

Sunway (SWB MK)

Beats expectation

Profit above but sales in line

Sunway's 4Q21 net profit of MYR159m (-35% YoY, +96% QoQ) was above our and consensus estimates while FY21 property sales of MYR2.6b were in line with our expectation but above management's sales target. Sunway has set a lower sales target of MYR2.2b for 2022 (-15% YoY). We adjust our FY22/23 earnings forecasts by +8%/-11% to factor in FY22 sales assumption of MYR2.2b and the change in SCGB's earnings forecasts. Post earnings adjustment, our TP is raised to MYR1.79 (+7sen; on an unchanged 0.8x FY22 PBV). Maintain HOLD.

Results above expectations

Excl. one-off net gain of MYR2.3b arising from the partial divestment of Sunway Healthcare Group, Sunway's 4Q21 core net profit was MYR159m (-35% YoY, +96% QoQ), lifting 2021 core net earnings to MYR369m (-12% YoY), at 125%/124% of our/consensus estimates. The earnings gap was due to lower-than-expected finance costs and better-than-expected performance at its investment properties post-lockdown. Net gearing improved to 0.45x, from 0.56x in end-3Q21. Sunway has declared a 2nd interim DPS of 1.5 sen (YTD: 2.5 sen) in 4Q21; above expectations.

Sets lower sales target for 2022

Sunway has locked-in MYR2.6b (+1x YoY) in property sales in 2021 or +18% above its revised sales target of MYR2.2b. The strong sales were mainly driven by its Singapore and Belfield projects. Management has set a lower sales target of MYR2.2b (-15% YoY) for 2022. Effective unbilled sales were MYR3.5b as at end-Dec 2021 (2.9x FY22F property revenue). Elsewhere, 55%-owned Sunway Construction Group (SCGB MK; HOLD; MYR1.58 TP) has secured MYR1.47b worth of jobs in 2021, increasing its outstanding orderbook to MYR10.1b as at end-Dec 2021.

Earnings adjustments

We adjust our FY22/23 net profit forecasts by +8%/-11% to factor in: 1) sales assumption of MYR2.2b for FY22, 2) the change in earnings forecasts from SCGB and 3) the change in progress billings assumptions. Sunway currently trades at 0.7x/1x PBV/PRNAV.

FYE Dec (MYR m)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	3,209	3,714	5,946	6,600	7,096
EBITDA	233	327	652	748	826
Core net profit	421	369	540	612	635
Core FDEPS (sen)	8.5	6.2	9.1	10.3	10.7
Core FDEPS growth(%)	(34.9)	(26.6)	46.2	13.3	3.8
Net DPS (sen)	1.5	2.5	2.8	3.1	3.2
Core FD P/E (x)	19.0	27.6	18.5	16.3	15.7
P/BV (x)	0.8	0.8	0.8	0.8	0.8
Net dividend yield (%)	0.9	1.5	1.6	1.9	1.9
ROAE (%)	4.0	24.7	4.4	4.9	4.9
ROAA (%)	2.0	1.6	2.1	2.2	2.2
EV/EBITDA (x)	60.4	52.2	25.2	24.1	22.8
Net gearing (%) (incl perps)	51.1	45.0	40.6	51.5	55.3
Consensus net profit	-	-	464	580	na
MKE vs. Consensus (%)	-	-	16.4	5.6	na

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HOLD

Share Price	MYR 1.68
12m Price Target	MYR 1.79 (+7%)
Previous Price Target	MYR 1.72

Company Description

Sunway Bhd is involved in property development, investment properties and construction businesses

Statistics

52w high/low (MYR)	1.81/1.48
3m avg turnover (USDm)	0.4
Free float (%)	26.6
Issued shares (m)	4,934
Market capitalisation	MYR8.3B
	USD2.0B

Major shareholders:

Active Equity Sdn. Bhd.	60.1%
Employees Provident Fund	8.5%
AIA Bhd.	2.7%

Price Performance



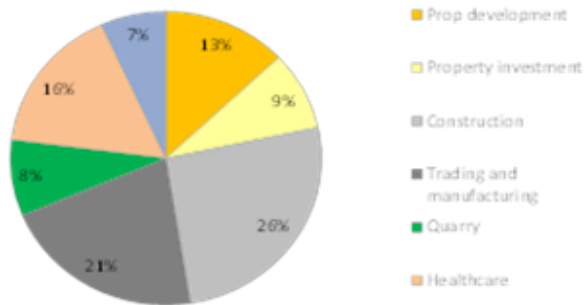
	-1M	-3M	-12M
Absolute (%)	(1)	0	13
Relative to index (%)	(6)	(5)	12

Source: FactSet

Value Proposition

- A conglomerate with core business in property development and businesses in other sectors comprising property investment, construction, building materials, leisure and healthcare.
- Property development landbank is located throughout Malaysia. Sunway also has property projects in Singapore (in partnership with Hoi Hup), India and China.
- Sunway also owns a 41% stake in SunREIT (SREIT MK, HOLD, TP: MYR1.45) and 55% in SCG (SCGB MK, HOLD, TP: MYR1.58).

PBT (FY20) breakdown by businesses



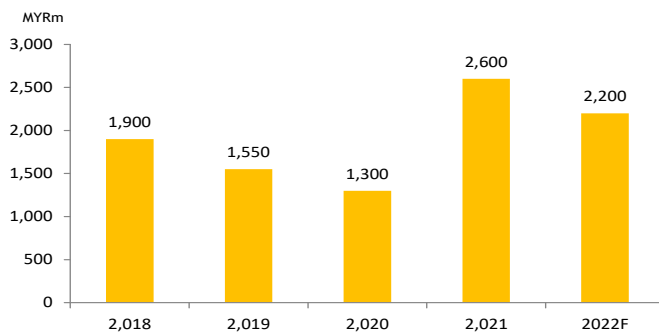
Source: Company

Financial Metrics

Effective unbilled sales (property) stood at MYR3.5b (or 2.9x our FY22F property revenue) as at Dec 21.

- Sunway targets to achieve MYR2.2b in property sales in 2022.

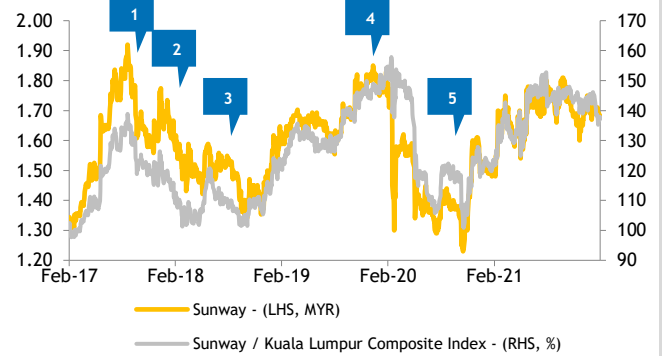
Sunway's effective sales trend (actual and target) (MYRm)



Source: Company

Price Drivers

Historical share price trend



Source: Company, Maybank IBG Research

1. June 2017: Proposed bonus issue of new shares and free warrants. Also announced plans to list healthcare business by 2022.
2. 1H18: Weak sentiment on property stocks pre-GE14.
3. 2H18: Weak sentiment on property stocks pre Budget 2019.
4. 2020: Proposed fund raising via the issuance of ICPS
5. 2021: Stake sale in healthcare business to GIC (source: Bursa Malaysia).

Swing Factors

Upside

- RNAV-accretive land acquisitions.
- Higher-than-expected job wins at its construction business under SCG.

Downside

- Slow-than-expected property sales and longer-than-expected downturn in the property sector.
- Country/currency risks as Sunway has property projects in Singapore and China.

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Fig. 1: Results summary table - Sunway

FY Dec (MYRm)	Quarterly					Cumulative		
	4Q21	4Q20	%YoY	3Q21	%QoQ	2021	2020	%YoY
Revenue	1,243.8	1,095.7	13.5	856.9	45.2	3,629.8	3,208.8	13.1
- Property dev	182.6	183.9	-0.7	197.1	-7.3	624.2	494.6	26.2
- Property inv	133.4	42.2	>+100	58.0	>+100	312.3	330.1	-5.4
- Construction	379.6	424.6	-10.6	192.7	97.0	1,111.7	990.2	12.3
- Trading	229.9	245.8	-6.5	186.4	23.3	839.8	812.1	3.4
- Quarry	105.7	109.8	-3.7	84.3	25.4	253.4	321.4	-21.1
- Others	212.6	89.5	>+100	138.4	53.6	488.3	260.3	87.6
PBIT	237.1	26.7	789.5	51.5	360.0	327.1	232.7	40.6
Finance costs	2.8	44.8	-93.7	12.1	-76.6	54.9	26.6	>+100
Other income	16.7	164.7	-89.8	20.7	-19.3	83.7	230.8	-63.7
Pretax profit	256.6	236.2	8.7	84.4	204.1	465.7	490.1	-5.0
- Property dev	64.4	222.2	-71.0	44.6	44.2	152.6	291.9	-47.7
- Property inv	36.8	-79.3	>+100	-12.3	>+100	-8.3	-27.4	69.6
- Construction	91.1	39.0	>+100	21.4	>+100	148.8	105.1	41.6
- Trading	9.0	11.0	-18.1	6.7	35.7	37.9	24.5	54.7
- Quarry	4.4	5.6	-21.3	2.5	77.4	9.4	14.8	-36.5
- Others	50.9	37.7	35.2	21.6	>+100	125.5	81.3	54.4
Pretax profit ex-EI	238.2	284.1	-16.1	84.4	182.3	447.3	549.5	-18.6
Taxation	-73.0	-45.4	-61.0	-18.6	>-100	-116.3	-102.6	-13.3
Minority interest*	-48.0	-14.0	>-100	-14.1	>-100	-74.6	-47.6	-56.7
Net profit	2,455.4	199.3	>+100	81.1	>+100	2,665.4	357.3	>+100
Net profit ex-EI	159.3	246.5	-35.4	81.1	96.4	369.3	421.0	-12.3
Exceptional item (pretax)	-18.4	47.9	>-100	0.0	NA	-18.4	64.4	>-100
	4Q21	4Q20	+/- ppt	3Q21	+/- ppt	2021	2020	+/- ppt
Pretax margin (%)	20.6	21.6	-0.9	9.8	10.8	12.3	17.1	-4.8
- Property dev	35.2	120.9	-85.6	22.6	12.6	24.4	59.0	-34.6
- Property inv	27.6	-187.9	215.5	-21.2	48.8	-2.7	-8.3	5.6
- Construction	24.0	9.2	14.8	11.1	12.9	13.4	10.6	2.8
- Trading	3.9	4.5	-0.6	3.6	0.4	4.5	3.0	1.5
- Quarry	4.2	5.1	-0.9	2.9	1.2	3.7	4.6	-0.9
- Others	24.0	42.1	-18.2	15.6	8.4	25.7	31.2	-5.5
Tax rate (%)	-30.7	-16.0	-14.7	-22.0	-8.6	-26.0	-18.7	-7.3

Source: Company

Our RNAV estimate

	Stake	Acres	MV (MYR m)	BV (MYR m)	Surplus (MYR m)
1. Landbank - MARKET VALUE					
Sunway Semenyih	70%	526.1	572.9	128.0	311.5
Suncity Ipoh	96%	336.4	58.6	58.7	(0.1)
Sunway Integrated Resort	100%	7.7	4.8	8.3	(3.5)
Sunway Tower KL 1	100%	1.9	122.8	28.3	94.5
Sunway JB, Bukit Lenang	80%	49.9	54.3	134.5	(64.1)
Sg Long Balakong	80%	111	140.2	21.8	94.8
Mont Putra Rawang	100%	163	49.7	35.1	14.6
Sunway Iskandar - Pendas, freehold	60%	1079	1175.1	596.6	347.1
Sub-total (1)					794.8
2. Active developments - WACC (10.5-13.1%)					
	Stake				(MYR m)
South Quay	100%				303.5
Sunway Cheras	100%				1.4
Bangi	100%				2.2
Casa Kiara III	80%				15.4
Sunway Velocity	85%				123.7
Penang projects	100%				20.0
Wonderland Business Park, Australia	31%				0.5
Mount Sophia	30%				5.4
Sunway Iskandar -leasehold (Medini)	51%				299.2
Kelana Jaya	100%				95.1
Industrial projects at Kelana Jaya and Subang	100%				10.0
Sunway Velocity extension	50%				82.8
Belfield	100%				106.4
Kajang	100%				36.4
Subang	100%				68.9
Wangsamaju	55%				15.8
PKNS Kota Damansara	60%				31.0
Pasir Panjang	30%				35.4
Tanjong Katong	30%				93.7
Sub-total (2):					1,346.8
3. Investment properties - MARKET VALUE					
	Stake		MV	BV	Surplus
			(MYR m)	(MYR m)	(MYR m)
Sunway Velocity Mall	59%		1,600	1,172	252.3
Sub-total (3)					252.3

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	Surplus (MYR m)
4. Other businesses or assets	
Valuation for SunREIT on Maybank IB's MYR1.45 TP	131.8
Valuation for SCG based on Maybank IB's MYR1.58 TP	961.4
Healthcare (30x 2022 PER)	2,390.2
Building material (10x 2022 PER)	154.1
Trading (10x 2022 PER)	308.2
Sub-total (4)	3,945.7
Grand total = (1) + (2) + (3) + (4)	6,339.6
Shareholders' funds (MYR m) - Dec 2021	12,034.8
Proceeds from warrants (MYR1.56 exercise price; expiring in Oct 2024)	1,044.4
RNAV (MYR m)	19,418.8
Number of shares (m)	4,934.0
Number of warrants (m)	669.5
ICPS	977.8
FD RNAV/share (MYR)	2.95

Source: Maybank IBG Research

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Metrics					
P/E (reported) (x)	20.8	3.7	18.3	16.1	15.5
Core P/E (x)	19.0	27.3	18.3	16.1	15.5
Core FD P/E (x)	19.0	27.6	18.5	16.3	15.7
P/BV (x)	0.8	0.8	0.8	0.8	0.8
P/NTA (x)	0.8	0.8	0.8	0.7	0.7
Net dividend yield (%)	0.9	1.5	1.6	1.9	1.9
FCF yield (%)	nm	0.9	6.5	nm	nm
EV/EBITDA (x)	60.4	52.2	25.2	24.1	22.8
EV/EBIT (x)	60.4	52.2	26.7	25.6	24.1

INCOME STATEMENT (MYR m)

Revenue	3,208.8	3,714.2	5,945.5	6,600.4	7,095.8
EBITDA	232.7	327.1	652.1	748.3	826.1
Depreciation	0.0	0.0	(37.9)	(42.0)	(46.3)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	232.7	327.1	614.2	706.3	779.8
Net interest income / (exp)	26.6	54.9	(152.8)	(185.9)	(205.9)
Associates & JV	230.8	83.7	254.4	274.9	236.8
Exceptionals	64.4	(18.4)	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	490.1	465.7	715.8	795.3	810.7
Income tax	(102.6)	(116.2)	(100.2)	(111.3)	(113.5)
Minorities	(47.6)	(74.6)	(75.5)	(71.8)	(62.0)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	357.3	2,665.4	540.1	612.1	635.2
Core net profit	421.0	369.3	540.1	612.1	635.2

BALANCE SHEET (MYR m)

Cash & Short Term Investments	2,238.4	2,814.0	3,252.4	1,598.5	1,850.0
Accounts receivable	2,433.2	2,483.8	3,976.0	4,414.0	4,745.3
Inventory	2,074.7	2,423.0	3,878.7	4,305.9	4,629.1
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	2,620.7	1,262.8	1,400.6	1,542.7	1,688.9
Intangible assets	350.7	432.8	432.8	432.8	432.8
Investment in Associates & JVs	4,350.0	8,897.1	7,270.2	8,729.6	9,400.2
Other assets	7,025.4	6,773.4	6,674.6	6,674.6	6,674.6
Total assets	21,093.1	25,086.9	26,885.3	27,698.1	29,420.9
ST interest bearing debt	5,261.1	4,093.8	4,093.8	4,093.8	5,093.8
Accounts payable	2,453.1	2,470.6	3,954.9	4,390.6	4,720.1
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	2,250.7	4,621.7	4,621.7	4,621.7	4,621.7
Other liabilities	818.0	777.0	765.0	765.0	765.0
Total Liabilities	10,782.6	11,963.4	13,435.1	13,870.8	15,200.3
Shareholders Equity	9,513.2	12,034.8	12,361.5	12,738.6	13,132.0
Minority Interest	797.4	1,088.7	1,088.7	1,088.7	1,088.7
Total shareholder equity	10,310.6	13,123.5	13,450.2	13,827.3	14,220.6
Total liabilities and equity	21,093.1	25,086.9	26,885.3	27,698.1	29,420.9

CASH FLOW (MYR m)

Pretax profit	490.1	465.7	715.8	795.3	810.7
Depreciation & amortisation	0.0	0.0	37.9	42.0	46.3
Adj net interest (income)/exp	167.6	124.8	(152.8)	(185.9)	(205.9)
Change in working capital	117.3	178.5	1,082.2	(1,034.0)	(104.7)
Cash taxes paid	(61.3)	(104.1)	(100.2)	(111.3)	(113.5)
Other operating cash flow	155.3	(2,015.0)	0.0	0.0	0.0
Cash flow from operations	886.5	1,038.4	1,582.8	(494.0)	432.9
Capex	(957.0)	(946.5)	(946.5)	(946.5)	(946.5)
Free cash flow	(70.5)	91.9	636.3	(1,440.5)	(513.6)
Dividends paid	(253.6)	(179.8)	(198.0)	(213.4)	(235.0)
Equity raised / (purchased)	179.0	0.2	0.0	0.0	0.0
Change in Debt	(786.8)	1,203.7	0.0	0.0	1,000.0
Other invest/financing cash flow	(183.7)	(656.4)	0.0	0.0	0.0
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	(1,115.6)	459.7	438.3	(1,653.8)	251.5

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Ratios					
Growth ratios (%)					
Revenue growth	(32.9)	15.8	60.1	11.0	7.5
EBITDA growth	(59.2)	40.6	99.4	14.8	10.4
EBIT growth	(59.2)	40.6	87.8	15.0	10.4
Pretax growth	(43.4)	(5.0)	53.7	11.1	1.9
Reported net profit growth	(49.6)	646.1	(79.7)	13.3	3.8
Core net profit growth	(33.7)	(12.3)	46.2	13.3	3.8
Profitability ratios (%)					
EBITDA margin	7.3	8.8	11.0	11.3	11.6
EBIT margin	7.3	8.8	10.3	10.7	11.0
Pretax profit margin	15.3	12.5	12.0	12.0	11.4
Payout ratio	20.8	5.5	30.0	30.0	30.0
DuPont analysis					
Net profit margin (%)	11.1	71.8	9.1	9.3	9.0
Revenue/Assets (x)	0.2	0.1	0.2	0.2	0.2
Assets/Equity (x)	2.2	2.1	2.2	2.2	2.2
ROAE (%)	4.0	24.7	4.4	4.9	4.9
ROAA (%)	2.0	1.6	2.1	2.2	2.2
Leverage & Expense Analysis					
Asset/Liability (x)	2.0	2.1	2.0	2.0	1.9
Net gearing (%) (incl perps)	51.1	45.0	40.6	51.5	55.3
Net gearing (%) (excl. perps)	51.1	45.0	40.6	51.5	55.3
Net interest cover (x)	na	na	4.0	3.8	3.8
Debt/EBITDA (x)	nm	nm	13.4	11.6	11.8
Capex/revenue (%)	29.8	25.5	15.9	14.3	13.3
Net debt/ (net cash)	5,273.4	5,901.5	5,463.1	7,117.0	7,865.5

Source: Company; Maybank

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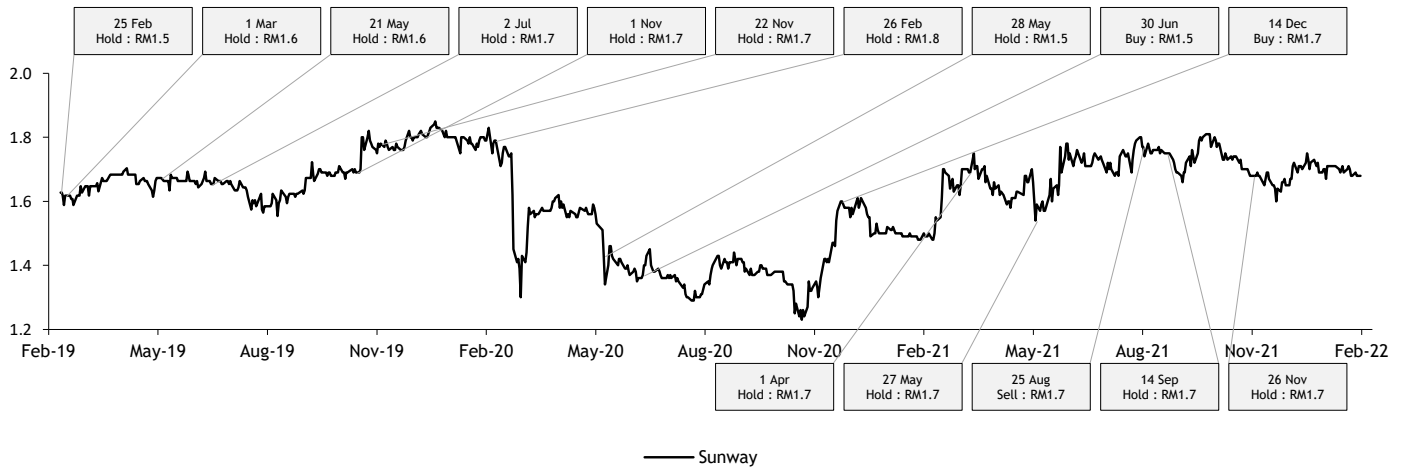
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