Sunway REIT

Retail Segment Thrives

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UNDERPERFORM ↔

Price:	**RM2.51**
Target Price:	**RM2.28** ↑

SUNREIT's FY25 results were within expectations with both revenue and net profit surging, by 17% and 25%, respectively. This was mainly driven by newly acquired retail assets and stronger performance from Sunway Pyramid and Sunway Carnival post refurbishments alongside positive retail rental reversions. The group may take time to scout for new quality asset to fill the void from the disposal of Sunway University College in Sep 2025. We revised our earnings for FY26F by +5% to reflect better performance from its retail segment and a lower interest cost for the group, we also introduce FY27F new numbers. Our TP is raised from RM2.22 to RM2.28 (+3%) while we keep an UNDERPERFORM call as its 1-year forward estimated net dividend yield of c.4.5% appears to be lower than its peers.

Within expectations. SUNREIT's FY25 net profit of RM426.6m made up 104% of our full-year forecast and 102% of consensus full-year estimate, respectively. It also declared a gross dividend of 8.8 sen, bringing YTD total to 14.5 sen GDPU, above our GDPU forecast of 11.8 sen as the group distributed additional 1.2 sen dividends from asset disposal gains.

YoY, SUNREIT's 9MFY25 revenue and net profit both increased by 22% and 28%, respectively. This was mainly driven by the following:

(i) six new hypermarkets and Sunway 163 Mall acquired in Apr 2024 leading to an increase in the asset's revenue by c.6%, and newly acquired industrial asset in Prai on Oct 2024.

(ii) Sunway Pyramid newly opened Oasis Wing in Nov 2024, leading to a rise in the asset's revenue by c.10%; and

(iii) Stronger performance from Sunway Carnival Mall following the openings of second phase which was completed in 2QFY25.

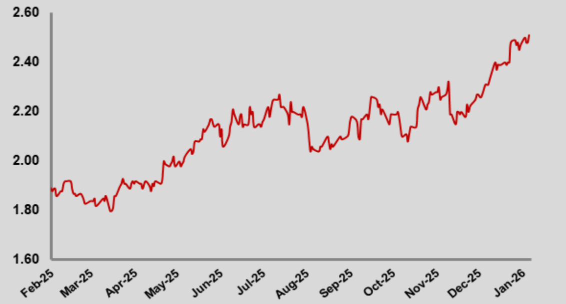
QoQ, both its revenue and net profit were fell by 4% and 11%, respectively, largely due to the absence of the income contribution from Sunway University College upon its disposal on 30 Sep 2025.

Outlook. While SUNREIT scouts for a replacement asset for the disposed Sunway University College, we expect the void of the income contribution could be partially cushioned by its growing retail segment, supported by Visit Malaysia Year and its industrial segment which continues to gain traction with a higher occupancy from 80% to 87% (YoY).

The group has on Oct 2025, announced the disposal of Sunway Hotel Seberang Perai for RM60m with the proceeds earmarked to be used for the planned development of a new hotel atop Sunway Carnival Mall. We are positive on this deal as the Sunway Hotel Seberang Perai is the lowest income contributor among its six hotels and is now sold at low cap rate of 5.3%, reflecting an above-market price. On that note, we believe the new hotel stands to benefit from strong synergistic linkages with Sunway Carnival Mall, which has evolved into a regional hub for its vibrant retail offerings.

We remain confident that SUNREIT's hotel segment will continue to see revenue growth amid the government's higher budget allocation in promoting tourism. That said, the hotel segment is expected to make up only <15% of the group's NPI, with the lion's share still being contributed by retail operations (c.70%).

Share Price Performance



KLCI	1,730.89
YTD KLCI chg	3.0%
YTD stock price chg	8.7%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SREIT MK EQUITY
Market Cap (RM m)	8,596.3
Shares Outstanding	3424.8
52-week range (H)	2.54
52-week range (L)	1.65
3-mth avg. daily vol.	5,542,922
Free Float	50%
Beta	0.6

Major Shareholders

Sunway Bhd	40.9%
Employees Provident Fund	14.9%
Kumpulan Wang Persaraan	5.8%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Turnover	894.3	905.0	945.2
EBIT	658.0	668.2	693.7
PBT	547.7	460.1	483.0
Net Profit (NP)	**539.4**	**456.9**	**479.7**
Core Net Profit	**426.6**	**433.9**	**456.7**
Consensus (NP)	420.3	430.9	448.5
Earnings Revision (%)	-	+5.3	NEW
Core EPS (sen)	12.5	12.7	13.3
Core EPS Growth (%)	21.4	1.7	5.3
GDPU (sen)	14.5	12.5	13.6
NDPU (sen)	13.1	11.4	12.4
BVPS (RM)	1.57	1.58	1.58
Core PER (x)	20.2	19.8	18.8
Price/BV (x)	1.6	1.6	1.6
Net Asset Gearing (x)	0.36	0.36	0.35
Net Div. Yield (%)	5.2	4.5	4.9

Apart from that, the group's portfolio growth prospect continues to be underpinned by a healthy pipeline of asset injections from its sponsor (SUNWAY) such as Sunway Velocity Mall and other assets in the surroundings, of which we believe will likely crystallize from CY27 onwards upon the maturity of the assets.

Forecasts. Post-model updates, we raise our earnings forecast for FY26 by 5% to reflect better retail performances and a lower interest cost for the group. Meanwhile, we introduce new numbers for FY27F with an anticipated 5% net profit growth.

Valuations. Raise our TP from RM2.22 to RM2.28 based on FY26F NDPU of 11.4 sen. The basis of our TP remains unchanged at a target yield of 5% (derived from a 1.50% yield spread above our 10-year MGS assumption of 3.50%), The relatively lower yield spread against what we had applied to its peers reflects SUNWAY's diversified asset portfolio in key urban regions. We reckon that the group's brand equity also benefits greatly from its affiliation to the Sunway conglomerate. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us. **We maintain our UNDERPERFORM call.**

Risks to our call include: (i) higher/lower-than-expected bond yield, and (ii) lower/higher-than-expected occupancy rates.

Results Highlights

FYE Dec (RM m)	4Q FY25	3Q FY25	QoQ Chg	4Q FY24	YoY Chg	12M FY25	12M FY24	YoY Chg
Rental and lease income	217.8	233.0	-6.5%	215.8	0.9%	868.9	746.5	16.4%
Other operating income	9.8	3.5	184.0%	5.1	94.1%	25.4	20.6	23.1%
Gross Revenue	**227.6**	**236.4**	**-3.7%**	**220.9**	**3.1%**	**894.3**	**767.1**	**16.6%**
Property Operating Expenses	-62.7	-55.5	12.9%	-55.3	13.4%	-236.4	-197.4	19.7%
Net Property Income	**165.0**	**180.9**	**-8.8%**	**165.6**	**-0.4%**	**658.0**	**569.7**	**15.5%**
Investment Income	67.1	8.5	686.6%	100.4	-33.1%	110.9	176.6	-37.2%
Other Non-operating Expenses	-14.0	-14.9	-5.8%	-14.0	0.2%	-56.3	-52.0	8.3%
Finance Cost	-36.2	-42.3	-14.3%	-45.5	-20.3%	-164.9	-166.6	-1.1%
Profit Before Tax	**181.8**	**132.3**	**37.5%**	**206.5**	**-11.9%**	**547.7**	**527.7**	**3.8%**
Taxation	-3.8	0.0	N.M	-2.9	31.0%	-3.8	-2.9	31.0%
Minority Interest	0.0	0.0	N.M	0.0	N.M.	0.0	0.0	N.M
Net Profit	**178.0**	**132.3**	**34.6%**	**203.6**	**-12.6%**	**543.9**	**524.8**	**3.7%**
Distributable Income	**321.4**	**208.8**	**53.9%**	**227.5**	**41.2%**	**451.2**	**343.8**	**32.5%**
Core Net Profit	**108.8**	**122.6**	**-11.2%**	**91.9**	**18.5%**	**426.6**	**341.2**	**25.0%**
Core Earnings Per Unit (sen)	3.29	3.56	-7.6%	2.76	19.2%	12.55	10.04	25.0%
Gross Distribution Per Unit (sen)	8.80	0.00		5.34		14.48	10.00	
Key Operating Metrics:								
Net property income margin	72.5%	76.5%		75.0%		73.6%	74.3%	
Pretax margin	79.9%	55.9%		93.5%		61.2%	68.8%	

Source: Company, Kenanga Research

Segmental Breakdown

FYE Dec (RM m)	4Q FY25	3Q FY25	QoQ Chg	4Q FY24	YoY Chg	12M FY25	12M FY24	YoY Chg
Retail	173.1	167.2	3.5%	149.0	16.2%	668.8	529.6	26.3%
Hotel	29.9	35.0	-14.6%	27.9	7.2%	97.8	95.5	2.4%
Office	19.9	20.1	-0.9%	20.5	-3.0%	80.8	83.1	-2.8%
Services	0.0	9.7	-100.0%	19.9	-100.0%	29.3	48.7	-39.8%
Industrial & Others	4.7	4.4	7.2%	3.5	34.9%	17.7	10.3	72.6%
Total Revenue	**227.6**	**236.4**	**-3.7%**	**220.9**	**3.1%**	**894.3**	**767.1**	16.6%
Retail	121.2	121.9	-0.6%	103.5	17.0%	474.0	368.4	28.7%
Hotel	28.7	33.9	-15.2%	26.8	7.3%	93.2	91.5	1.8%
Office	11.5	11.8	-2.7%	12.4	-6.8%	47.9	52.2	-8.1%
Services	0.0	9.7	-100.0%	19.9	-100.0%	29.3	48.7	-39.8%
Industrial & Others	3.5	3.6	-1.1%	2.9	20.1%	13.5	8.9	52.1%
Net property income	**165.0**	**180.9**	**-8.8%**	**165.6**	**-0.4%**	**658.0**	**569.7**	**15.5%**

Source: Company, Kenanga Research

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net. Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
AME REIT	MP	1.70	1.68	-1.2%	901.0	Y	03/2026	7.6	8.0	17.3%	4.8%	22.3	21.3	1.5	6.9%	7.6	4.5%
AXIS REIT	MP	2.02	2.02	0.0%	4,090.0	Y	12/2025	10.6	11.1	6.2%	5.1%	19.1	18.1	1.2	6.3%	10.1	5.0%
CAPITALAND MALAYSIA TRUST	MP	0.680	0.650	-4.4%	2,265.0	N	12/2025	5.2	5.4	10.1%	4.2%	13.1	12.5	0.7	5.4%	4.8	7.1%
IGB REIT	UP	2.89	2.52	-12.8%	12,494.0	N	12/2025	10.1	14.0	18.1%	38.6%	28.7	20.7	2.7	12.6%	10.6	3.7%
KLCCP STAPLED GROUP	MP	9.16	8.93	-2.5%	16,537.0	Y	12/2025	47.6	48.8	9.8%	2.5%	19.3	18.8	1.3	6.3%	45.7	5.0%
SUNWAY REIT	UP	2.51	2.28	-9.2%	8,596.0	N	12/2025	12.7	13.3	1.7%	5.3%	19.8	18.8	1.7	7.8%	12.5	5.0%
SECTOR AGGREGATE					**44,883.0**					**9.4%**	**10.8%**	**20.8**	**18.8**	**1.5**	**7.7%**		**5.2%**

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★	★	
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	☆		
SPECIFIC	Effluent/Waste Management	★	★	★		
	Water Management	★	★	★		
	Energy Efficiency	★	★	★		
	Green Buildings	★	★	★		
	Tenant Management	★	★	★		
	Supply Chain Management	★	★	★		
	OVERALL	★	★	★		

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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