Corporate Update

Sunway Berhad

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

SHARIAH Compliant | ESG 4 Stars | FTSE4Good

NEUTRAL

Revised Target Price **RM4.74** (from RM4.70)

Maiden Foray into Negeri Sembilan

Maiden foray into Negeri Sembilan. Sunway Berhad has signed a Memorandum of Agreement (MOA) with Railway Assets Corporation (RAC) to develop RM2.2b transit-oriented (TOD) mixed-use development in Seremban Sentral, Negeri Sembilan. RAC is a Federal Statutory Body under the Ministry of Transport. The development will be on 20.81 acres of land adjacent to the Seremban Railway Station (Seremban KTM Station). This is the maiden foray of Sunway Berhad into Negeri Sembilan property market.

Low land cost to GDV ratio. Sunway Berhad is acquiring the land at RM93m while indicative GDV for the mixed development on the land is at least RM2.2b which translates into low land cost to GDV ratio of 4.2%. Proposed development on the land are retail mall, serviced apartments and medical centre with estimated development period of 14 years. Phase 1 of the project would be Market Square, which is expected to launch in 3Q2026, followed by serviced apartment in 1Q2028 and retail mall in 1Q2029. Besides, Sunway Berhad will also develop a hospital on the land which we think should bode well for expansion of healthcare business of Sunway Berhad amid strong demand for healthcare services in Seremban. Despite the low land cost to GDV ratio, earnings contribution from the land is expected from 2029 onwards. Hence, we are neutral on the latest project development in Seremban.

Limited impact on balance sheet. The land acquisition cost of RM93m will be funded via internally generated funds and borrowings. We expect limited impact on balance sheet as net gearing is estimated to remain unchanged at 0.44x post the land acquisition. Earnings impact is also limited in the near-term as serviced apartment on the land will be launched only in 1Q2028. Hence, we make no changes to our earnings forecast.

Maintain NEUTRAL with a revised target price of RM4.74. We revise our TP for Sunway Berhad to RM4.74 from RM4.70 after factoring in RNAV contribution from the latest land acquisition. Our TP is based on sum-of-parts valuation. We see better prospect for Sunway Berhad's property division as its landbank in Johor will benefit from the improving outlook for Johor property market. Besides, listing of healthcare arm will unlock value of healthcare division. Nevertheless, we maintain our **NEUTRAL** call on Sunway Berhad as we think positives are largely priced in.

RETURN STATISTICS	
Price @ 8th May 2025 (RM)	4.63
Expected share price return (%)	-0.6
Expected dividend yield (%)	+1.5
Expected total return (%)	+0.9

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	14.4	6.8
3months	5.1	8.8
12 months	33.2	38.3

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	1,542.74
Issue shares (m)	6,588.38
Estimated free float (%)	48.93
Market Capitalisation (RM'm)	29,694
52-wk price range	RM3.35 – RM5.1
3-mth average daily volume (m)	8.26
3-mth average daily value (RM'm)	37.01
Top Shareholders (%)	
Sungei Way Corp Sdn Bhd	45.52
JEF-SAN Enterprise Sdn Bhd	10.17
EPF	8.54

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Location map of the land



Source: Company

Artist Impression of project



Source: Company

Sum-of-Parts

Division	Methodology	Multiple	Stake	Discount	Value (RM m)
Property Development	NPV of profits	n/a	100%	12%	8,787.1
Property Investment	Net Book Value	n/a	100%	n/a	2,973.0
Construction	Target Price of RM4.46	n/a	54%	n/a	3,128.3
Sunway REIT	Target Price of RM1.98	n/a	35%	n/a	2,338.9
Healthcare	23x EV EBITDA	23	84%	n/a	13,620.6
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					**31,593.5**
Number of shares					6,666.0
Target Price (RM)					**4.74**

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)	44.0	30.1	35.2	33.2	33.6
NTA/share	2.15	2.39	2.43	2.48	2.52
P/NTA	2.21	2.00	1.96	1.93	1.89

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