Shariah Compliant

14 February 2025

Property | Real Estate

Sunway (SWB MK)

Buy (Maintained)

Establishing a Presence At The Gateway To Singapore

Target Price (Return):	MYR5.77 (+25%)
Price (Market Cap):	MYR4.62 (USD6,385m)
ESG score:	3.4 (out of 4)
Avg Daily Turnover (MYR/USD)	49.4m/11.1m

- **Maintain BUY, with new MYR5.77 TP from MYR5.75, 25% upside.** We are upbeat on Sunway's new integrated mixed-use development in Bukit Chagar, Johor Bahru, worth a GDV of MYR2.6bn. With this sizeable presence at the Johor Bahru-Singapore Rapid Transit System (RTS) Link Station, Sunway is cementing its strategic foothold at the first (causeway) and second (via the ongoing Sunway City Iskandar Puteri project) link to Singapore. It also has two parcels of land for development at Tengah Plantation Close in Singapore near the second link, well positioned to capture the benefits arising from the Johor-Singapore Special Economic Zone (JS-SEZ).
- **Master agreement with MRT Corp.** Yesterday, Sunway announced that it entered into a master agreement with MRT Corp comprising the development rights awarded by MRT Corp on a 4.23-acre land (for four residential/commercial towers), right to construct a multi-storey structure consisting of a retail mall, carparks and park and ride facility, as well as other necessary constructions connected to the Immigration, Customs and Quarantine Complex (ICQC). MRT Corp shall be entitled to a total development rights value (DRV) of MYR450.8m.
- **Reasonable land cost given high plot ratio.** The DRV translates to a land cost of roughly MYR2,447 psf. We think the price is justifiable given the plot ratio of 10-12x, strategic location and future connectivity to ICQC. The 4.23-acre land is right next to the upcoming Bukit Chagar RTS station. Apart from residential and retail, the mixed-use development may also comprise some wellness/healthcare and hospitality components. All these, together with the connections among various development components, are essentially Sunway's expertise based on its track record in developing Bandar Sunway in the Klang Valley.
- **Maintain earnings forecasts.** As the residential component will only see its maiden launch in 2028, we make no changes to our earnings forecasts. Given the incremental value to our RNAV, our SOP-based TP is now raised to MYR5.77.
- **Growth prospects in Iskandar Malaysia remain strong.** Sunway is one of the proxies for Iskandar Malaysia property play. The recent share price weakness represents a good entry for investors. While market sentiment has been hit by the US artificial intelligence (AI) chip restriction, the growth prospects for Iskandar Malaysia remain promising. Just two days ago, AirTrunk announced plans to develop its second cloud and AI-ready data centre in Iskandar Puteri. The 16 economic sectors to be promoted under the JS-SEZ should continue to drive foreign investments into Johor.
- **ESG.** Our TP includes an 8% ESG premium.

Analyst

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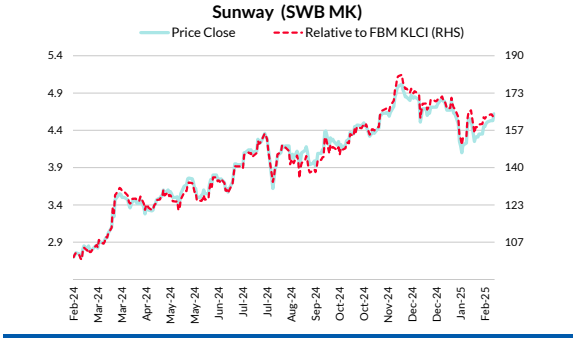
Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(3.6)	2.9	(0.2)	10.3	69.2
Relative	(1.2)	1.8	0.3	10.7	64.5
52-wk Price low/high (MYR)					2.71 –5.02



Source: Bloomberg

Forecasts and Valuation	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Total turnover (MYRm)	5,195	6,140	6,753	7,190	7,526
Recurring net profit (MYRm)	677	816	873	915	961
Recurring net profit growth (%)	155.1	20.6	7.0	4.7	5.1
Recurring EPS (MYR)	0.12	0.14	0.14	0.15	0.15
DPS (MYR)	0.06	0.05	0.06	0.06	0.07
Recurring P/E (x)	40.05	33.63	32.37	31.22	30.00
P/B (x)	2.16	1.98	1.96	1.91	1.86
Dividend Yield (%)	1.2	1.1	1.2	1.3	1.4
Return on average equity (%)	5.5	5.6	6.2	6.2	6.3
Net debt to equity (%)	52.3	43.4	42.8	40.9	37.1

Source: Company data, RHB

Overall ESG Score: 3.4 (out of 4)

E Score: 3.3 (EXCELLENT)
S Score: 3.3 (EXCELLENT)
G Score: 3.7 (EXCELLENT)
Please refer to the ESG analysis on the next page

Emissions And ESG

Trend analysis

In FY22, Scope 1 emissions: Increased to 65,329 tonnes of CO2 equivalents (FY21: 53,765 tonnes of CO2 equivalents) and Scope 2 increased to 55,813tn (FY21: 42,307 tonnes of CO2 equivalents).

Emissions (tCO2e)	Dec-21	Dec-22	Dec-23	Dec-24
Scope 1	53,765	65,329	na	na
Scope 2	42,307	55,813	na	na
Scope 3	41,432	64,603	na	na
Total emissions	137,504	185,745	na	na

Source: Company data, RHB

Latest ESG-Related Developments

Sunway is a constituent of FTSE4Good Bursa Malaysia Index. It aims to be carbon neutral by 2050.

ESG Unbundled

Overall ESG Score: 3.4 (out of 4)

Last Updated: 13 February 2025

E Score: 3.3 (EXCELLENT)

Sunway City is a Green Building Index (GBI) certified township. The company managed to avoid 40,131 tonnes of CO2e from 2015-2019, and 1% of its electricity is from renewable sources (in 2019). Its main townships also have more than 40% open space, with greenscapes and bluescapes.

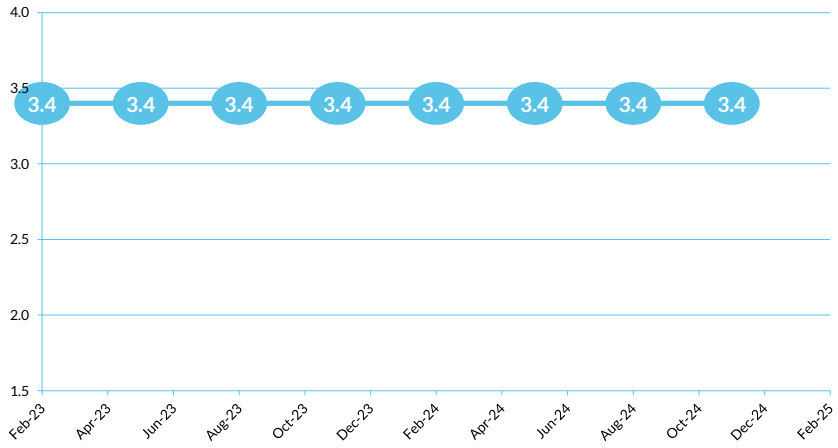
S Score: 3.3 (EXCELLENT)

Sunway has made donations to aid the underserved communities in the B40 group, people with disabilities, youth, women, children and senior citizens. The Good Run in Oct 2019 managed to raise MYR275k to support medical treatment costs for cancer patients of the B40 group.

G Score: 3.7 (EXCELLENT)

56% of board members are independent. Sunway has an in-house investor relations team that is easily accessible, and holds investor meetings, embodying good transparency and disclosure practices.

ESG Rating History



Source: RHB

Financial Exhibits

Asia
Malaysia
Property
Sunway
SWB MK
Buy

Valuation basis

20% discount to property RNAV, 13x P/E for trading/building material division, 26x EV/EBITDA for healthcare division, and 0% holding co discount

Key drivers

New property sales, disposal of investment properties

Key risks

Weaker-than-expected market conditions

Company Profile

Sunway is a well-known developer in the Klang Valley. Its flagship project - Bandar Sunway is a well-established integrated township. The company has successfully transformed a mining land to a matured residential and commercial cluster.

Financial summary (MYR)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Recurring EPS	0.12	0.14	0.14	0.15	0.15
EPS	0.12	0.12	0.14	0.15	0.15
DPS	0.06	0.05	0.06	0.06	0.07
BVPS	2.14	2.33	2.35	2.42	2.48
Return on average equity (%)	5.5	5.6	6.2	6.2	6.3
Return on average assets (%)	2.6	2.7	3.0	3.0	3.1

Valuation metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Recurring P/E (x)	40.05	33.63	32.37	31.22	30.00
P/B (x)	2.2	2.0	2.0	1.9	1.9
Dividend Yield (%)	1.2	1.1	1.2	1.3	1.4
EV/EBITDA (x)	49.37	43.56	41.70	38.05	36.52

Income statement (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Total turnover	5,195	6,140	6,753	7,190	7,526
Gross profit	1,353	1,514	1,679	1,817	1,908
EBITDA	714	806	868	961	1,002
Depreciation and amortisation	(130)	(141)	(130)	(137)	(140)
Operating profit	583	664	738	824	862
Net interest	(14)	(68)	18	(8)	(3)
Pre-tax profit	920	993	1,180	1,288	1,354
Taxation	(167)	(138)	(212)	(271)	(284)
Reported net profit	677	738	873	915	961
Recurring net profit	677	816	873	915	961

Cash flow (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Change in working capital	(661)	(449)	(134)	(216)	(166)
Cash flow from operations	145	426	815	744	827
Capex	(373)	(455)	(571)	(332)	(92)
Cash flow from investing activities	(929)	(159)	(427)	(101)	217
Dividends paid	(323)	(295)	(337)	(371)	(406)
Cash flow from financing activities	62	1,087	(431)	(464)	(498)
Cash at beginning of period	2,817	1,959	2,314	2,267	2,378
Net change in cash	(722)	1,353	(42)	179	546
Ending balance cash	2,095	3,312	2,272	2,445	2,925

Balance sheet (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Total cash and equivalents	1,959	3,140	3,092	3,204	3,594
Tangible fixed assets	17,677	17,980	18,420	18,615	18,567
Intangible assets	441	454	454	454	454
Total other assets	61	99	336	538	720
Total assets	26,058	28,613	29,713	30,677	31,552
Short-term debt	4,919	6,018	6,018	6,018	6,018
Total long-term debt	4,137	3,633	3,766	3,843	3,870
Total liabilities	12,496	13,615	14,084	14,401	14,612
Shareholders' equity	12,529	13,855	14,391	14,935	15,491
Minority interests	1,033	1,143	1,238	1,341	1,449
Total equity	13,562	14,998	15,629	16,276	16,940
Total liabilities & equity	26,058	28,613	29,713	30,677	31,552

Key metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Revenue growth (%)	39.9	18.2	10.0	6.5	4.7
Recurring net profit growth (%)	155.1	20.6	7.0	4.7	5.1
Recurrent EPS growth (%)	155.1	19.1	3.9	3.7	4.1
Gross margin (%)	26.0	24.7	24.9	25.3	25.4
Recurring net profit margin (%)	13.0	13.3	12.9	12.7	12.8
Dividend payout ratio (%)	47.7	40.0	38.5	40.5	42.2

Source: Company data, RHB

Figure 1: Location of the land

Source: Company data

Figure 2: RNAV estimate

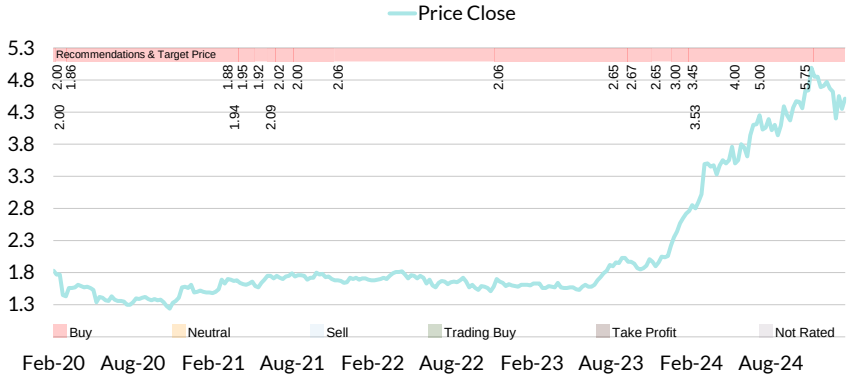
Developments	Remaining Landbank (acre)	Remaining GDV (MYR m)	Effective stake	NPV @ 9%
Selangor/KL				
Sunway Damansara	13.19	938.30	60%	75.5
Sunway South Quay	32.90	2,486.70	100%	320.7
Sunway Monterez	4.40	38.00	60%	2.8
Sunway Semenyih	523.11	728.59	70%	47.5
Sunway Cheras	2.92	4.50	100%	0.4
Sunway Duta	3.16	120.00	60%	6.4
Sunway Resort City	7.7	660	100%	96.0
Sunway Living Space (Sri Hartamas)	5.09	850.00	100%	85.7
Sunway Velocity 2	1.01	80.00	60%	4.3
Sunway Velocity 3	5.50	1,200.00	60%	81.2
New land in Cochrane	5.52	1,150.00	100%	134.9
Sunway Tower KL 1	0.92	240.00	100%	20.4
Sunway Termuning	31.20	13.59	80%	0.8
Mont Putra, Rawang	158.00	156.00	100%	13.2
Kelana Jaya	13.96	860.00	100%	70.0
Sunway Belfield	1.65		100%	-
Jernih Residence, Kajang	2.44	264.00	60%	12.4
USJ 1	14.80	1,400.00	100%	114.1
Mutiara Bukit Jalil	8.02	697.00	100%	54.6
Kuang land	245.00	2,000.00	100%	139.6
Dengkil (Emerald Tycoon)	61.23	813.90	100%	40.9
Taman Taynton (next to Sunway Alishan)	17.58	3,200.00	100%	151.7
Perak				
Sunway City Ipoh	324.1	3,746.38	96%	502.3
Penang				
Sunway Wellesley, Bukit Mertajam	50.66	710.47	100%	68.9
Paya Terubong	19.79	1,500.00	100%	133.3
Sunway Tunas, Balik Pulau	9.37	20.60	100%	1.6
Sunway Betong, Balik Pulau	19.87	16.80	100%	1.3
S'pore				
Terra Hills Pasir Panjang	4.79	2,873.00	30%	76.6
The Continuum Tanjong Katong	6.06	7,480.00	30%	114.3
Tengah Plantation Close 1	4.06	2,591.50	35%	69.9
Tengah Plantation Close 2	5.00	2,982.00	35%	73.7
Tampines mixed-use	5.80	4,995.00	35%	126.3
Johor				
Bukit Lenang	30.48	850.00	80%	87.9
Medini	530.44	10,505.00	60%	604.1
Pendas	1,071.47	18,000.00	100%	1,217.7
Bukit Chagar, RTS mixed-use development	4.23	2,600.00	100%	194.0
China				
Tianjin Phase 3	5.87	688.80	60%	29.4
Unbilled sales				585.0
TOTAL	**4,049.34**	**87,768.59**		**5,396.74**

Investment properties	Est. market value (MYR m)	Book value (MYR m)	Equity interest	Net surplus (MYR m)
Monash University Campus	375.0	375.0	100%	0
Monash U Residence	465.0	465.0	100%	0
Sunway Geo Tower	180.0	112.0	100%	68.0
Sunway Hotel Georgetown	60.0	37.6	100%	22.4
Sunway Hotel Phnom Penh	17.0	17.0	53%	0
Sunway Hotel Hanoi	1.0	1.0	100%	0
Sunway Giza	52.0	52.0	60%	0
Sunway Velocity Mall	3,040.0	908.5	59%	1,257.6
Sunway Citrine Hub	42.0	42.0	60%	0.0
Sunway Geo Avenue	100.0	47.0	100%	53.0
Sunway Big Box retail hub	220.0	220.0	100%	0.0
Sunway Visio Tower	100.0	100.0	100%	0.0
Sunway V Office	160.0	160.0	100%	0.0
Subtotal				6,744.70
Shareholders' equity (ex cons. & healthcare)				13,854.57
Total				20,599.27
Discount to Property RNAV				20%
Discounted Property RNAV				16,479.42

Other divisions	Market value (MYR m)	Book value (MYR m)	Est. FY25 earnings (MYR m)	PE target (x)	Equity value surplus (MYR m)
40.9% Sunway REIT	2,717.4	1,479.0			1,238.45
54.6% Sunway Construction	3,882.6	844.0			3,038.57
Others			148	13	1,924.00
			Est. FY25 EBITDA	**EV/EBITDA (x)**	**Equity value**
84% Sunway Healthcare			568.6	26	11,829.60
Total					34,510.04
ESOS proceeds					151.21
Warrants conversion @ MYR1.35					227.26
Total RNAV					34,888.51
Holding company discount					0%
Discounted RNAV					34,888.51
Share base (mil) incl. warrants & ICPS					6,525.86
Intrinsic value					5.35
ESG premium					8%
TP (MYR)					5.77

Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-11-26	Buy	5.75	4.94
2024-07-18	Buy	5.00	4.09
2024-05-22	Buy	4.00	3.66
2024-02-22	Buy	3.53	2.80
2024-02-16	Buy	3.45	2.76
2024-01-07	Buy	3.00	2.22
2023-11-22	Buy	2.65	1.94
2023-09-28	Buy	2.67	1.99
2023-08-17	Buy	2.65	1.92
2023-01-12	Buy	2.06	1.61
2022-11-28	Buy	2.06	1.58
2022-08-24	Buy	2.06	1.66
2022-05-26	Buy	2.06	1.74
2021-11-25	Buy	2.06	1.68
2021-08-25	Buy	2.00	1.77

Source: RHB, Bloomberg

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