

13 September 2023

Property | Real Estate

Sunway (SWB MK)

Buy (Maintained)

New Strategic Land In Singapore; Keep BUY

Target Price (Return): MYR2.65 (+38%)
 Price (Market Cap): MYR1.92 (USD2,035m)
 ESG score: 3.4 (out of 4)
 Avg Daily Turnover (MYR/USD) 11.5m/2.46m

- **Maintain BUY and MYR2.65 TP, 38% upside and c.3% yield.** We are upbeat with Sunway's successful tender of a new piece of land at Tengah Plantation Close in Singapore. As the location is close to the proposed Kuala Lumpur-Singapore High Speed Rail (HSR) station at Jurong East, the group is now not only anchoring its presence at Iskandar Puteri but also making a small but strategic presence on the Singapore side. We continue to like Sunway as it is also one of the key Johor thematic play.
- **New land in Singapore.** Sunway and Hoi Hup Realty Pte Ltd (35:65) have been awarded a land parcel (measuring 16,441 sqm) at Tengah Plantation Close at the tender price of SGD348.5m (or MYR1.2bn). The land is for a 99-year lease executive condominium development, and the completion of the project would be 60 months (or earlier), commencing 11 Sep 2023.
- **The land is close to the proposed HSR Jurong East station.** We are very upbeat with the successful tender, as the land at Tengah Plantation Close is near to the proposed HSR station at Jurong East. According to our Singapore property analyst Vijay Natarajan, the demand – especially for executive condominiums – is typically strong in that area, and the ASP is likely to be about SGD1,450 psf. Therefore, given the maximum GFA of 46,036 sqm, the estimated GDV would be around SGD719m (or MYR2.47bn). The site is also close to the future Tengah Plantation and Tengah Park MRT stations, as well as other amenities within 1km include Jurong Primary School, Bukit Batok Secondary School, Le Quest Shopping Mall etc.
- **Right time to replenish landbank in Singapore.** Also, we are not surprised by Sunway's addition of new land in Singapore, given the group has depleted all of its land parcels in Singapore, with the latest two launches of Terra Hills in Pasir Panjang and The Continuum at Thiam Siew Avenue in February and April this year. Despite the regulatory tightening, take-up rates for both projects reached 36% and 27% as at 2Q23. Historically, Sunway has done well in almost all of its Singapore projects, which have been a big contributor to total annual sales.
- **Earnings impact in later years.** We make no changes to our FY23F-25F earnings as the executive condominium project is expected to be launched in early 2025, and earnings from this project will be recognised only upon completion.
- **Maintain TP.** The new land has minimal impact to our RNAV estimate and consequently, our TP. Our SOP valuation includes an 8% ESG premium given the 3.4 ESG score for the company.

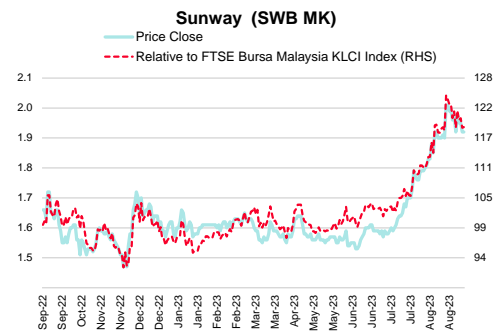
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	18.5	4.9	25.5	17.8	15.7
Relative	21.3	5.2	20.7	16.4	18.7
52-wk Price low/high (MYR)				1.47	2.01



Source: Bloomberg

Forecasts and Valuation	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
Total turnover (MYRm)	3,714	5,195	5,417	5,831	6,388
Recurring net profit (MYRm)	265	677	721	785	847
Recurring net profit growth (%)	(42.5)	155.1	6.5	8.8	8.0
Recurring EPS (MYR)	0.05	0.12	0.12	0.13	0.14
DPS (MYR)	0.03	0.06	0.05	0.06	0.06
Recurring P/E (x)	42.47	16.65	15.78	14.64	13.70
P/B (x)	0.94	0.90	0.88	0.86	0.84
Dividend Yield (%)	1.4	2.9	2.6	2.9	3.1
Return on average equity (%)	2.7	5.5	5.7	6.0	6.2
Net debt to equity (%)	44.9	52.3	53.0	51.0	49.7

Source: Company data, RHB

Overall ESG Score: 3.4 (out of 4)

E: 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: 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: 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.

Financial Exhibits

Asia	Financial summary (MYR)	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
Malaysia	Recurring EPS	0.05	0.12	0.12	0.13	0.14
Property	EPS	0.05	0.12	0.12	0.13	0.14
Sunway	DPS	0.03	0.06	0.05	0.06	0.06
SWB MK	BVPS	2.05	2.14	2.19	2.24	2.30
Buy	Return on average equity (%)	2.7	5.5	5.7	6.0	6.2
	Return on average assets (%)	1.3	2.6	2.7	2.8	3.0
Valuation basis						
SOP – 40% discount to property RNAV, 12x P/E for trading/building material division, 18.5x EV/EBITDA for healthcare division, and 10% 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						
	Valuation metrics	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
	Recurring P/E (x)	42.47	16.65	15.78	14.64	13.70
	P/B (x)	0.9	0.9	0.9	0.9	0.8
	Dividend Yield (%)	1.4	2.9	2.6	2.9	3.1
	EV/EBITDA (x)	39.88	25.90	27.73	23.41	21.13
	Income statement (MYRm)	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
	Total turnover	3,714	5,195	5,417	5,831	6,388
	Gross profit	798	1,353	1,346	1,495	1,642
	EBITDA	458	749	719	860	968
	Depreciation and amortisation	(131)	(130)	(124)	(133)	(139)
	Operating profit	327	618	595	728	829
	Net interest	55	(14)	(32)	(52)	(70)
	Pre-tax profit	466	920	1,001	1,090	1,177
	Taxation	(116)	(167)	(200)	(218)	(235)
	Reported net profit	294	677	721	785	847
	Recurring net profit	265	677	721	785	847
	Cash flow (MYRm)	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
	Change in working capital	(468)	(661)	(73)	(56)	(274)
	Cash flow from operations	202	180	688	810	665
	Capex	0	(373)	(692)	(430)	(375)
	Cash flow from investing activities	(2,891)	(929)	(573)	(232)	(107)
	Dividends paid	(163)	(323)	(296)	(329)	(363)
	Cash flow from financing activities	3,318	62	(391)	(423)	(456)
	Cash at beginning of period	2,269	2,817	1,959	1,785	1,900
	Net change in cash	628	(687)	(276)	154	102
	Ending balance cash	2,897	2,130	1,683	1,939	2,002
	Balance sheet (MYRm)	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
	Total cash and equivalents	2,817	1,959	1,785	1,900	1,894
	Tangible fixed assets	16,592	17,677	18,244	18,542	18,779
	Intangible assets	433	441	441	441	441
	Total other assets	60	61	278	461	626
	Total assets	25,087	26,058	27,219	28,098	29,073
	Short-term debt	4,094	4,919	4,919	4,919	4,919
	Total long-term debt	4,622	4,137	4,316	4,426	4,517
	Total liabilities	11,963	12,496	13,152	13,489	13,885
	Shareholders' equity	12,035	12,529	12,954	13,409	13,894
	Minority interests	1,089	1,033	1,113	1,200	1,294
	Total equity	13,123	13,562	14,067	14,609	15,188
	Total liabilities & equity	25,087	26,058	27,219	28,098	29,073
	Key metrics	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
	Revenue growth (%)	(3.1)	39.9	4.3	7.6	9.5
	Recurring net profit growth (%)	(42.5)	155.1	6.5	8.8	8.0
	Recurrent EPS growth (%)	(49.6)	155.1	5.5	7.8	6.9
	Gross margin (%)	21.5	26.0	24.9	25.6	25.7
	Recurring net profit margin (%)	7.1	13.0	13.3	13.5	13.3
	Dividend payout ratio (%)	55.3	47.7	41.1	42.0	42.8

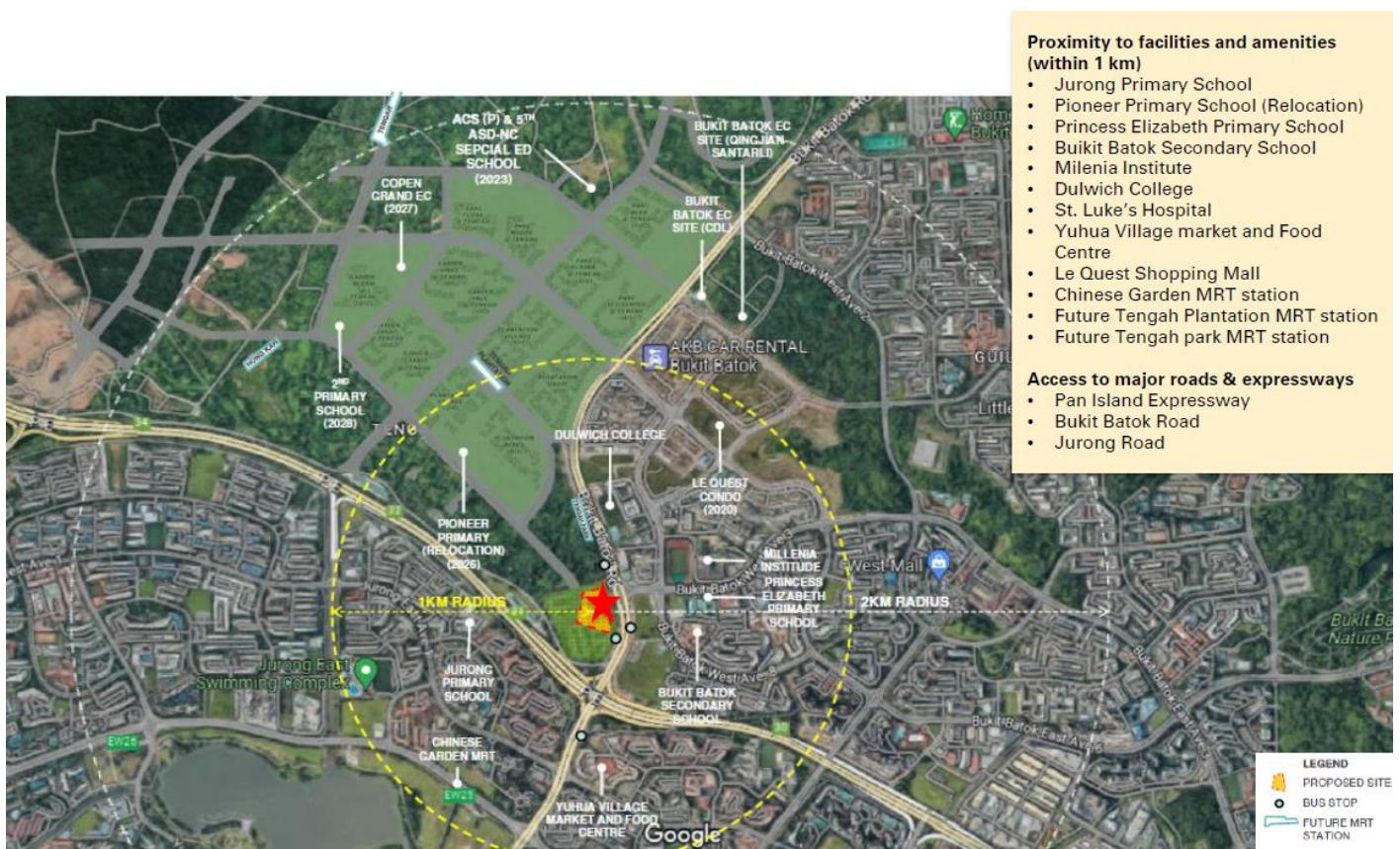
Source: Company data, RHB

Figure 1: Overview of Tengah Plantation Close



Source: Company data

Figure 2: Surrounding facilities and amenities



Source: Company data

Figure 3: RNAV estimate

Developments	Remaining		Effective stake	NPV @ 10%	
	Landbank (acre)	GDV (MYR m)			
Selangor/KL					
Sunway Damansara	13.19	938.30	60%	94.3	
Sunway South Quay	32.90	2,486.70	100%	347.0	
Sunway Monterez	4.40	38.00	60%	3.0	
Sunway Semenyih	523.11	728.59	70%	58.1	
Sunway Cheras	2.92	4.50	100%	0.5	
Sunway Duta	3.16	120.00	60%	7.3	
Sunway Resort City	7.7	660	100%	104.8	
Sunway Living Space (Sri Hartamas)	5.09	850.00	100%	103.4	
Sunway Velocity 2	1.01	80.00	60%	3.3	
Sunway Velocity 3	5.50	1,200.00	60%	65.1	
New land in Cochrane	5.52	1,150.00	100%	108.6	
Sunway Tower KL 1	0.92	240.00	100%	21.5	
Sunway Termuning	31.20	13.59	80%	0.8	
Mont Putra, Rawang	158.00	156.00	100%	13.9	
Kelana Jaya	13.96	860.00	100%	67.4	
Sunway Belfield	1.65		100%	-	
Jernih Residence, Kajang	2.44	264.00	60%	14.2	
USJ 1	14.80	1,400.00	100%	110.5	
Mutiara Bukit Jalil	8.02	697.00	100%	52.3	
Kuang land	245.00	2,000.00	100%	122.6	
Dengkil (Emerald Tycoon)	61.23	813.90	100%	46.3	
Perak					
Sunway City Ipoh	324.1	3,746.38	96%	492.1	
Penang					
Sunway Hills	80.70		100%	-	
Sunway Wellesley, Bukit Mertajam	50.66	710.47	100%	73.4	
Paya Terubong	19.79	1,500.00	100%	143.0	
Sunway Tunas, Balik Pulau	9.37	20.60	100%	2.1	
Sunway Betong, Balik Pulau	19.87	16.80	100%	1.8	
S'pore					
Terra Hills Pasir Panjang	4.79	2,873.00	30%	87.2	
The Continuum Tanjong Katong	6.06	7,480.00	30%	129.6	
Tengah Plantation Close	4.06	2,470.00	35%	44.2	
Johor					
Bukit Lenang	30.48	850.00	80%	64.8	
Medini	530.44	10,505.00	60%	505.6	
Pendas	1,071.47	18,000.00	100%	1,073.1	
China					
Tianjin Phase 3	5.87	688.80	60%	33.5	
Unbilled sales				586.5	
TOTAL	3,522.03	70,370.09		4,617.55	
Investment properties					
	Est. market value	Book value	Equity	Net surplus	
	(MYR m)	(MYR m)	interest	(MYR m)	
Monash University Campus	375.0	375.0	100%	0	
Monash U Residence	465.0	465.0	100%	0	
Sunway Geo Tower	168.0	112.0	100%	56.0	
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	1,900.0	908.5	59%	585.0	
Sunway Velocity Hotel	112.0	112.0	39%		
Sunway Citrine Hub	42.0	42.0	60%	0.0	
Sunway Geo Avenue	94.0	47.0	100%	47.0	
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				5,280.91	
Shareholders' equity (ex cons. & healthcare)				12,872.54	
Total				18,153.45	
Discount to Property RNAV			40%		
Discounted Property RNAV				10,892.07	
Other divisions					
	Market value	Book value	Est. FY24 earnings	PE target	Equity value surplus
	(MYR m)	(MYR m)	(MYR m)	(x)	(MYR m)
40.9% Sunway REIT	2,241.2	1,479.0			762.19
54.6% Sunway Construction	1,468.4	844.1			624.36
Others			70	12	840.00
			Est. FY24 EBITDA	EV/EBITDA (x)	Equity value
84% Sunway Healthcare			225.1	18.5	3,497.83
Total					16,616.46
ESOS proceeds					151.21
Warrants conversion @ MYR1.56					1,044.44
Total RNAV					17,812.11
Holding company discount					10%
Discounted RNAV					16,030.90
Share base (mil) incl. warrants & ICPS					6,525.86
Intrinsic value					2.46
ESG premium					8%
TP (MYR)					2.65

Source: RHB

Recommendation Chart

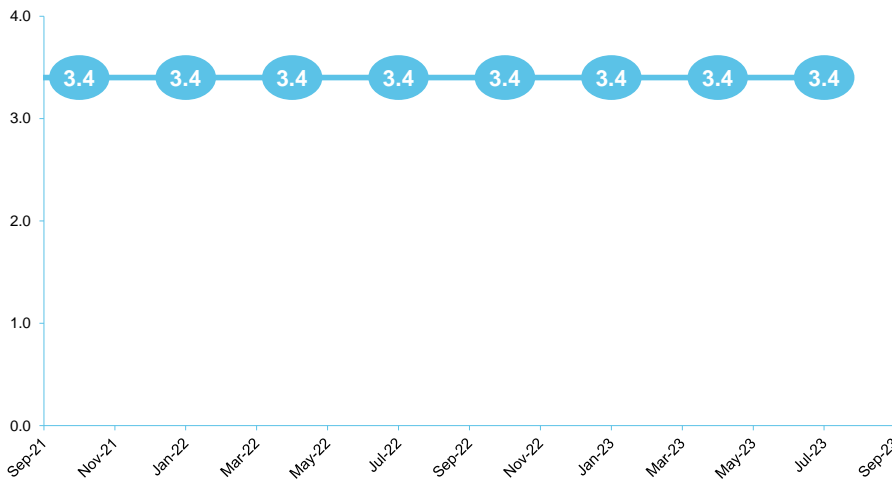


Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
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
2021-07-13	Buy	2.02	1.71
2021-06-24	Buy	2.09	1.73
2021-05-26	Buy	1.92	1.66
2021-04-19	Buy	1.95	1.64
2021-04-01	Buy	1.94	1.69
2021-03-16	Buy	1.88	1.64
2020-03-23	Buy	1.86	1.41
2020-02-26	Buy	2.00	1.79

Source: RHB, Bloomberg

ESG Rating History



Source: RHB

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