Sunway REIT (SREIT MK)

BUY (maintain)
Up/Downside: +10.7%

Price Target: RM2.07
Previous Target (Rating): RM2.05 (BUY)

"SREIT's 2024 realised net profit saw a decent growth yoy - within estimates"

2024 DPU rose by 7.5% yoy - within estimates

- **SREIT's 2024 realised net profit grew a robust 8% yoy to RM344m on higher rental income from its active asset acquisitions and developments**
- **Looking ahead, we expect SREIT to deliver an annual growth of 4-10% yoy over 2025E-27E, driven by the full-year NPI gains from Sunway Pyramid redevelopment and acquisition of six Giant hypermarkets**
- **Maintain BUY on SREIT with a higher DDM-derived TP of RM2.07. SREIT offers an appealing 2025E-27E distribution yield of 6%**

2024 realised net profit grew a robust 8% yoy to RM344m – within estimates

SREIT reported a strong set of results – 2024 realised net profit grew by a robust 7.8% yoy to RM343.8m on the back of higher rental income from core retail assets' redevelopments and strategic acquisitions. This growth effectively offset the 19.9% yoy increase in borrowing costs, which rose to RM166.6m. Overall, the stronger earnings lifted 2024 DPU by 7.5% yoy to 10sen (2023: 9.3sen). Sequentially, 4Q24 net profit jumped by 6.3% qoq on higher revenue by 14.9% qoq from (i) the Nov-24 reopening of Sunway Pyramid's Oasis precinct which made up 20% of the mall's NLA with refreshed tenant mix and that resulted in improved revenue by 13.2% qoq, and (ii) additional rental income from completed acquisitions during the quarter – Sunway 163 Mall and industrial asset @ Seberang Prai which collectively contributed RM8m to 4Q24 revenue. Besides, seasonal tailwinds from year-end festivities and strong retail sales further boosted rental income across SREIT's retail portfolio.

SREIT's 2025E-27E core EPU is expected to grow by 4-10% yoy

Overall, SREIT's results were within our and consensus estimates – 2024 realised net profit accounts for 101% and 98% of our and consensus full-year estimates. Post full-year results, we introduce our 2027E EPU forecast and expect a promising earnings outlook for Sunway REIT on the back full annual rental contribution from (i) Oasis precinct reconfiguration which is expected to boost Sunway Pyramid's rental income, and (ii) the upcoming completion of Sunway Carnival's Old Wing redevelopment in 3Q25. Additionally, the completed acquisition of 9 assets in 2024 is set to drive FY25E-27E NPI growth by 3-15% yoy and will effectively offset the higher borrowing costs, supporting a 4.0-9.7% yoy increase in 2025E-27E realised EPU.

Maintain BUY with a higher 12-month TP of RM2.07

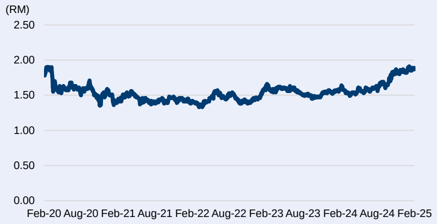
We tweak our earnings forecasts post full-year results and maintain our BUY rating on SREIT with a higher DDM-derived 12-month TP of RM2.07. We like SREIT for its (i) diversified asset portfolio, (ii) strong branding and (iii) attractive FY25E-27E distribution yield of 6%, bolstered by its solid acquisition pipeline. Downside risks to our view are (i) weaker-than-expected economic growth, (ii) earnings disappointment, (iii) delay in acquisition plans and (iv) steeper-than-expected hike in OPR and global bond yields.

Earnings & Valuation Summary

FYE 31 Dec (RMm)	2023	2024	2025E	2026E	2027E
Revenue	715.7	767.1	848.3	887.8	910.8
Net property income	526.9	569.7	642.2	671.5	688.4
Reported net profit	318.3	514.5	377.2	394.8	410.7
EPU (sen)	9.3	15.0	11.0	11.5	12.0
Distributable profit	319.0	343.8	377.2	394.9	410.7
Realised net profit	319.0	343.8	377.2	394.8	410.7
Realised EPU (sen)	9.3	10.0	11.0	11.5	12.0
Realised EPU chg (%)	-2.8	7.7	9.7	4.7	4.0
Realised PER (x)	20.1	18.6	17.0	16.2	15.6
DPU (sen)	9.3	10.0	11.0	11.5	11.9
Distribution Yield (%)	5.0	5.3	5.9	6.1	6.4
P/RNAV (x)	1.2	1.2	1.2	1.2	1.2
Chg in distr. EPU (%)			0.7	0.7	New
Affin/Consensus (x)			1.0	1.0	n/a

Source: Company, Bloomberg, Affin Hwang forecasts

Share price performance



	1M	3M	12M
Absolute (%)	-1.6	1.6	18.4
Rel KLCI (%)	3.2	4.9	15.5

	BUY	HOLD	SELL
Consensus	12	3	-

Stock Data

Sector	REIT
Issued shares (m)	3,424.8
Mkt cap (RMm)/(US$m)	6404.4/1430.4
Avg daily vol - 6mth (m)	1.7
52-wk range (RM)	1.49-1.92
Est free float	50.2%
Stock Beta	0.42
Net cash/(debt) (RMm)	(4,177)
ROE (CY25E)	6.6%
Derivatives	No
Shariah Compliant	No
FTSE4Good Constituent	Yes
FBM EMAS (Top 200)	Top 26-50%
ESG Rank	
ESG Risk Rating	8.3 (-4.4 yoy)

Key Shareholders

Sunway Berhad	40.9%
EPF	16.2%
KWAP	5.9%
PNB	4.4%

Source: Bloomberg, Affin Hwang, Bursa Malaysia, ESG Risk Rating Powered by Sustainalytics

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Fig 1: Results Comparison

FYE Dec (RMm)	4Q23	3Q24	4Q24	QoQ % chg	YoY % chg	FY23	FY24	YoY % chg	Comments
Revenue	**190.5**	**192.1**	**220.9**	**14.9**	**15.9**	**715.7**	**767.1**	**7.2**	Improved 4Q24 revenue qoq and yoy driven by full quarterly rental income contribution from refurbished Oasis precinct @ Sunway Pyramid and two completed acquisitions during the quarter
Op expenses	-54.9	-47.8	-55.3	15.6	0.8	-188.8	-197.4	4.6	
Net Property Income	**135.7**	**144.3**	**165.6**	**14.7**	**22.0**	**526.9**	**569.7**	**8.1**	
NPI margin (%)	*71.2*	*75.1*	*75.0*	*-0.1*	*3.8*	*73.6*	*74.3*	*0.6*	
Revaluation surplus / others	-5.5	1.6	100.4	>100	>100	-0.3	176.6	>100	
Net Invest. Income	**130.1**	**145.9**	**265.9**	**82.2**	**104.3**	**526.6**	**746.3**	**41.7**	
Int expense	-38.6	-43.5	-45.5	4.4	17.9	-138.9	-166.6	19.9	Higher 2024 net finance cost yoy due to additional borrowings incurred to finance its capex and higher financing rates of 3.89% (2023: 3.80%)
REIT's expenses	-12.6	-13.3	-14.0	5.6	10.7	-48.0	-52.0	8.2	
Pretax Profit	**78.9**	**89.1**	**206.5**	**>100**	**>100**	**339.6**	**527.7**	**55.4**	
Net profit	**72.6**	**89.1**	**199.1**	**>100**	**>100**	**318.3**	**514.5**	**61.7**	
Realised net profit	**73.4**	**89.1**	**94.7**	**6.3**	**29.1**	**319.0**	**343.8**	**7.8**	Within our expectations and consensus
Distributable income	**73.4**	**89.1**	**94.7**	**6.3**	**29.1**	**319.0**	**343.8**	**7.8**	
EPU (sen)	2.12	2.61	5.81	>100	>100	9.29	15.02	61.7	
Realised EPU (sen)	2.14	2.61	2.76	5.7	28.8	9.32	10.04	7.8	
DPU (sen)	4.68	0.00	5.34	>100	14.1	9.30	10.00	7.5	

Source: Affin Hwang, Company

Fig 2: Segmental breakdown

FYE 31 Dec (RMm)	2Q CY23	3Q CY23	4Q CY23	1Q CY24	2Q CY24	3Q CY24	4Q CY24	QoQ % chg	YoY % chg
Revenue*									
Retail	110.9	111.8	123.9	126.3	123.7	130.6	149.0	14.1%	20.2%
Hotel	17.5	27.9	23.3	19.1	19.2	29.2	27.9	-4.7%	19.8%
Office	20.5	20.7	21.0	21.3	20.8	20.5	20.5	0.2%	-2.3%
Industrial	1.7	1.7	1.7	2.3	2.2	2.3	3.5	53.6%	>100
Services	16.0	13.8	9.4	9.6	9.6	9.6	9.7	0.8%	2.3%
NPI*									
Retail	69.5	81.8	79.6	86.9	86.2	91.8	103.5	12.8%	30.1%
Hotel	16.5	28.4	21.4	18.1	18.5	28.1	26.8	-4.7%	25.0%
Office	12.9	12.8	13.0	13.9	13.0	12.9	12.4	-4.4%	-4.7%
Industrial	2.0	1.7	1.7	2.0	2.0	1.9	2.9	53.3%	74.0%
Services	16.0	13.8	9.4	9.6	9.6	9.6	9.7	0.7%	2.3%

Source: Company, Affin Hwang
**excluded unrealised rental income (in relation to unbilled lease income receivable)*

Important Disclosures and Disclaimer

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.

OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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