 767   |
| Core EPS          | 11.59 | 12.24 | 13.07 |
| DPS               | 6.50  | 6.50  | 7.00  |
| Dividend Yield    | 2.4%  | 2.4%  | 2.6%  |

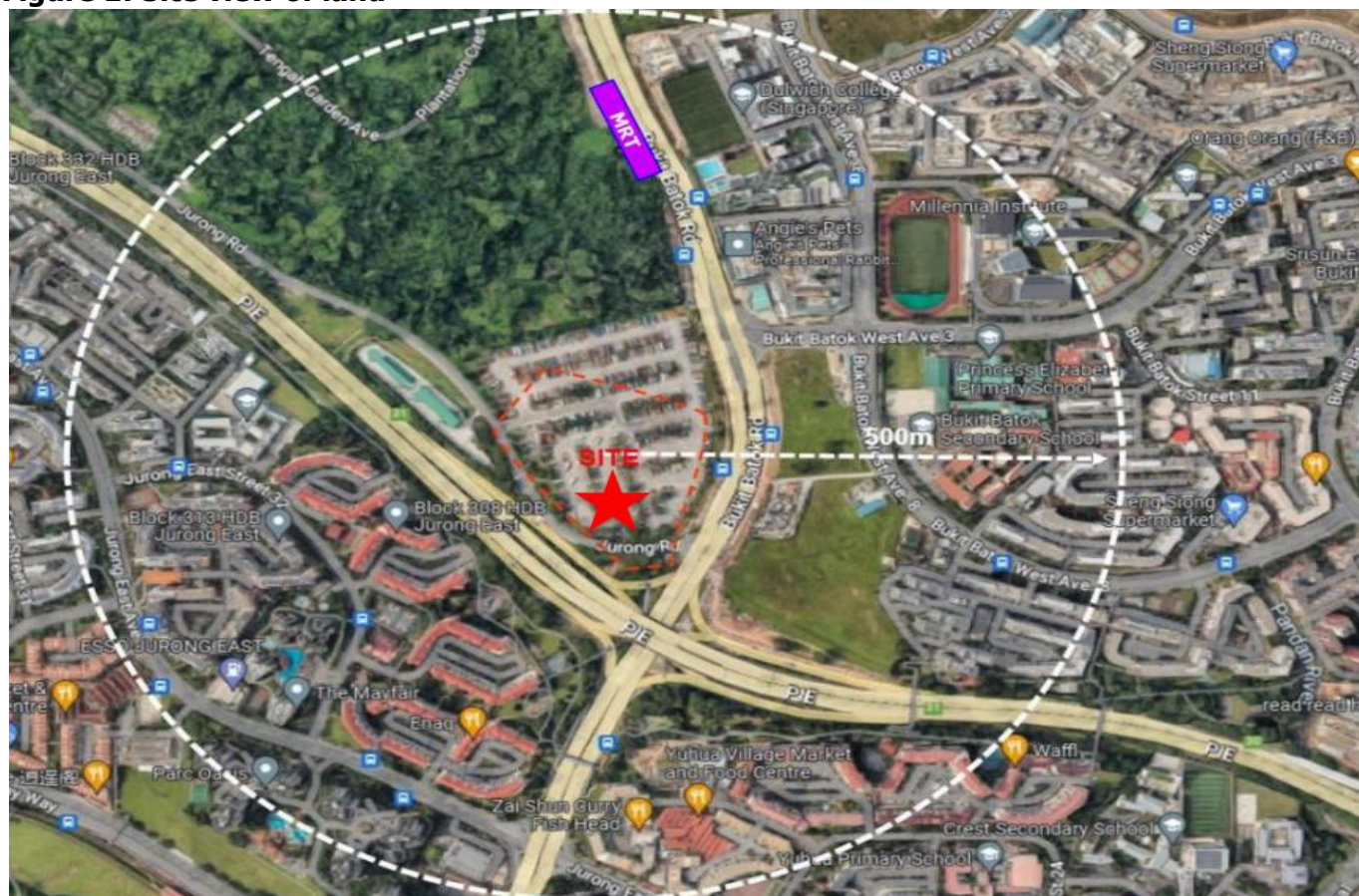
#### KEY STATISTICS

|                                  |               |
|----------------------------------|---------------|
| FBM KLCI                         | 1,528.38      |
| Issue shares (m)                 | 4,889.07      |
| Estimated free float (%)         | 26.17         |
| Market Capitalisation (RM'm)     | 15,111        |
| 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          | 57.85         |
| Cheah Fook Ling                  | 11.03         |
| Employees Provident Fund Board   | 5.23          |

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Figure 1: Site view of land



Source: Company

### Sum-of-Parts

| Division                  | Methodology            | Multiple | Stake | Discount | Value (RM m)    |
|---------------------------|------------------------|----------|-------|----------|-----------------|
| Property Development      | NPV of profits         | n/a      | 100%  | 15%      | 3,696.7         |
| Property Investment       | Net Book Value         | n/a      | 100%  | n/a      | 2,443.0         |
| Construction              | 15x FY24E PER          | 15       | 54%   | n/a      | 1,305.6         |
| Sunway REIT               | Target Price of RM1.70 | n/a      | 35%   | n/a      | 2,008.2         |
| Healthcare                | 20x EV EBITDA          | 20       | 84%   | n/a      | 7,560.0         |
| 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>17,657.7</b> |
| Number of shares          |                        |          |       |          | 5,866.0         |
| <b>Target Price (RM)</b>  |                        |          |       |          | <b>3.01</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         | 5,749         | 6,131         | 6,578         |
| EBIT   | 539           | 579           | 758           | 686           | 727           |
| PBT  | 539           | 867           | 991           | 713           | 761           |
| Net Income   | 2,665         | 673           | 680           | 718           | 767           |
| Core Net Income                                      | 452           | 632           | 680           | 718           | 767           |
| Core EPS (sen)                                       | 7.7           | 10.8          | 11.6          | 12.2          | 13.1          |
| Core PER (x)   | 35.4          | 25.3          | 23.6          | 22.3          | 20.9          |
| NTA/share  | 1.99          | 2.14          | 2.37          | 2.43          | 2.48          |
| P/NTA  | 1.37          | 1.28          | 1.15          | 1.12          | 1.10          |
| <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         | 2,455         | 2,487         | 2,459         |
| <b>Total Assets</b>                                  | <b>25,084</b> | <b>26,058</b> | <b>26,663</b> | <b>27,381</b> | <b>27,901</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         | 8,495         | 8,869         | 9,152         |
| Total Equity   | 13,122        | 13,562        | 13,889        | 14,263        | 14,546        |
| <b>Equity + Liability</b>                            | <b>25,084</b> | <b>26,058</b> | <b>26,663</b> | <b>27,381</b> | <b>27,901</b> |
| <b>Cash Flow (RM'm)</b>                              | <b>2021A</b>  | <b>2022A</b>  | <b>2023E</b>  | <b>2024F</b>  | <b>2025F</b>  |
| 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          |
| <b>Profitability Margins</b>                         | <b>2021A</b>  | <b>2022A</b>  | <b>2023E</b>  | <b>2024F</b>  | <b>2025F</b>  |
| EBIT margin  | 14.5%         | 11.1%         | 13.2%         | 11.2%         | 11.1%         |
| PBT margin   | 14.5%         | 16.7%         | 17.2%         | 11.6%         | 11.6%         |
| PAT margin   | 71.8%         | 13.0%         | 11.8%         | 11.7%         | 11.7%         |
| Core PATAMI margin                                   | 12.2%         | 12.2%         | 11.8%         | 11.7%         | 11.7%         |
| ROE  | 3.8%          | 5.0%          | 4.9%          | 5.0%          | 5.3%          |
| ROA  | 1.8%          | 2.4%          | 2.6%          | 2.6%          | 2.7%          |

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