Corporate Update

Sunway Berhad

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

SHARIAH Compliant | ESG 4 Stars | FTSE4Good

NEUTRAL

Revised Target Price **RM4.86** (from RM4.74)

1QFY25 Results Review Solid Earnings

1QFY25 earnings within our expectation. Sunway Berhad 1QFY25 core net profit of RM203.8m came in within our expectation but slightly below consensus expectation, making up 23% and 19% of our and consensus full year estimates respectively.

Lower sequential earnings on seasonal factor. Sequentially, 1QFY25 core net income declined to RM203.8m (-36.6%qoq) due to lower contribution from property development division, property investment division and healthcare division. Profit before tax (PBT) of property development division plunged by -79.4%qoq due to lower progress billing from local projects. Similarly, PBT of property investment division eased -30.5%qoq as earnings from investment properties were typically lower due to Ramadan month. Meanwhile, PBT of healthcare segment were halved due to start-up operational losses from SMC Damansara and pre-commencement costs from SMC Ipoh.

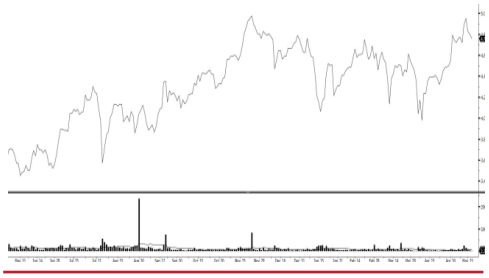
Earnings lifted by property investment and construction divisions. On yearly basis, 1QFY25 core net income was higher (+20.9%yoy) mainly due to higher contribution from property investment and construction segments which offset lower earnings from property development and healthcare divisions. PBT of property investment division climbed +33%yoy on the back of improved performance of investment properties and higher contribution from Sunway REIT which mainly driven by Sunway Pyramid Mall. Similarly, construction segment recorded stronger earnings due to higher progress of data centre projects. On the other hand, property development division was dragged by lower progress billing of projects while healthcare division saw lower contribution as better earnings from SMC Sunway City, SMC Velocity and SMC Penang were offset by start-up losses of SMC Damansara and pre-commencement costs from SMC Ipoh.

Property sales to pick up. Sunway Berhad recorded new property sales of RM554.7m in 1QFY25 which makes up 15% of new sales target of RM3.6b for FY25. New property sales are expected to pick up in the coming quarters due to planned launch with GDV of RM3.7b for the remaining of the year. Meanwhile, unbilled sales stood at RM4.06b in 1QFY25.

Maintain NEUTRAL with a revised target price of RM4.86. We maintain our earnings forecast for FY25F/26F/27F. We expect earnings to pick up in 2QFY25 as progress billing of projects should pick up while earnings from property investment properties should normalise. Meanwhile, we revise our Sum-of-Parts derived TP for Sunway Berhad to RM4.86 from RM4.74 as we update our valuation for Sunway Construction and Sunway REIT. Listing of Sunway Healthcare Group which could be by end of FY25 or FY26 remains the near-term catalyst for Sunway Berhad. Nevertheless, we maintain our **NEUTRAL** call on Sunway Berhad as most of the positives are largely priced in at this juncture.

RETURN STATISTICS	
Price @ 22nd May 2025 (RM)	4.83
Expected share price return (%)	+0.6
Expected dividend yield (%)	+1.5
Expected total return (%)	+2.1

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	7.9	4.0
3months	4.8	4.0
12 months	34.1	39.3

INVESTMENT STATISTICS

FYE Dec	2025E	2026F	2027F
Revenue	6,877	6,921	7,934
Operating Profit	844	878	1,005
Profit Before Tax	995	1,027	1,083
Core PATAMI	904	959	947
Core EPS	13.56	14.39	14.20
DPS	7.00	7.00	7.00
Dividend Yield	1.5%	1.5%	1.5%

KEY STATISTICS

FBM KLCI	1,527.02
Issue shares (m)	6,588.38
Estimated free float (%)	48.93
Market Capitalisation (RM'm)	30,286
52-wk price range	RM3.46 – RM5.1
3-mth average daily volume (m)	8.68
3-mth average daily value (RM'm)	39.22
Top Shareholders (%)	
Sungei Way Corp Sdn Bhd	45.52
JEF-SAN Enterprise Sdn Bhd	10.17
EPF	8.55

Analyst

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Sunway Berhad: 1QFY25 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY25	%YoY	%QoQ	FY25	%YoY
Revenue	2367.0	66.8%	-17.1%	2,367.0	66.8%
EBIT	221.3	39.7%	-25.0%	221.3	39.7%
Core PBT	317.3	42.3%	-33.8%	317.3	42.3%
Net Income	190.6	10.6%	-43.2%	190.6	10.6%
Core Net Income	203.8	20.9%	-36.6%	203.8	20.9%
EPS (sen)	2.86	7.3%	-43.2%	2.9	7.3%
Core EPS (sen)	3.06	17.3%	-36.6%	3.06	17.3%
Net DPS (sen)	0.00	NA	-100.0%	0.00	NA
NTA/share (RM)	2.22	4%	1%	2.22	4.1%
Net Gearing (x)	0.44	NA	NA	0.44	NA
EBIT Margin	9.3%	NA	NA	9.3%	NA
Core PBT Margin	13.4%	NA	NA	13.4%	NA

Source: Company, MIDF Research

Sum-of-Parts

Division	Methodology	Multiple	Stake	Discount	Value (RM m)
Property Development	NPV of profits	n/a	100%	12%	8787.1
Property Investment	Net Book Value	n/a	100%	n/a	2973.0
Construction	Target Price of RM5.43	n/a	54%	n/a	3808.7
Sunway REIT	Target Price of RM2.10	n/a	35%	n/a	2480.7
Healthcare	23x EV EBITDA	23	84%	n/a	13620.6
Trading and manufacturing	13x FY25E PER	13	100%	n/a	285.3
Quarry & Others	13x FY25E PER	13	100%	n/a	460.3
Total SOP					**32415.6**
Number of shares					6666.0
Target Price (RM)					**4.86**

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	6,140	7,882	6,877	6,921	7,934
EBIT	664	887	844	878	1,005
PBT	953	1,426	995	1,027	1,083
Net Income	738	1,154	904	959	947
Core Net Income	698	1,056	904	959	947
Core EPS (sen)	10.8	15.8	13.6	14.4	14.2
Core PER (x)	44.5	30.5	35.6	33.6	34.0
NTA/share	2.15	2.39	2.43	2.48	2.52
P/NTA	2.24	2.02	1.98	1.95	1.91

Balance Sheet (RM'm)	2023A	2024A	2025E	2026F	2027F
Property, plant and equipment	1,358	1,252	1,264	1,277	1,290
Investment properties	2,664	2,973	2,914	2,855	2,798
Investment in JV	7,105	7,410	7,573	7,740	7,910
Total non-current assets	18,533	18,561	18,969	19,387	19,813
Inventories	3,561	4,122	4,213	4,305	4,400
Cash and bank balances	2,300	4,356	4,452	4,549	4,650
Other assets	4,219	4,472	4,473	4,433	4,395
Total Assets	28,613	31,510	32,106	32,674	33,257
LT Term Loans	3,633	4,905	5,249	5,616	6,009
ST Borrowings	6,018	5,972	6,091	6,213	6,337
Other Liabilities	3,965	4,696	4,544	4,329	4,092
Total Liability	13,615	15,573	15,884	16,158	16,439
Share capital	6,161	7,049	7,049	7,049	7,049
Other Equity	8,837	8,889	9,173	9,467	9,770
Total Equity	14,998	15,938	16,222	16,516	16,819
Equity + Liability	28,613	31,510	32,106	32,674	33,257

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
Cash flows from operating activities					
Net income before taxation	993	1524	995	1027	1083
Net cash from operating activities	390	1574	1543	1512	1482
Cash flows from investing activities					
Acquisition of property, plant and equipment	-96	-102	-88	-76	-65
Net cash used in investing activities	-472	-26	-20	-15	-12
Cash flows from financing activities					
Net cash from/(used in) financing activities	402	573	487	530	508
Net increase/(decrease) in cash and cash equivalents	320	2120	2010	2026	1979
Cash and cash equivalent at 1 January	1895	2230	4350	6360	8387
Cash and cash equivalent at 1 December	2230	4350	6360	8387	10365

Profitability Ratios (%)	2023A	2024A	2025E	2026F	2027F
EBIT margin	10.8%	11.3%	12.3%	12.7%	12.7%
PBT margin	15.5%	18.1%	14.5%	14.8%	13.6%
PAT margin	12.0%	14.6%	13.1%	13.9%	11.9%
Core PATAMI margin	11.4%	13.4%	13.1%	13.9%	11.9%
ROE	5.0%	6.6%	5.6%	5.8%	5.6%
ROA	2.4%	3.4%	2.8%	2.9%	2.8%

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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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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