Sunway (SWB MK)

3Q26: In Line; Upgrade To BUY On Recent Weakness

Highlights

- Results were within our expectations. 9M26 core PATAMI of RM894.6m (+20% yoy) made up 70% and 73% of our and the street's full-year forecasts.
- Property sales of RM3.4b in 9M26 (82% of the RM4.2b full-year target) remain on track. Malaysian launches could be lower yoy in 2027 as management refines its product offerings, while Singapore is expected to see a larger launch contribution.
- Upgrade to BUY with a lower target price of RM5.58 (from RM5.61) as we updated valuations for SunREIT. The recent share price weakness presents an attractive entry point, with Singapore to anchor 2027 sales growth.

3Q26 Results

Year to 31 Dec (RMm)	2Q26	qoq%	yoy%	9M26	yoy%
Revenue	3,027.0	4.2	18.0	8,490.2	13.3
Gross Profit	380.2	(0.6)	74.2	917.4	47.7
EBIT	487.6	17.6	47.0	10,354.9	1,119.4
PBT	518.5	4.5	8.8	10,572.9	798.7
PATAMI	314.1	(1.4)	(7.1)	10,046.2	1,153.2
Core PATAMI	342.1	1.6	10.6	894.6	19.9
Margins (%)	%	ppt	ppt	%	ppt
GP	12.6	(0.6)	4.1	10.8	2.5
EBIT	16.1	1.8	3.2	122.0	110.6
PBT	17.1	0.1	(1.4)	124.5	108.8
Core PATAMI	11.3	(0.3)	(0.8)	10.5	0.6

Source: Sunway Berhad, UOB Kay Hian

Analysis

- **In line.** Sunway Berhad (Sunway) reported 3Q26 core PATAMI of RM342.1m (+1.6% qoq, -7.1% yoy) on revenue of RM3.0b (+4.2% qoq, +18.0% yoy). This brings 9M26 core PATAMI to RM894.6m (+25% yoy), representing 70% and 73% of our and consensus full-year forecasts, which we deem in line as 4Q26 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	11,499.6	14,011.0	15,286.2
EBITDA	1,031.4	1,469.5	1,662.0	2,046.8	2,199.7
Operating profit	887.3	1,317.3	1,472.6	1,812.4	1,918.1
Net profit (rep./act.)	1,205.6	1,304.0	1,271.4	1,431.9	1,548.0
Net profit (adj.)	1,057.2	1,147.7	1,271.4	1,431.9	1,548.0
EPS (sen)	16.0	17.1	18.8	21.2	22.9
PE (x)	25.6	24.0	21.8	19.4	17.9
P/B (x)	1.8	1.7	1.6	1.5	1.5
EV/EBITDA (x)	30.0	22.3	18.6	15.4	14.6
Dividend yield (%)	1.5	1.5	1.4	1.5	1.7
Net margin (%)	13.4	11.7	11.1	10.2	10.1
Net debt/(cash) to equity (%)	43.5	51.1	35.9	35.1	33.2
Interest cover (x)	164.3	866.0	12.9	21.0	26.4
ROE (%)	9.4	9.8	10.4	11.3	11.7
Consensus net profit	-	-	1,223.0	1,393.0	1,500.0
UOBKH/Consensus (x)	-	-	1.0	1.0	1.0

Source: Sunway Berhad, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Upgraded)

Share Price	RM4.10
Target Price	RM5.58
Upside	36.1%
Previous TP	RM5.61

Stock Data

Sector	Industrials
Bloomberg ticker	SWB MK
Shares issued (m)	6,760.4
Market cap (RMm)	29,813.5
Market cap (US$m)	7,320.1
3-mth avg daily t'over (US$m)	4.6

Price Performance (%)

52-week high/low				RM6.09/RM4.11
1mth	**3mth**	**6mth**	**1yr**	**YTD**
0.2	(14.4)	(19.7)	(18.0)	(21.5)

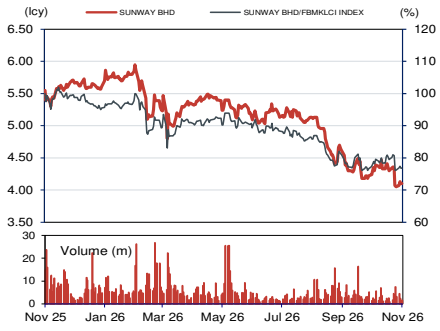
Major Shareholders (%)

Sungei Way Corp Sdn Bhd	47.7
EPF	11.9
Jef-San Enterprise Sdn Bhd	9.5

Balance Sheet Metrics

FY26 NAV/Share (RM)	2.51
FY26 Net Debt/Share (RM)	0.90

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.

- **Slower Malaysian launches as management fine-tunes product offerings...** 10M26 launches reached RM3.4b (~70% of full-year target of RM4.8b). Management is refining its product offerings and Malaysian launches could be lower yoy in 2027, given current market conditions. Meanwhile, Klang Valley launches saw steady take-up, with Sunway Cochrane Tower A at 46% (vs 33% at end-Jul 26) and Sunway Velocity 3 (Tower C) at about 20% since its Oct 26 launch.
- **...with growth from Singapore.** Singapore projects are largely sold, with most above 90% take-up. Sunway MCL and progressive recognition from private condominiums should support earnings, while two executive condominiums (ECs), Novo Place and Otto Place, are expected to provide lumpier contributions in 2027-28 upon handover. Management guided for a substantially larger launch pipeline in 2027, with Singapore making up the bulk, including Chuan Grove (1H27) and River Valley Green (2H27). Management intends to continue growing its Singapore landbank despite higher SORA, noting that a 25bp hike would not be detrimental to project economics.
- **Property development:** PBT grew to RM80m (+46% yoy), driven by: a) progressive recognition from Singapore's private condominium Nava Grove and Elta, and b) handover of Sunway Flora Residences. Revenue fell to RM329m (-14% yoy) on lower local progress billings. Nevertheless, Malaysian property sales rose 11% yoy to RM1.4b in 9M26, while group sales of RM3.4b (82% of RM4.2b full-year target) remain on track. Malaysian unbilled sales rose to RM2.2b (+3% qoq, +35% yoy), while total unbilled sales were RM8.2b as of end-3Q26 (vs RM8.3b as of end-2Q26).
- **Healthcare:** PBT grew to RM119m in 3Q26 (+19% qoq), with higher patient volumes and licensed beds. Foreign patient volumes recovered qoq after slight softness in 2Q26 from geopolitical uncertainty affecting the Indonesian market.
- **Construction:** PBT came in at RM138m (+13% yoy), with a higher PBT margin of 17.7% (+7.4ppt yoy), partly due to the finalisation of accounts for completed projects. Ytd contract wins of RM9.8b have exceeded the full-year replenishment target of RM7b-9b, lifting the outstanding orderbook to a record RM12.5b. Data centres make up 76% of the orderbook, split about evenly between colocation operators and MNCs, which management expects to translate into earnings over 2027-28.
- **Property investment:** PBT came in at RM104m (-12% yoy) due to a high base in 3Q25, from a RM26.1m disposal gain of Sunway University campus by Sunway REIT. Excluding this, PBT grew 12% yoy, driven by new contributions from Sunway Wangsa Mall and Sunway Square. On Sunway Velocity Mall, management indicated that rental reversion in 9M26 was at high single-digits, while noting there is no urgency to divest the asset, as the decision depends mainly on gearing at the Sunway Bhd level.

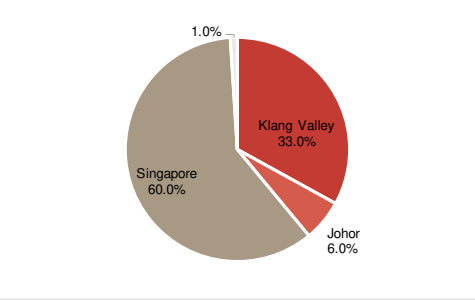
Valuation/Recommendation

- **Upgrade to BUY with a lower target price of RM5.58 (from RM5.61)** as we incorporate updated valuations for Sunway REIT. Our target price is based on SOTP valuation with a 5% conglomerate discount, which implies 26x 2027F PE (+1SD above its five-year mean of 20x) and 2.1x 2027F P/B (+1SD above its five-year mean of 1.3x).

Earnings Revision/Risk

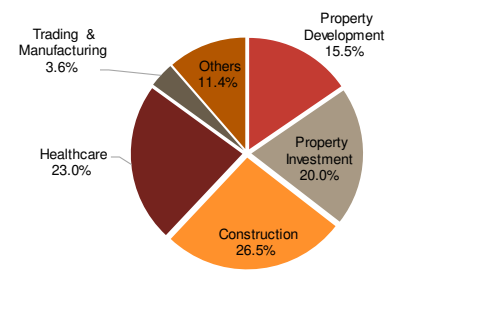
- We finetune our earnings forecast for 2026-28 by -0.3%/-2.2%/-0.4% respectively.

Property Sales By Geogrpahy (9M26)



Source: Sunway Berhad, UOB Kay Hian

Core PBT Breakdown (3Q26)



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)	3,361	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	958	15x PE 2027F quarry profits
Trading	1,745	15x PE 2027F trading profits
Investment Properties	3,744	Market Value
Healthcare (69.4% stake)	11,201	20x EV/EBITDA 2027F
Less: Holding co (debt)/ cash	436	
Total SOTP Value	**39,690**	
Enlarged Sharebase (m)	6,760	
Discount (%)	5.0%	
Target Price (RM/share)	**5.58**	

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	11,499.6	14,011.0	15,286.2
EBITDA	1,469.5	1,662.0	2,046.8	2,199.7
Deprec. & amort.	152.3	189.4	234.4	281.6
EBIT	1,317.3	1,472.6	1,812.4	1,918.1
Associate contributions	558.8	428.5	543.4	705.1
Net interest income/(expense)	(1.7)	(129.2)	(97.7)	(83.2)
Pre-tax profit	1,874.4	1,771.9	2,258.1	2,540.0
Tax	(353.8)	(230.3)	(383.9)	(457.2)
Minorities	(216.7)	(270.1)	(442.3)	(534.8)
Net profit	1,304.0	1,271.4	1,431.9	1,548.0
Net profit (adj.)	1,147.7	1,271.4	1,431.9	1,548.0

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	8,483.2	8,146.8	8,786.4	9,458.2
Other LT assets	8,988.2	8,680.9	9,224.3	9,929.4
Cash/ST investment	6,788.3	9,218.6	9,303.7	9,574.5
Other current assets	14,543.5	14,383.3	16,309.8	17,288.0
Total assets	38,803.2	40,429.6	43,624.2	46,250.1
ST debt	8,829.3	8,829.3	8,829.3	8,829.3
Other current liabilities	6,058.5	6,224.8	7,674.7	8,382.3
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	16,947.3	17,949.6	19,033.2
Minority interest	1,080.7	1,350.7	1,793.1	2,327.8
Total liabilities & equity	38,803.2	40,429.6	43,624.2	46,250.1

Cash flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	2,715.1	1,341.4	1,186.3	1,471.9
Pre-tax profit	1,874.4	1,771.9	2,258.1	2,540.0
Tax	(353.8)	(230.3)	(383.9)	(457.2)
Deprec. & amort.	152.3	189.4	234.4	281.6
Associates	(558.8)	(428.5)	(543.4)	(705.1)
Working capital changes	380.6	(90.2)	(476.6)	(270.7)
Non-cash items	1,220.4	129.2	97.7	83.2
Investing	(3,717.1)	1,299.4	(873.9)	(953.5)
Capex (growth)	(532.0)	(717.3)	(873.9)	(953.5)
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	(210.6)	(227.3)	(247.6)
Dividend payments	(347.5)	(381.4)	(429.6)	(464.4)
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)	(129.2)	(97.7)	(83.2)
Net cash inflow (outflow)	2,448.7	2,430.3	85.1	270.8
Beginning cash & cash equivalent	4,339.6	6,788.3	9,218.6	9,303.7
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	6,788.3	9,218.6	9,303.7	9,574.5

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	15.0	14.5	14.6	14.4
Pre-tax margin	19.1	15.4	16.1	16.6
Net margin	11.7	11.1	10.2	10.1
ROA	4.0	4.3	4.6	4.8
ROE	9.8	10.4	11.3	11.7
Growth				
Turnover	24.5	17.2	21.8	9.1
EBITDA	42.5	13.1	23.2	7.5
Pre-tax profit	23.0	(5.5)	27.4	12.5
Net profit	8.2	(2.5)	12.6	8.1
Net profit (adj.)	8.6	10.8	12.6	8.1
EPS	6.6	9.9	12.6	8.1
Leverage				
Debt to total capital	87.5	83.6	79.0	74.4
Debt to equity	93.4	90.3	86.9	83.5
Net debt/(cash) to equity	51.1	35.9	35.1	33.2
Interest cover (x)	866.0	12.9	21.0	26.4

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