Wednesday, 3 May 2017 | MYT 12:24 PM

Sunway gaining investors interests, stable growth across its businesses

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PETALING JAYA: Sunway Bhd is gaining investors interests as many have begun to realise the deep value in the company and the stable growth of all its businesses.

Its share price has risen by over 16% year-to-date, outperforming the FBMKLCI Index by 7.8 percentage points (ppt) but flattish against the KL Property Index.

UOB Kay Hian on Wednesday said that investors are beginning to further appreciate the deep value in Sunway, particularly with the strong performances across all its key listed divisions
including Sunway Construction and Sunway REIT.

"Sunway's strategy to weather the property market headwinds is to continue offering products at mature areas, where demand and income levels of potential buyers continue to be strong.

"Excluding its Sunway Iskandar launches of RM500mil this year, the other projects offered are located within mature areas like Bandar Sunway, Kelana Jaya, Lenang Heights (Johor Baru) and Penang," it noted.

Presently, the group has about RM1bil worth of investment properties that are generating stable cash flows and which values could be unlocked via the REIT avenue. The conglomerate has set a RM2bil sales target for the year.

To achieve this, it has earmarked about RM2bil worth of new launches, with the two largest launches being condominiums in Sunway South Quay and Kelana Jaya with gross development value (GDV) of RM400mil each.

The bulk of the launches earmarked for the year were earlier planned for launch in 2016, but were deferred to this year as the group moves to further enhance the amenities surrounding the developments before launch.

Its healthcare business is also looking promising, the research house said, adding that it was showing positive growth prospects, with 600 hospital beds under management currently and possibly 850-900 beds by end-2018 to 2019.

In two to three years, the group targets to add 250 new beds at the Sunway Velocity hospital. In 2016, the healthcare division contributed about RM40mil to the group's net profit (about 7% of core net profit).

However, the research outfit expect earnings in the next two years to dip, mainly due to the additional start-up costs for the recently opened cancer centre.

Pegging the healthcare division at a modest 25 times price to earnings ratio (PE), the division could be worth RM1bil, or about 14% of Sunway's current market capitalistion. In the medium term, it noted that it does not discount the possibility of the group unlocking the value of this division.

Aside from its property-related businesses, the group's construction arm, Sunway Construction has been benefitting from the infrastructure boom.

The construction division is poised to be one of the beneficiaries of the rollout of more mega projects, including the highly anticipated LRT Line 3, and potentially, the construction of the KL-Singapore high speed rail and the East Coast Railway project.

For this division, the brokerage was forecasting a three-year net profit compound annual growth rate (CAGR) of 18.6%.

Available Online at http://www.thestar.com.my/business/business-news/2017/05/03/sunway-gaining-investors-interests/#Iwjmw9gXG5RdZU50.41