MARC RATINGS BERHAD

P R E S S A N N O U N C E M E N T

FOR IMMEDIATE RELEASE

MARC RATINGS AFFIRMS A+$_{IS}$ RATING ON SUNSURIA'S RM500.0 MILLION SUKUK WAKALAH PROGRAMME

MARC Ratings has affirmed its rating of **A+$_{IS}$** on Sunsuria Berhad's RM500.0 million Sukuk Wakalah Programme. The rating outlook is **stable**.

The rating affirmation incorporates Sunsuria's conservative property development approach, healthy overall take-up rates and low inventory level. The rating also factors in the group's low-to-moderate leverage position and healthy liquidity position. Moderating the rating are margin pressures from rising costs, and execution risk associated with Sunsuria's expansion into overseas markets as well as other business segments.

As at end-March 2024, total ongoing gross development value (GDV) stood at RM2.6 billion, following the launches of three new projects in 2023, namely *The Chapter* at *Sunsuria City*, *Talisa* (Tower C) at *Bangsar Hill Park* and *Sunsuria Kejora Business Park* (Phase One) in Puncak Alam, Selangor. Sunsuria's ongoing projects recorded a healthy average take-up rate of 72.3% with sizeable unbilled sales of RM896.7 million as at end-March 2024, providing earnings visibility in the near term. Inventory levels continued to decline to RM28.8 million as at end-March 2024 from RM49.1 million in the previous corresponding year. The group has been able to maintain manageable inventory levels through planned and selective launches.

Sunsuria has ventured into the education and healthcare sectors in efforts to diversify its revenue source. Phase One of the Concord College International School has been completed with the first intake of students expected in September 2024. Sunsuria has also entered into a 70:30 joint venture (JV) with Icon Group, the largest cancer care provider in Australia, and launched a cancer centre in Island Hospital, Penang, in January 2024. The rating agency notes that the capital investment in these ventures is expected to remain modest.

MARC Ratings views that Sunsuria's undertaking of overseas projects, while remaining modest at this juncture, will further increase the group's business profile. In Melbourne, Australia, the group is developing a five-storey boutique apartment on a 0.3-acre land parcel with a GDV of AUD23 million. The project is expected to be launched in 2HFY2024.

For the half-year ended on March 31, 2024 (1HFY2024), revenue rose significantly by 51.3% y-o-y to RM305.1 million on the back of higher progress billings of Sunsuria's ongoing developments. This generated a higher operating profit margin of 16.8%. Group borrowings contracted slightly to RM616.3 million (FY2023: RM642.9 million), mainly due to the maturity of RM75.0 million Sukuk Wakalah in December 2023. This translated into a debt-to-equity (DE) ratio of 0.55x and a net DE ratio of 0.28x. The group's cash and bank balances of RM209.2 million (excluding its Housing Development Act account balance) and unutilised credit lines of RM191.0 million provide sufficient funding.

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