Sunway Berhad

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

SHARIAH Compliant | ESG 4 Stars | FTSE4Good

Corporate Update

NEUTRAL

Unchanged Target Price **RM4.86**

Decent Outlook for Healthcare Segment

Beneficiary of proposed EPF health insurance scheme. News reported that government is considering allowing EPF Account 2 funds to be used in voluntary insurance scheme. The proposal aims to expand access to faster and higher quality private healthcare, benefitting 16m EPF members. The proposed EPF health insurance scheme is expected to benefit Sunway Healthcare Group (SHG) of Sunway Berhad which owns five operating hospitals in Malaysia as it will increase number of outpatients as well as number of admissions following better access of people to private healthcare services. The positive impact from EPF health insurance scheme should cushion the expected mild negative impact from rollout of the Diagnosis-Related Group (DRG) payment scheme which is reported will be including both public and private hospitals to contain medical inflation.

On expansion mode. Healthcare segment is one of the key earnings contributors to Sunway Berhad, contributing to 14% profit before tax (PBT) in FY24. Nevertheless, PBT contribution fell to 10% in 1QFY25 as PBT of healthcare segment were halved due to start-up operational losses from SMC Damansara and pre-commencement costs from SMC Ipoh. SHG has total 1,647 licensed beds currently and the group targets to grow total bed capacity to 3,000 beds by 2030 by opening new hospitals. Note that SHG signed an agreement with Putrajaya Holdings in April 2025 for development of 325-beds hospital in Putrajaya. Meanwhile, SHG is mulling its first hospital in Seremban as it is embarking a TOD project in Seremban. Overall, the expansion plan will further drive earnings growth of SHG. Besides, earnings growth of SHG will be also driven by medical tourism in Malaysia due to strong reputation of SHG.

Normalise earnings from high base in FY24. Earnings of Sunway Berhad was strong in FY24 at RM1.06b (+51.3%yoy) due to lumpy earnings contribution from projects in Singapore. Moving forward, we expect earnings to normalise in FY25. We see that earnings in FY25 will mainly support by growth in property investment and construction division. Meanwhile, property sales are anticipated to pick up from RM554.7m in 1QFY25 due to planned launch with GDV of RM3.7b for the remaining of the year. The pickup in property sales should allow the company to meet new sales target of RM3.6b for FY25.

Maintain NEUTRAL with an unchanged TP of RM4.86. We maintain our earnings forecast for FY25F/26F/27F. We maintain our TP for Sunway Berhad at RM4.86, based on Sum-of-Parts valuation. Listing of Sunway Healthcare Group which is likely to be in 1HFY26 remains the near-term catalyst for Sunway Berhad. Nevertheless, we maintain our **NEUTRAL** call on Sunway Berhad due to limited upside and as most of the positives are largely priced in at this juncture.

RETURN STATISTICS	
Price @ 23rd June 2025 (RM)	4.66
Expected share price return (%)	+4.3
Expected dividend yield (%)	+1.5
Expected total return (%)	+5.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.9	0.4
3months	2.6	5.0
12 months	25.9	32.0

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	1,516.61
Issue shares (m)	6,588.38
Estimated free float (%)	49.00
Market Capitalisation (RM'm)	29,010
52-wk price range	RM3.51 – RM5.1
3-mth average daily volume (m)	6.97
3-mth average daily value (RM'm)	32.1
Top Shareholders (%)	
Sungei Way Corp Sdn Bhd	45.52
JEF-SAN Enterprise Sdn Bhd	10.17
EPF	8.51

Analyst

Jessica Low Jze Tieng
jessica.low@midf.com.my
03-2173 8391

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 RM5.43	n/a	54%	n/a	3,808.7
Sunway REIT	Target Price of RM2.10	n/a	35%	n/a	2,480.7
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					**32,415.6**
Number of shares					6,666.0
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)	43.0	29.4	34.4	32.4	32.8
NTA/share	2.15	2.39	2.43	2.48	2.52
P/NTA	2.16	1.95	1.91	1.88	1.85

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