

Headline	SunCon gets the upper hand with impressive RM635m job wins		
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SUNWAY BHD

FYE DEC	FY16A	FY17E	FY18E	FY19E
REVENUE (RM mil)	4,726	5,579	6,631	5,672
CORE NET PROFIT (RM mil)	547	544	607	557
CORE EPS (sen)	29.5	26.1	29.4	27.0
CORE PE (x)	11.1	12.4	11.1	12.1

SunCon gets the upper hand with impressive RM635m job wins

► Recommendation:

Hold

TARGET Price: RM3.26
by Maybank Investment Bank Bhd (April 6)

Highlights

WHILE property sales will likely remain slow in 1H17, we see strong upside potential for Sunway Bhd from construction via Sunway Construction Group Bhd (SunCon).

Year-to-date, the latter has secured an impressive RM635m of job wins, bringing its outstanding orderbook to RM4.9b. No change to our earnings forecasts as we have imputed RM1b of job wins for SunCon.

Our KNAV-1F is RM3.26 (based on an unchanged 40% discount to RNAV). Maintain 'Hold'.

Hunting for land; Klang Valley is the focus. The cur-

rent weak property market provides landbanking opportunities (at a more reasonable pricing) to Sunway.

To lower its overall landbank portfolio exposure in Iskandar Malaysia, Sunway has been aggressively acquiring landbank in the Klang Valley over the last two years (+9% in gross development value from Klang Valley projects). It is currently in talks for new landbank in the Klang Valley, we understand.

Slow sales in 1H17 but expect to pick up later. Property sales will be slow in 1H17 but should pick up in 2H17 as most of the new launches will be launched by June 2017/2H17 such as Sunway Industrial Park (RM100m) and Sunway Kelana Jaya (RM400m).

Management is aiming to achieve RM900m (-2.5% YoY)

effective sales target for 2017, supported by RM1.5b worth of new launches (effective stake; 92.5% are local projects).

Strength in diversity. We maintain our earnings forecasts. Unlike the other big-cap developers, Sunway has a more diversified earnings base with a 54.4% stake in SunCon and 37.3% in Sunway Real Estate Investment Trust (REIT).

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.

Sunway is backed by RM1.1b in effective unbilled sales in end December 2017 (1.9x of our FY17F property revenue).