

SunCon's new job flow to remain healthy, can weather sector downturn

KUALA LUMPUR: Sunway Construction Group Bhd's (Sunway Construction) new job flow has been projected to remain healthy and that the group can weather the sector downturn better, compared to other players.

The research arm of MIDF Amanah Investment Bank Bhd (MIDF Research) expected Sunway Construction's new job flow to remain healthy, on the back of sizeable jobs tendered and robust balance sheet capacity.

"The advantage is profound, positioning Sunway Construction ahead of its peers to clinch and operate new projects successfully.

"On that note, we think that Sunway Construction's prospect is positive," MIDF Research said in a corporate update.

Sunway Construction's board of directors recently announced that subsidiary Sunway Construction Sdn Bhd had on March 29, 2019, received the Letter of Award issued by Sunway Marketplace Sdn Bhd, an indirect subsidiary of Sunway Bhd, which in turn is a major shareholder of Sunway Construction, in respect of the proposed construction of a 14-level hotel block on Lot PTD 204060 for the proposed mixed development on Medini Zone F, Medini Iskandar Malaysia, for a total contract sum of RM99.5 million.

In a separate announcement, Sunway Construction revealed that indirect wholly-owned subsidiary Sunway Builders (Myanmar) Co Ltd had on April 1,

2019 entered into a Memorandum of Understanding with Capital Construction Limited to cooperate, collaborate and share expertise on infrastructure and construction projects in Myanmar.

"The share price has rallied by 48.6 per cent since the beginning of this year, which we think is a direct testament of the group's strong fundamentals.

"However, judging by the current levels, we believe that this have been priced in by investors," the research arm said.

AmInvestment Bank Bhd (AmInvestment Bank), which held the view that the current slowdown in the local construction industry sector is no ordinary sector cyclical downturn, believed that Sunway Construction would be able to weather the downturn better.

"We hold the view that the current slowdown in the local construction industry sector is no ordinary sector cyclical downturn, but a secular change to the sector's fundamentals," the research firm said.

"We believe Sunway Construction can weather the sector downturn better given its proven ability to compete under an open bidding system, coupled with the availability of building jobs from its parent and sister companies under the Sunway Group.

"However, valuations are unattractive at 17-fold to 18-fold forward earnings on muted sector prospects."