Sunway Berhad

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

Expanding Presence in Klang Valley

Maintain **NEUTRAL**

Revised **Target Price: RM1.66**

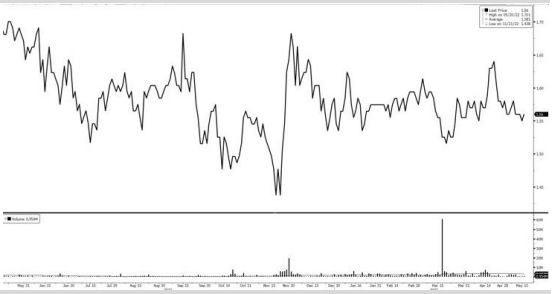
(Previously RM1.64)

KEY INVESTMENT HIGHLIGHTS

- **Acquisition of land at Sri Hartamas, KL**
- **Expanding presence in Klang Valley**
- **Minimal impact on balance sheet**
- **Earnings forecast unchanged**
- **Maintain NEUTRAL with a revised TP of RM1.66**

RETURN STATISTICS	
Price @ 16th May 2023 (RM)	1.56
Expected share price return (%)	6.4
Expected dividend yield (%)	3.5
Expected total return (%)	**+9.9**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.9	-1.1
3 months	-1.9	1.2
12 months	-10.9	-3.0

Acquisition of land at Sri Hartamas, KL. Sunway Berhad announced that its wholly-owned subsidiary, Sunway Living Space Sdn Bhd, had on 12th May 2023 signed a Sale and Purchase Agreement to acquire a 5.09 acre of freehold land at Sri Hartamas, Kuala Lumpur for a purchase consideration of RM170m. The land has obtained development order with plot ratio of 5 and vendor will be entitled additional consideration of RM50m if vendor is able to obtain an approved development order with plot ratio of 7 within a year from SPA date. The land acquisition is expected to complete in 4QCY23.

Expanding presence in Klang Valley. We are neutral on the land acquisition as it allows Sunway Berhad to expand its presence in Klang Valley whereby demand for property in Klang Valley remains stable. The land is strategically located at Sri Hartamas with connectivity via major roads namely SPRINT Penchala Link and Kerinchi Link. Sunway Berhad plans mixed development comprising serviced apartments, retail and wellness suites on the land. Indicative GDV for the project is RM850m for plot ratio of 5 and RM1.1b for plot ratio of 7. That translates into land cost to GDV ratio of 20% which we deem attractive given the prime location of the land.

Minimal impact on balance sheet. Sunway Berhad intends to fund the purchase consideration of RM170m by internally generated funds and borrowings. Impact on balance sheet is minimal as net gearing is expected to increase marginally to 0.53x from 0.52x as of FY22. Meanwhile, earnings impact is limited in the near-term as Sunway Berhad targets to launch the project in early 2025. Hence, we make no changes to our earnings forecast for FY23-25F.

Maintain NEUTRAL with a revised TP of RM1.66. We revise our **TP** for Sunway Berhad to **RM1.66** from RM1.64 as we update our figures in Sum-of-Parts valuation. We see stable earnings outlook for Sunway Berhad due to contribution from property development and property investment division. Nevertheless, we think that positives are largely priced in. Hence, we maintain our **NEUTRAL** call on Sunway Berhad.

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	3.53%	3.53%	3.85%

KEY STATISTICS	
FBM KLCI	1,423.50
Issue shares (m)	4,889.07
Estimated free float (%)	22.16
Market Capitalisation (RM'm)	7,729.24
52-wk price range	RM1.45-RM1.77
3-mth average daily volume (m)	3.36
3-mth average daily value (RM'm)	5.31
Top Shareholders (%)	
Sungei Way Corp Sdn Bhd	57.92
EPF	8.63

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Figure 1: Location of land



Source: Company

Sum-of-Parts

Division	Methodology	PER (x)	Stake	Discount	Value (RM m)
Property Development	NPV of profits	n/a	100%	30%	2501.7
Property Investment	Net Book Value	n/a	100%	n/a	2186.3
Construction	18x FY23E PER	18	54%	n/a	1332.7
Sunway REIT	Target Price of RM1.73	n/a	35%	n/a	2043.6
Healthcare	23x FY23 PER	23	84%	n/a	985.2
Trading and manufacturing	12x FY23E PER	12	100%	n/a	125.2
Quarry	12x FY23E PER	12	100%	n/a	575.2
Total SOP					**9750.0**
Number of shares					5866.0
Target Price (RM)					**1.66**

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)	20.2	14.4	15.3	14.8	14.1
NTA/share	1.99	2.14	2.36	2.42	2.47
P/NTA	0.79	0.73	0.66	0.64	0.63

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
Total Assets	**25,084**	**26,058**	**26,622**	**27,338**	**27,857**
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
Equity + Liability	**25,084**	**26,058**	**26,622**	**27,338**	**27,857**

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
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

Profitability Margins	2021A	2022A	2023E	2024F	2025F
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 *rise* 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 *fall* 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