

Sunway Berhad

(5211 | SWB MK) Industrial Products & Services | Diversified Industrials

Maintain BUY

Maiden healthcare venture into the East Coast region

Unchanged Target Price: RM1.61

KEY INVESTMENT HIGHLIGHTS

- **Maiden healthcare expansion into the East Coast region**
- **Positive on the expansion**
- **Minimal impact on balance sheet**
- **Earnings forecast maintained**
- **Maintain BUY with an unchanged TP of RM1.61**

Maiden healthcare expansion into the East Coast region. Sunway Berhad (SUNWAY) announced that Sunway Medical Centre Kota Bharu Sdn Bhd, a subsidiary of SUNWAY, has on 28 July 2020 entered into a Sale and Purchase Agreement with Liziz Standaco Sdn Bhd for the acquisition of a leasehold land measuring 3.811 hectares for a purchase consideration of RM28.7m. This is SUNWAY's maiden healthcare expansion into the East Coast region of Malaysia. The acquisition is expected to be completed in 1H2021.

Positive on the expansion plan. We view the land acquisition positively as it allows SUNWAY to tap into locations where private healthcare is underserved. The proposed development on the land will comprise a 200-bed hospital with estimated total development cost of approximately RM200m. The proposed healthcare expansion to the East Coast region is in line with its strategy to expand its network of tertiary hospitals. The proposed acquisition also bodes well for the listing plan of its healthcare division.

Earnings forecast maintained. SUNWAY intends to fund the purchase consideration of RM28.7m by borrowings and internally generated funds. We expect muted impact on balance sheet from the proposed acquisition as SUNWAY has cash balance of RM5.9b as of 1QFY20. Meanwhile, we expect no earnings impact from the land acquisition in the near term as construction of hospital will take a few years to complete. Hence, we make no changes to our earnings forecast for FY20/21F.

Maintain BUY with an unchanged TP of RM1.61. We maintain our TP for SUNWAY at RM1.61, based on sum-of-parts valuation. We are positive on the long-term growth prospect of its healthcare division. The potential listing of healthcare division in the near to medium term would serve as a catalyst to SUNWAY. Hence, we maintain our BUY call on SUNWAY.

RETURN STATISTICS

Price @ 28 July 2020 (RM)	1.35
Expected share price return (%)	19.3
Expected dividend yield (%)	5.1
Expected total return (%)	24.4

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-0.7	-7.9
3 months	-1.5	-25.3
12 months	-17.9	-16.2

KEY STATISTICS

FBM KLCI	1609.94
Syariah compliant	Yes
Issue shares (m)	4933.9
Estimated free float (%)	30.9
Market Capitalisation (RM'm)	6616.9
52-wk price range (RM)	RM1.25 - RM1.87
Beta vs FBM KLCI (x)	0.9
Monthly velocity (%)	0.0
Monthly volatility (%)	12.1
3-mth average daily volume (m)	5.7
3-mth average daily value (RM'm)	8.2
Top Shareholders (%)	
Sungei Way Corp Sdn Bhd	51.2
Employees Provident Fund Board	9.6
ACTIVE EQUITY SDN BHD	3.2

Analyst(s)

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Figure 1: Location of land



Source: Company

INVESTMENT STATISTICS

FYE Dec	FY17A	FY18A	FY19A	FY20F	FY21F
Revenue	5239.3	5410.3	4780.4	4357.6	5482.9
Core EBIT	653.0	559.9	565.2	597.4	756.8
Core PBT	799.0	782.8	802.6	811.6	982.1
Net Income	620.6	659.0	766.6	560.7	664.5
Core Net Income	563.8	591.2	655.0	560.7	664.5
EPS (sen)	12.6	13.4	15.7	11.6	13.7
Core EPS (sen)	11.5	12.0	13.4	11.6	13.7
Net DPS (sen)	6.00	7.12	9.10	6.93	8.22
Net Dvd Yield	4.4%	5.3%	6.7%	5.1%	6.1%
Core PER	11.78	11.24	10.05	11.68	9.86
NTA/share (RM)	1.54	1.66	1.66	1.78	1.83
P/NTA	0.88	0.82	0.81	0.76	0.74
Core ROE	7.1%	7.0%	7.8%	6.5%	7.5%
Core ROA	2.9%	2.8%	3.1%	2.6%	2.9%

Source: MIDF Research

Sum-of-Parts

Division	Methodology	PER (x)	Stake	Discount	Value (RM m)
Property Development	NPV of profits	n/a	100%	18%	2719.5
Property Investment	Net Book Value	n/a	100%	n/a	1490.0
Construction	18x FY21E PER - KL Construction Index PER	18	54%	n/a	1233.9
Sunway REIT	Target Price of RM2.02	n/a	35%	n/a	1910.2
Trading and manufacturing	10x FY21E PER - In line with small cap PER of 10x	10	100%	n/a	120.6
Quarry	10x FY21E PER - In line with small cap PER of 10x	10	100%	n/a	434.9
Total SOP					7909.0
Number of shares					4918.0
Target Price (RM)					1.61

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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.