



Company report

SUNWAY

(SWB MK EQUITY, SWAY.KL)

14 Sep 2021

Acquires Flynn Park in Singapore for S\$371mil

BUY

(Maintained)

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03-20362300

Rationale for report: Company update

Price	RM1.75
Fair Value	RM2.19
52-week High/Low	RM1.82/RM1.22

Key Changes

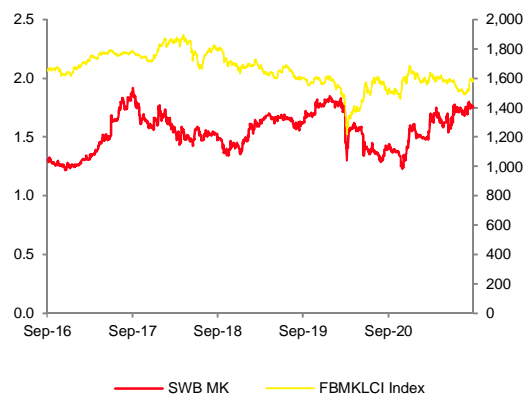
Fair value	↕
EPS	↔

YE to Dec	FY20	FY21F	FY22F	FY23F
Revenue (RM mil)	3,833.3	5,054.2	6,676.2	7,145.3
Core net profit (RM mil)	338.4	383.9	528.9	601.3
FD Core EPS (sen)	6.9	7.8	10.7	12.2
FD Core EPS growth (%)	(51.1)	13.4	37.8	13.7
Consensus Net Profit (RM mil)	-	295.1	468.8	583.6
DPS (sen)	1.5	1.5	2.9	4.9
PE (x)	25.7	22.4	16.4	14.4
EV/EBITDA (x)	45.6	32.8	24.0	21.4
Div yield (%)	0.8	0.8	1.6	2.7
ROE (%)	4.0	4.0	5.3	5.8
Net Gearing (%)	51.2	50.4	52.4	52.9

Stock and Financial Data

Shares Outstanding (million)	4,934.7
Market Cap (RM mil)	8,685.1
Book Value (RM/share)	1.93
P/BV (x)	0.9
ROE (%)	4.0
Net Gearing (%)	51.2
Major Shareholders	SUNGEI WAY CORP SDN (21.7%) EPF (8.5%) NORGES BANK (1.4%)
Free Float	68.4
Avg Daily Value (RM mil)	4.9

Price performance	3mth	6mth	12mth
Absolute (%)	7.3	4.1	24.8
Relative (%)	7.3	6.8	19.2



Investment Highlights

- We maintain BUY recommendation on Sunway while fine-tuning our fair value (FV) to RM2.19/share (from RM2.20/share previously). Our SOP is lowered by 1% due to the removal of completed projects in Brookvale, Sembawang and Tampines which was mostly offset by the acquisition of Flynn Park in Singapore. Our FV also reflects a 3% premium from our 4-star ESG rating (Exhibits 3 & 4).
- A Sunway joint venture won a bid to acquire a 4.8-acre freehold private condominium named Flynn Park, which was first developed in 1986 in Yew Siang Road, Pasir Panjang, Singapore for S\$371mil (RM1.1bil).
- The joint venture comprises Hoi Hup Realty Pte Ltd (70%) and Sunway Developments Pte Ltd (30%) while the proposed deal carries an indicative gross development value (GDV) of S\$750mil (RM2.3bil).
- The acquisition price translates to a fair S\$1,355 psf based on a plot ratio of 1.4 and implies a reasonable cost-to-GDV ratio of 49%. As a comparison, Sunway previously acquired leasehold residentials in Canberra Link, Sembawang and Tampines Avenue 10, Singapore back in 2018 and 2019 with a higher cost-to-GDV ratio of 54%. Thus, we think the potential profit margin is acceptable with our channel checks indicating Pasir Panjang land is being offered at S\$1,048 psf to S\$3,000 psf currently.
- Sunway plans to redevelop the site into a modern private residential condominium, leveraging the strategic location with attractive amenities nearby which include the Pasir Panjang MRT station, a food centre, the Kent Ridge nature park, Mapletree Business City and VivoCity within walking distance. It is also well connected to Sentosa Island which requires a drive of just 20 minutes.
- We are positive on this latest acquisition which will further enhance the earnings visibility of Sunway's property developments in Singapore. Following the deal, Singapore-based projects now consist of 47% of the group's remaining GDV for international projects, which account for 9% of the group's total development value of RM54bil.
- However, we maintain our forecasts for now pending its target launch in 2023 while the timeline of the deal completion is uncertain at this stage. Meanwhile, we estimate the FY21F net gearing would be slightly increased from 47% to 50%.
- We believe the long-term outlook for Sunway remains positive premised on its: (i) strong unbilled sales of RM3.6bil (6x FY21F property development revenue) and (ii) a robust outstanding order book of RM4.8bil (2.8x FY21F construction revenue); and (iii) expansion plan for its healthcare business which could increase bed capacity by 82% in FY23F.

EXHIBIT 1: FLYNN PARK



Source: AmInvestment Bank Bhd, Company

EXHIBIT 2: LOCATION MAP



Source: AmInvestment Bank Bhd, Company

EXHIBIT 3: SOP VALUATION

DEVELOPMENT PROPERTIES	Outstanding GDV (RMmil)	NPV @7% (RMmil)	Stake	Segment	Value (RMmil)	% of SOP
Selangor/KL						
Sunway Damansara	2,235.3	127.8	60.0%	Property (40% discount to RNAV)	2,062.8	18.1%
Sunway South Quay	2,486.7	274.0	100.0%	Investment properties	1,583.4	13.9%
Sunway Monterez	38.0	2.5	60.0%	Sunway Construction (54.4% stake @ AmlInvestment Valuation)	1,188.6	10.4%
Sunway Semenyih	728.6	56.2	70.0%	Sunway REIT (40.9% stake @ AmlInvestment Valuation)	2,296.1	20.2%
Sunway Cheras	16.8	1.9	100.0%	Healthcare (84% stake @30x FY22 earnings)	3,937.4	34.6%
Sunway Duta	120.0	7.3	60.0%	Quarry & building materials (6x FY22 earnings)	139.7	1.2%
Sunway Resort City	660.1	66.7	100.0%	Trading & manufacturing (6x FY22 earnings)	184.2	1.6%
Sunway Velocity	1,984.0	170.3	85.0%			
Sunway Velocity TWO	1,360.0	68.7	50.0%	Total SOP	11,392.2	
Sunway Tower KL 1	240.0	24.2	100.0%	Net cash/(debt) @ Company level	737.0	
Sunway Termuning	277.0	22.4	80.0%	Proceeds from ICPS & conversion	977.8	
Mont Putra, Rawang	156.0	15.8	100.0%	Proceeds from stake sale in healthcare	750.0	
Kelana Jaya	1,450.0	146.4	100.0%	Fair value	13,857.0	
Jalan Belfield	1,100.0	111.1	100.0%			
Lot One, Kajang	460.0	46.5	100.0%	Enlarged share base (mil shares)	6,516.6	
USJ 1, Subang Jaya	1,400.0	141.4	100.0%	Fair value/share (RM)	2.13	
Subang 2	52.0	3.7	70.0%	(+) 3% premium for 4-star ESG rating	0.06	
Wangsa Maju-1	270.0	15.0	55.0%	Fair value/share (RM)+ ESG Premium	2.19	
Dengkil (Emerald Tycoon)	796.6	80.4	100.0%			
Bukit Jalil (Sterling Paradise)	800.0	107.8	100.0%			
Wangsa Maju-2	300.0	59.3	55.0%			
Taman Mutiara, Cheras	225.0	39.2	100.0%			
Jalan Cochrane	1,150.0	126.7	100.0%			
Perak						
Sunway City Ipoh	928.4	85.4	96.0%			
Penang						
Sunway Hills	849.0	80.9	100.0%			
Sunway Wellesley, Bukit Mertajam	710.5	67.7	100.0%			
Pay a Terubong	1,500.0	142.9	100.0%			
Sunway Tunas, Balik Pulau	60.0	5.7	100.0%			
Sunway Belong, Balik Pulau	110.0	10.5	100.0%			
Johor						
Bukit Lenang	698.4	36.3	80.0%			
Medini	10,616.0	413.6	60.0%			
Pendas	18,000.0	701.4	60.0%			
Singapore						
Flynn Park, Pasir Panjang	2,300.0	75.6	30.0%			
China						
Tianjin Eco-City	765.3	52.5	60.0%			
India						
Sunway OPUS Grand India	702.4	33.5	50.0%			
Sunway MAK Signature Residence	181.2	10.4	60.0%			
Unbilled sales		252.0				
Subtotal		3,683.6				

Source: AmlInvestment Bank Bhd, Company

EXHIBIT 4: ESG RATING

Overall	★	★	★	★	
Eco-landscaping	★	★	★		
Progress of digitalization	★	★	★		
Employee welfare	★	★	★	★	
Corporate social responsibility	★	★	★	★	★
Strategic direction	★	★	★	★	
Gender diversity	★	★			
Earnings sustainability	★	★	★	★	
Accessibility & transparency	★	★	★		

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star

Source: AmInvestment Bank Bhd

EXHIBIT 5: PB BAND CHART

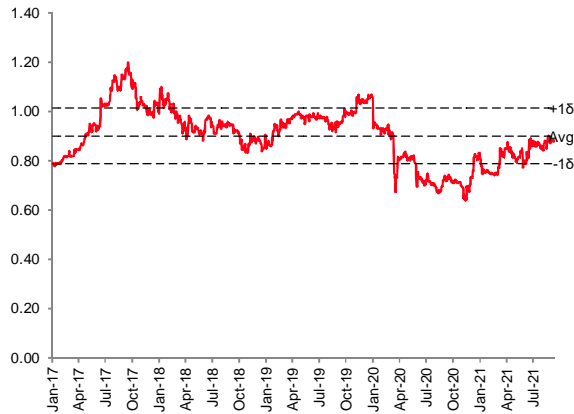


EXHIBIT 6: PE BAND CHART



EXHIBIT 7: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Revenue	4,780.3	3,833.3	5,054.2	6,676.2	7,145.3
EBITDA	801.1	297.9	405.9	586.4	667.5
Depreciation/Amortisation	(235.1)	(47.1)	(62.0)	(82.0)	(87.7)
Operating income (EBIT)	565.9	250.8	343.8	504.4	579.8
Other income & associates	261.2	230.0	168.3	181.5	195.9
Net interest	87.8	28.5	54.4	71.8	76.9
Exceptional items	-	-	-	-	-
Pretax profit	915.0	509.3	566.5	757.8	852.5
Taxation	(78.4)	(102.0)	(95.4)	(113.7)	(127.9)
Minorities/pref dividends	(69.3)	(47.7)	(87.2)	(115.2)	(123.3)
Net profit	767.3	359.6	383.9	528.9	601.3
Core net profit	691.5	338.4	383.9	528.9	601.3
Balance Sheet (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Fixed assets	2,749.0	2,611.4	3,443.1	4,548.0	4,867.6
Intangible assets	331.6	350.8	350.8	350.8	350.8
Other long-term assets	9,309.3	11,086.2	11,286.2	11,286.2	11,286.2
Total non-current assets	12,390.0	14,048.3	15,080.0	16,185.0	16,504.5
Cash & equivalent	5,888.9	2,348.9	2,568.1	2,674.7	2,976.5
Stock	2,102.1	2,101.5	2,128.4	3,201.7	3,633.6
Trade debtors	1,638.4	2,440.6	1,661.7	2,194.9	3,082.5
Other current assets	1,533.8	180.1	387.2	453.9	473.2
Total current assets	11,163.1	7,071.1	6,745.5	8,525.3	10,165.8
Trade creditors	1,344.3	2,456.9	2,356.3	3,544.6	3,519.9
Short-term borrowings	8,024.9	5,132.5	5,081.2	5,369.5	5,746.7
Other current liabilities	1,509.0	239.3	(618.0)	(500.4)	485.0
Total current liabilities	10,878.2	7,828.8	6,819.5	8,413.7	9,751.6
Long-term borrowings	2,310.8	2,101.6	2,101.6	2,670.8	2,835.4
Other long-term liabilities	189.9	857.3	857.3	857.3	857.3
Total long-term liabilities	2,500.7	2,958.8	2,958.8	3,528.1	3,692.7
Shareholders' funds	8,392.9	9,534.6	9,846.1	10,230.1	10,590.1
Minority interests	1,781.4	797.2	2,201.1	2,538.4	2,636.0
BV/share (RM)	1.70	1.93	2.00	2.07	2.15
Cash Flow (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Pretax profit	915.0	509.3	566.5	757.8	852.5
Depreciation/Amortisation	235.1	47.1	62.0	82.0	87.7
Net change in working capital	(1,220.0)	1,042.6	(683.6)	(185.7)	(302.6)
Others	995.2	(771.2)	398.3	1,442.7	465.1
Cash flow from operations	925.3	827.7	343.2	2,096.8	1,102.7
Capital expenditure	335.9	(527.2)	(831.7)	(1,105.0)	(319.5)
Net investments & sale of fixed assets	-	-	-	-	-
Others	(1,260.1)	(357.6)	(200.0)	-	-
Cash flow from investing	(924.2)	(884.8)	(1,031.7)	(1,105.0)	(319.5)
Debt raised/(repaid)	667.1	(141.2)	270.5	(751.0)	(240.0)
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(242.9)	(220.6)	(72.4)	(144.8)	(241.4)
Others	234.0	183.4	-	-	-
Cash flow from financing	658.3	(178.3)	198.1	(895.8)	(481.4)
Net cash flow	659.4	(235.4)	(490.4)	96.0	301.8
Net cash/(debt) b/f	2,507.8	3,170.6	2,952.5	2,462.1	2,558.1
Net cash/(debt) c/f	3,170.6	2,952.5	2,462.1	2,558.1	2,859.9
Key Ratios (YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Revenue growth (%)	(11.6)	(19.8)	31.8	32.1	7.0
EBITDA growth (%)	8.6	(62.8)	36.3	44.5	13.8
Pretax margin (%)	19.1	13.3	11.2	11.4	11.9
Net profit margin (%)	16.1	9.4	7.6	7.9	8.4
Interest cover (x)	nm	nm	nm	nm	nm
Effective tax rate (%)	8.6	20.0	16.8	15.0	15.0
Dividend payout (%)	57.3	20.1	18.9	27.4	40.1
Debtors turnover (days)	125	232	120	120	157
Stock turnover (days)	151	200	153	146	175
Creditors turnover (days)	102	181	174	161	180

Source: Company, AmInvestment Bank Bhd estimates

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