



Sunway well positioned to face sectoral slowdowns: Maybank IB Research

SUNWAY

(File pix) Sunway well positioned to face sectoral slowdowns: Maybank IB Research

By FRANCIS DASS - April 7, 2017 @ 1:12pm

KUALA LUMPUR: Maybank IB Research has issued a 'hold' call on big-cap developer Sunway Bhd, with a target price of RM3.26, and is maintaining its earnings forecast for the company.

The research house is of the opinion that Sunway Bhd is well positioned to deal with certain sectoral slowdowns, as these are balanced by the upside potential of other sectors.

"While property sales will likely remain slow in 1H17, we see strong upside potential from construction, via Sunway Construction Group (SCG), which has secured an impressive RM635 million worth of job wins, bringing its outstanding orderbook to RM4.9 billion.

"Unlike the other big-cap developers, Sunway has a more diversified earnings base, with a 54.4 per cent stake in SCG and 37.3 per cent stake in SunREIT. The slowdown in its property development business would be partially cushioned by steady dividend income from the REIT vehicle, and rising earnings contribution from the construction business as job wins rise," the research house explained.

Overall, despite the slowdown in sales in 1H17 for the property sector, things are expected to pick up later in the second half of the year.

Additionally, Maybank IB Research said the current weak property market provides Sunway plenty of landbanking opportunities, especially in the Klang Valley.

The firm noted that Sunway is keen to lower its overall landbank portfolio exposure in Iskandar Malaysia, and has aggressively acquired landbanks in the Klang Valley over the last two years.

"It is currently in talks for new a landbank in the Klang Valley," it wrote.

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