UOBKayHian

Company – Results | Malaysia

Friday, 28 August 2026

Sunway (SWB MK)

2Q26: In Line; RTS Tower Launch Awaiting Better Timing

Highlights

- Results were within our expectations, with yoy core PATAMI yoy growth driven by new contributions from Sunway MCL and healthcare segments.
- Property sales of RM2.3b are largely on track to meet full-year target of RM4.2b, while launches could fall short of the original target following the delay in the RTS Tower launch from 4Q26 to 2027.
- Maintain HOLD as we deem valuation to be rich at this juncture. We lower target price to RM5.61 (from RM5.70) to reflect softer take-up rate at selected projects and delays in RTS project launch.

2Q26 Results

Year to 31 Dec (RMm)	2Q26	qoq%	yoy%	1H26	yoy%
Revenue	2,905.7	13.6	13.4	5,463.2	10.8
Gross Profit	382.4	147.0	65.6	537.2	33.4
EBIT	414.8	50.5	40.1	690.5	33.5
PBT	496.2	(94.8)	25.3	10,054.4	1,336.2
PATAMI	318.6	(96.6)	16.7	9,732.2	1,999.7
Core PATAMI	331.4	53.5	43.0	547.2	25.2
Margins (%)	%	ppt	ppt	%	ppt
GP	13.2	7.1	4.1	19.2	2.9
EBIT	14.3	3.5	2.7	25.1	4.1
PBT	17.1	(356.6)	1.6	390.8	362.5
Core PATAMI	11.4	3.0	2.4	19.8	2.1

Source: Sunway Berhad, UOB Kay Hian

Analysis

- **In line.** Sunway Berhad (Sunway) reported 2Q26 core PATAMI of RM331m (+54% qoq, +43% yoy) on revenue of RM2.9b (+14% qoq, +13% yoy). This brings 1H26 core PATAMI to RM547m (+25% yoy), representing 45% and 42% of our and consensus full-year forecasts, which we deem in line as 2H26 is typically a stronger season. By segment, profit before tax (PBT) growth was largely driven by newly acquired MCL and healthcare segments.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	7,882.5	9,813.0	11,787.8	13,425.6	14,579.8
EBITDA	1,031.4	1,469.5	1,706.0	1,903.7	2,049.5
Operating profit	887.3	1,317.3	1,515.4	1,670.7	1,772.0
Net profit (rep./act.)	1,205.6	1,304.0	1,275.6	1,464.6	1,554.8
Net profit (adj.)	1,057.2	1,147.7	1,275.6	1,464.6	1,554.8
EPS (sen)	16.0	17.1	18.9	21.7	23.0
PE (x)	35.0	32.8	29.7	25.9	24.4
P/B (x)	2.5	2.3	2.2	2.1	2.0
EV/EBITDA (x)	38.4	28.2	23.3	20.9	19.4
Dividend yield (%)	1.1	1.1	1.0	1.2	1.3
Net margin (%)	13.4	11.7	10.8	10.9	10.7
Net debt/(cash) to equity (%)	43.5	51.1	36.7	34.0	30.4
Interest cover (x)	164.3	866.0	(19.9)	(12.2)	(6.5)
ROE (%)	9.4	9.8	10.5	11.5	11.7
Consensus net profit	-	-	1,294.0	1,409.0	1,504.0
UOBKH/Consensus (x)	-	-	1.0	1.0	1.0

Source: Sunway Berhad, Bloomberg, UOB Kay Hian

Analyst(s)

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HOLD (Maintained)

Share Price	RM5.11
Target Price	RM5.61
Upside	9.8%
Previous TP	RM5.70

Stock Data

Sector	Industrials
Bloomberg ticker	SWB MK
Shares issued (m)	6,760.4
Market cap (RMm)	36,709.1
Market cap (US$m)	9,339.5
3-mth avg daily t'over (US$m)	9.9

Price Performance (%)

52-week high/low				RM5.98/RM4.42
1mth	3mth	6mth	1yr	YTD
4.4	(3.4)	2.8	17.2	(1.6)

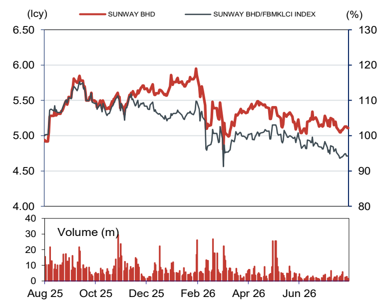
Major Shareholders (%)

Sungei Way Corp Sdn Bhd	47.2
EPF	11.0
Jef-San Enterprise Sdn Bhd	9.5

Balance Sheet Metrics

FY26 NAV/Share (RM)	2.51
FY26 Net Debt/Share (RM)	0.92

Price Chart



Source: Bloomberg

Company Description

A conglomerate in Malaysia with various diversified businesses in areas such as property development, property investment, leisure, hospitality, construction trading and manufacturing, quarry, building materials and healthcare.

- **Property development: PBT grew to RM82m (+57% yoy)**, driven by: a) higher progress billings from local development projects, and b) about RM40m contribution from Sunway MCL. Excluding Sunway MCL, the segment's PBT declined around 19% yoy due to project completion timing differences. Unbilled sales were at RM8.3b as of end-2Q26 (vs RM9b as of end-1Q26).
- **Postponement of RTS apartment launch to 2027.** 1H26 property sales came in at RM2.3b, 55% and on track to meet the full-year target of RM4.2b. 1H26 property launch of RM2.7b was mainly from Singapore (53%), followed by Klang Valley (42%) and Johor (5%). Launches for remainder of the year are Sunway Velocity 3 Tower C and projects at Sunway City Iskandar Puteri, while the RTS apartment will be postponed to 2027 for clearer market appreciation after the RTS commencement.
- **Property demand remains selective amid broader market softness.** Management indicated that property demand remains location specific, amid slight softness in the broader market, including Iskandar Malaysia. While take-up rates for Sunway Majestic (41%), Sunway LakeHills (20%) and Sunway Sakura 2 (20%) saw limited improvement from end-Apr 26 to end-Jul 26, selected projects including Sunway Cochrane Tower A (33%), Pinery Residences (93%) and SuperLink homes at Sunway Serene 2 (100%) recorded relatively stronger traction.
- **Healthcare: PBT grew to RM100m in 2Q26 (+181% yoy)** due to higher patient volumes, particularly from Indonesia, China and Cambodia, which made up 15%, 12% and 9% of patients ytd. Additionally, operations ramp-up at SMC Damansara and SMC Ipoh also contributed to earnings growth. Licensed beds reached 1,855 (+13% yoy), with 3,427 targeted by 2032, via brownfield and greenfield expansion.
- **Construction: PBT came in at RM133m (-1% yoy),** with higher PBT margin of 17.1% (+6.5ppt yoy). Having secured RM6.9b contract wins ytd, the group raised its replenishment target to RM7b-9b (from initial RM6b) for 2026.
- **Property Investment: PBT came in at RM76m (+3% yoy),** mainly due to better performance from the leisure division, newly acquired Sunway Wangsa Mall and better share of result from Sunway Velocity Mall. Qoq, the segment's PBT dropped 15% due to seasonality from the leisure division with its Sunway Mega Roadshow in 1Q26.

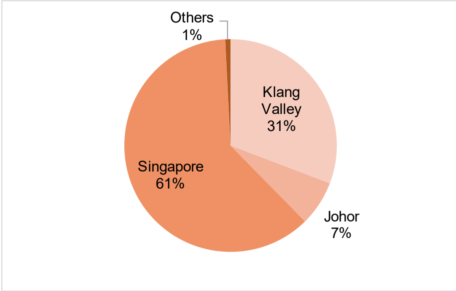
Valuation/Recommendation

- **Maintain HOLD with lower target price of RM5.61 (from RM5.70)** as we incorporate updated valuations for Sunway Construction and increase our discount to property RNAV from 20% to 25% to partially reflect a delay in launch for the RTS project. Our target price is based on SOTP valuation with a 5% conglomerate discount, which implies 26x 2027F PE (+2SD above its five-year mean of 15.6x) and 2.1x 2027F P/B (+2SD above its 10-year mean of 1.2x).

Earnings Revision/Risk

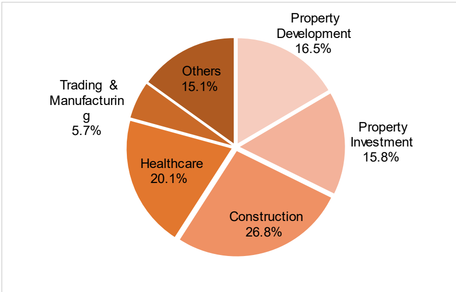
- We finetune our earnings forecast for 2026-28 by -0.4%/-1.9%/+1.7% respectively.

Property Sales By Geogrpahy (1H26)



Source: Sunway Berhad, UOB Kay Hian

Core PBT Breakdown (2Q26)



Source: Sunway Berhad, UOB Kay Hian

SOTP-Based Valuation

Segment	(RMm)	Remarks
Property development	12,321	25% discount to property RNAV
REIT (40.9% stake)	3,921	Valuation based on TP of RM2.8, based on DDM
Construction (52.8% stake)	5,923	Valuation based on TP of RM8.44, 22x 2027F PE
Quarry & building materials	708	15x PE 2027F quarry profits
Trading	1,745	15x PE 2027F trading profits
Investment Properties	3,688	Market Value
Healthcare (69.4% stake)	11,201	20x EV/EBITDA 2027F
Less: Holding co (debt)/ cash	436	
Total SOTP Value	39,943	
Enlarged Sharebase (m)	6,760	
RNAV/share (RM)	5.90	
Discount (%)	5.0%	
Target Price (RM/share)	5.61	

Source: Sunway Berhad, UOB Kay Hian

Environment, Social, Governance (ESG) Updates

Environmental
- Installed photovoltaic solar panels at most of its properties.
Social
- Launched Sunway Cancer Support Fund.
Governance
- Good company transparency along with an anti-bribery and anti-corruption policy.

Profit & loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	9,813.0	11,787.8	13,425.6	14,579.8
EBITDA	1,469.5	1,706.0	1,903.7	2,049.5
Deprec. & amort.	152.3	190.6	233.1	277.5
EBIT	1,317.3	1,515.4	1,670.7	1,772.0
Associate contributions	558.8	206.9	249.9	116.4
Net interest income/(expense)	(1.7)	85.7	155.4	315.4
Pre-tax profit	1,874.4	1,808.0	2,076.0	2,203.9
Tax	(353.8)	(307.4)	(352.9)	(374.7)
Minorities	(216.7)	(225.1)	(258.5)	(274.4)
Net profit	1,304.0	1,275.6	1,464.6	1,554.8
Net profit (adj.)	1,147.7	1,275.6	1,464.6	1,554.8

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	8,483.2	8,163.6	8,768.0	9,399.9
Other LT assets	8,988.2	8,459.3	8,709.2	8,825.7
Cash/ST investment	6,788.3	9,077.0	9,496.7	10,108.1
Other current assets	14,543.5	14,604.4	15,860.8	16,746.2
Total assets	38,803.2	40,304.3	42,834.6	45,079.7
ST debt	8,829.3	8,829.3	8,829.3	8,829.3
Other current liabilities	6,058.5	6,152.6	7,111.8	7,707.5
LT debt	6,172.1	6,472.1	6,772.1	7,072.1
Other LT liabilities	605.4	605.4	605.4	605.4
Shareholders' equity	16,057.3	16,939.2	17,951.8	19,026.8
Minority interest	1,080.7	1,305.8	1,564.2	1,838.6
Total liabilities & equity	38,803.2	40,304.3	42,834.6	45,079.7

Cash flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	2,715.1	1,015.2	1,253.7	1,385.1
Pre-tax profit	1,874.4	1,808.0	2,076.0	2,203.9
Tax	(353.8)	(307.4)	(352.9)	(374.7)
Deprec. & amort.	152.3	190.6	233.1	277.5
Associates	(558.8)	(206.9)	(249.9)	(116.4)
Working capital changes	380.6	(383.5)	(297.2)	(289.7)
Non-cash items	1,220.4	(85.7)	(155.4)	(315.4)
Investing	(3,717.1)	1,281.5	(837.4)	(909.4)
Capex (growth)	(532.0)	(735.2)	(837.4)	(909.4)
Investments	(2,313.9)	1,281.0	0.0	0.0
Proceeds from sale of assets	1.5	735.7	0.0	0.0
Others	(872.7)	0.0	0.0	0.0
Financing	3,450.7	(7.9)	3.4	135.6
Dividend payments	(347.5)	(393.6)	(452.0)	(479.8)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	4,140.0	300.0	300.0	300.0
Others/interest paid	(341.8)	85.7	155.4	315.4
Net cash inflow (outflow)	2,448.7	2,288.7	419.7	611.4
Beginning cash & cash equivalent	4,339.6	6,788.3	9,077.0	9,496.7
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	6,788.3	9,077.0	9,496.7	10,108.1

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	15.0	14.5	14.2	14.1
Pre-tax margin	19.1	15.3	15.5	15.1
Net margin	11.7	10.8	10.9	10.7
ROA	4.0	4.3	4.8	4.9
ROE	9.8	10.5	11.5	11.7
Growth				
Turnover	24.5	20.1	13.9	8.6
EBITDA	42.5	16.1	11.6	7.7
Pre-tax profit	23.0	(3.5)	14.8	6.2
Net profit	8.2	(2.2)	14.8	6.2
Net profit (adj.)	8.6	11.1	14.8	6.2
EPS	6.6	10.3	14.8	6.2
Leverage				
Debt to total capital	87.5	83.9	79.9	76.2
Debt to equity	93.4	90.3	86.9	83.6
Net debt/(cash) to equity	51.1	36.7	34.0	30.4
Interest cover (x)	866.0	(19.9)	(12.2)	(6.5)