

Sunway Berhad

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

Stable Earnings Growth


KEY INVESTMENT HIGHLIGHTS

- **1QFY24 earnings within expectations**
- **Off to a good start**
- **New sales target maintained at RM2.6b**
- **Earnings forecast revised upwards**
- **Maintain BUY with a revised TP of RM3.98**

1QFY24 earnings within expectations. Sunway Berhad's 1QFY24 core net income of RM168.6m came in within expectations, making up 23% and 21% of our and consensus full year estimates respectively. Note that we have excluded mainly forex gain and net gain on financial guaranteed contracts in our core net income calculations.

Off to a good start. Sequentially, 1QFY24 core net income was lower at RM168.6m (-11.5%qoq) as earnings of most business divisions were lower on seasonal factor. On yearly basis, 1QFY24 core net income was solid (+14.2%yoy), in line with higher topline (+12.3%yoy) due to better contributions from most of its business divisions. Notably, profit before tax (PBT) of property development surged to RM39m (+68.2%yoy) due to higher earnings recognition from its ongoing projects. Meanwhile, healthcare division saw higher PBT (+27.6%yoy) due to better performance of its hospitals and increase in bed capacity. Similarly, property investment segment saw higher contribution due to better performance of its hotels and investment properties. Meanwhile, PBT of construction was higher (+7.2%yoy) due to higher progress billing from its construction projects.

New sales target maintained at RM2.6b. Sunway Berhad achieved new property sales of RM498m in 1QFY24, higher than new property sales of RM350m in 4QFY23. Management is maintaining its new sales target at RM2.6b for FY24 as new sales should pick up in the upcoming quarters on the back of planned launches with total GDV of RM2b for FY24. Meanwhile, property unbilled sales increased to RM4.2b in 1QFY24 from RM4.06b in 4QFY23.

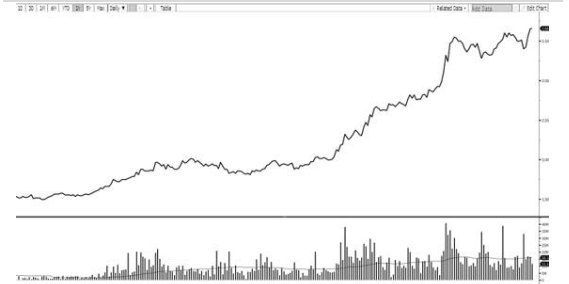
Maintain BUY with a revised TP of RM3.98. We revise our FY24F earnings forecast by +5% due to expected contribution from its Singapore project. Earnings in 2QFY24 is expected to be stronger due to earnings recognition from its project in Singapore as the project will be completed and handover in 2QFY24. Meanwhile, we revise FY25F/26F earnings forecast by +1.3% and +5.6% respectively as we expect higher contribution from healthcare division due to increase in bed capacity. Our **TP** for Sunway Berhad is revised to **RM3.98** from RM3.69 as we update sum-of-parts valuation. We maintain our **BUY** call on Sunway Berhad due to its positive earnings outlook. Besides, listing of healthcare division will continue to provide catalyst in the medium term. 

Maintain BUY
Revised Target Price: RM3.98
(Previously RM3.69)

RETURN STATISTICS

Price @ 21 May 2024 (RM)	3.66
Expected share price return (%)	8.7
Expected dividend yield (%)	1.8
Expected total return (%)	10.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	9.9	4.9
3 months	4.6	29.2
12 months	133.1	105.3

INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	6,660	6,578	6,977
Operating Profit	744	740	803
Profit Before Tax	771	761	791
Core PATAMI	755	777	835
Core EPS	11.73	12.07	12.98
DPS	6.50	7.00	7.00
Dividend Yield	1.8%	1.9%	1.9%

KEY STATISTICS

FBM KLCI	1,622.09
Issue shares (m)	5,536
Estimated free float (%)	27.43
Market Capitalisation (RM'm)	20,770
52-wk price range	RM1.52-RM3.69
3-mth average daily volume (m)	16.04
3-mth average daily value (RM'm)	52.79
Top Shareholders (%)	
Sungei Way Corp Sdn Bhd	48.98
Cheah Fook Ling	10.97
Employees Provident Fund Board	5.47

Analyst

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

SUNWAY BERHAD: 1QFY24 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY24	%YoY	%QoQ	FY24	%YoY
Revenue	1419.0	12.3%	-24.1%	1,419.0	12.3%
EBIT	158.4	39.8%	-45.7%	158.4	39.8%
Core PBT	223.0	12.6%	-18.9%	223.0	12.6%
Net Income	172.2	21.6%	-35.2%	172.2	21.6%
Core Net Income	168.6	14.2%	-11.5%	168.6	14.2%
EPS (sen)	2.66	10.3%	-35.6%	2.7	10.3%
Core EPS (sen)	2.61	3.6%	-12.0%	2.6	3.6%
Net DPS (sen)	0.00	NA	-100.0%	0.0	NA
NTA/share (RM)	2.13	2%	2%	2.1	1.7%
Net Gearing (x)	0.54	NA	NA	0.54	NA
EBIT Margin	11.2%	NA	NA	11.2%	NA
Core PBT Margin	15.7%	NA	NA	15.7%	NA

Sum-of-Parts

Division	Methodology	Multiple	Stake	Discount	Value (RM m)
Property Development	NPV of profits	n/a	100%	10%	4,306.5
Property Investment	Net Book Value	n/a	100%	n/a	2,678.0
Construction	Target Price of RM3.09	n/a	54%	n/a	2,167.4
Sunway REIT	Target Price of RM1.70	n/a	35%	n/a	2,008.2
Healthcare	22x EV EBITDA	22	84%	n/a	11,457.6
Trading and manufacturing	13x FY24E PER	13	100%	n/a	285.3
Quarry & Others	13x FY24E PER	13	100%	n/a	460.3
Total SOP					23,363.2
Number of shares					5,866.0
Target Price (RM)					3.98

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	5,195	6,140	6,660	6,578	6,977
EBIT	579	664	744	740	803
PBT	890	953	771	761	791
Net Income	673	738	755	777	835
Core Net Income	655	698	755	777	835
Core EPS (sen)	11.2	10.8	11.7	12.1	13.0
Core PER (x)	32.8	33.7	31.2	30.3	28.2
NTA/share	2.14	2.15	2.40	2.45	2.54
P/NTA	1.71	1.70	1.52	1.50	1.44

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
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	2,376	2,428	2,482
Other assets	2,642	4,219	4,309	4,283	4,260
Total Assets	26,058	28,613	29,420	29,947	30,488
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	9,288	9,585	9,892
Total Equity	13,562	14,998	15,449	15,746	16,053
Equity + Liability	26,058	28,613	29,420	29,947	30,488

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
Cash flows from operating activities					
Net income before taxation	920	993	771	761	791
Net cash from operating activities	395	390	398	391	383
Cash flows from investing activities					
Acquisition of property, plant and equipment	-111	-96	-102	-88	-76
Net cash used in investing activities	-1069	-472	-420	-319	-243
Cash flows from financing activities					
Net cash from/(used in) financing activities	-160	402	432	417	425
Net increase/(decrease) in cash and cash equivalents	-835	320	410	488	565
Cash and cash equivalent at 1 January	2732	1895	2230	2640	3128
Cash and cash equivalent at 1 December	1895	2230	2640	3128	3693

Profitability Margins	2022A	2023A	2024E	2025F	2026F
EBIT margin	11.1%	10.8%	11.2%	11.3%	11.5%
PBT margin	17.1%	15.5%	11.6%	11.6%	11.3%
PAT margin	13.0%	12.0%	11.3%	11.8%	11.0%
Core PATAMI margin	12.6%	11.4%	11.3%	11.8%	11.0%
ROE	5.2%	5.0%	4.9%	4.9%	5.1%
ROA	2.5%	2.4%	2.6%	2.6%	2.7%

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