

Sunway Berhad

(5211 | SWB MK) Main | Industrial Products & Services


 Maintain **NEUTRAL**

 Unchanged Target Price **RM5.34**

Takeover Bid for IJM Corp

Takeover bid for IJM Corp. Sunway Berhad is proposing a conditional voluntary take-over offer to acquire all IJM Corp shares at RM3.15 per share. The offer price of RM3.15 will be satisfied via RM0.315 in cash and RM2.835 in the form of new Sunway Berhad shares at an issue price of RM5.65 each. Assuming full acceptance of the take-over offer, the total consideration will comprise of approximately RM1.1b in cash and the issuance of 1.76b consideration shares

Synergies with IJM Corp. The takeover of IJM Corp is expected to be positive to Sunway Berhad as entity of Sunway Berhad will be enlarged. Sunway Berhad expects synergies to be created through the enlarged entity with similar businesses namely property development and construction, giving greater economies of scale and cost synergistic benefits. Sunway Berhad will integrate the overlapping business areas with more consistent process while also looking at streamlining the business to improve operating efficiency. Besides, the acquisition of IJM Corp will allow Sunway Berhad to have exposure to infrastructure business namely toll and ports. For property division, the acquisition of IJM Corp will increase property landbank by 3,316 acres to 5,685 acres while Sunway Berhad expects to enhance the potential GDV of IJM Corp's landbank.

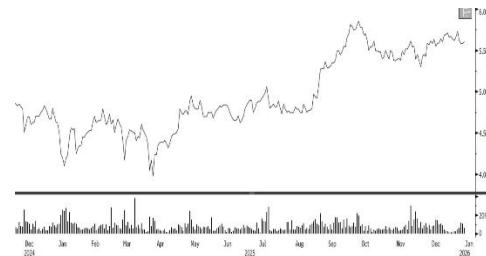
Lower net gearing due to enlarged equity base. The offer price for IJM Corp shares of RM3.15 per share is at 14.5% premium to IJM Corp last traded price, valuing IJM Corp at PE ratio of 24.8x which is above the average PE ratio of 17.5x. We think that the valuation premium could be due to the diversified business portfolio of IJM Corp. The acquisition of IJM Corp is expected to be slightly earnings accretive to Sunway Berhad at ~1% after consolidation of IJM Corp earnings. Sunway intends to finance the cash consideration through borrowings and internally generated funds. Nevertheless, net gearing of Sunway Berhad is expected to decline to 0.5x from 0.56x due to enlarged asset and equity base post the acquisition of IJM Corp.

Maintain NEUTRAL with an unchanged TP of RM5.34. We maintain our earnings forecast for FY25/26/27. We also maintain our TP for Sunway Berhad at RM5.34, pending completion of acquisition of IJM Corp which is expected in 3QFY26. Our TP is based on sum-of-parts valuation. While the acquisition of IJM Corp is long-term positive to Sunway Berhad as it improves the prospect of property division and provides new business exposure to Sunway Berhad, we are maintaining our **NEUTRAL** call on Sunway Berhad as upside is limited.

RETURN STATISTICS

Price @ 12 th Jan 2026 (RM)	5.60
Expected share price return (%)	-4.6
Expected dividend yield (%)	+1.8
Expected total return (%)	-2.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.5	-3.9
3months	-0.4	-7.7
12 months	21.2	13.4

INVESTMENT STATISTICS

FYE Dec	2025E	2026F	2027F
Revenue	6,889	7,161	8,055
Operating Profit	845	991	1,073
Profit Before Tax	999	1,137	1,143
Core PATAMI	907	1,027	977
Core EPS	13.61	15.41	14.65
DPS	10.00	10.00	10.00
Dividend Yield	1.80%	1.80%	1.80%

KEY STATISTICS

FBM KLCI	1,695.44
Issue shares (m)	6,588.38
Estimated free float (%)	48.34
Market Capitalisation (RM'm)	37,858
52-wk price range	RM3.93 – RM5.93
3-mth average daily volume (m)	7.54
3-mth average daily value (RM'm)	41.80
Top Shareholders (%)	
Sungei Way Corp Sdn Bhd	47.20
JEF-SAN Enterprise Sdn Bhd	9.50
EPF	8.75

Analyst

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Sum-of-Parts

Division	Methodology	Multiple	Stake	Discount	Value (RM m)
Property Development	NPV of profits	n/a	100%	10%	10482.1
Property Investment	Net Book Value	n/a	100%	n/a	2895.0
Construction	Target Price of RM6.53	n/a	54%	n/a	4580.2
Sunway REIT	Target Price of RM2.34	n/a	41%	n/a	3276.2
Healthcare	23x EV EBITDA	23	84%	n/a	13620.6
Trading and manufacturing	13x FY26E PER	13	100%	n/a	274.7
Quarry & Others	13x FY26E PER	13	100%	n/a	465.8
Total SOP					35594.6
Number of shares					6666.0
Target Price (RM)					5.34

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F	Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	6,140	7,882	6,889	7,161	8,055	Cash flows from operating activities					
PBT	953	1,426	999	1,137	1,143	Net income before taxation	993	1524	995	1027	1083
Net Income	738	1,154	907	1,087	1,037	Net cash from operating activities	390	1574	1543	1512	1482
Core Net Income	698	1,056	907	1,027	977						
Core EPS (sen)	10.8	15.8	13.6	15.4	14.7	Cash flows from investing activities					
Core PER (x)	51.6	35.4	41.2	36.4	38.2	Acquisition of property, plant and equipment	-96	-102	-88	-76	-65
NTA/share	2.15	2.39	2.43	2.48	2.52	Net cash used in investing activities	-472	-26	-20	-15	-12
P/NTA	2.60	2.34	2.30	2.26	2.22						
						Cash flows from financing activities					
						Net cash from/(used in) financing activities	402	573	487	530	508
Balance Sheet (RM'm)	2023A	2024A	2025E	2026F	2027F						
Property, plant and equipment	1,358	1,252	1,264	1,277	1,290						
Investment properties	2,664	2,973	2,914	2,855	2,798	Net increase/(decrease) in cash and cash equivalents	320	2120	2010	2026	1979
Investment in JV	7,105	7,410	7,573	7,740	7,910	Cash and cash equivalent at 1 January	1895	2230	4350	6360	8387
Total non-current assets	18,533	18,561	18,969	19,387	19,813	Cash and cash equivalent at 1 December	2230	4350	6360	8387	10365
Inventories	3,561	4,122	4,213	4,305	4,400						
Cash and bank balances	2,300	4,356	4,452	4,549	4,650						
Other assets	4,219	4,472	4,473	4,433	4,395	Profitability Ratios (%)	2023A	2024A	2025E	2026F	2027F
Total Assets	28,613	31,510	32,106	32,674	33,257	EBIT margin	10.8%	11.3%	12.3%	13.8%	13.4%
LT Term Loans	3,633	4,905	5,249	5,616	6,009	PBT margin	15.5%	18.1%	14.5%	15.9%	13.7%
ST Borrowings	6,018	5,972	6,091	6,213	6,337	PAT margin	12.0%	14.6%	13.2%	15.2%	12.5%
Other Liabilities	3,965	4,696	4,544	4,329	4,092	Core PATAMI margin	11.4%	13.4%	13.2%	14.3%	11.8%
Total Liability	13,615	15,573	15,884	16,158	16,439	ROE	5.0%	6.6%	5.6%	6.2%	5.6%
Share capital	6,161	7,049	7,049	7,049	7,049	ROA	2.4%	3.4%	2.8%	3.1%	2.8%
Other Equity	8,837	8,889	9,173	9,467	9,770						
Total Equity	14,998	15,938	16,222	16,516	16,819						
Equity + Liability	28,613	31,510	32,106	32,674	33,257						

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STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

★★★★	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
★★★	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
★★	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
★	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology