

COMPANY RESULTS

Sunway REIT (SREIT MK)

4Q24: In Line; Optimistic On Retail Segment For Its Diversification Strategy

SREIT reported in-line results. We are optimistic on the company's retail segment in 2025, due to higher contribution from the new asset acquisitions and the refurbishment of Sunway Oasis (which sent Nov 24's footfall up 40% mom, vs Nov 23's +4% mom). Meanwhile, we believe that a private placement will be imminent if the company plans to further acquire sizeable assets, given its elevated gearing ratio and existing capex commitments. Maintain BUY with a higher target price of RM2.05.

4Q24 RESULTS

Year to 31 Dec (RMm)	4Q24	3Q24	qoq % chg	yoy % chg	2024	yoy % chg
Gross revenue	210.6	192.1	9.6	17.4	756.9	7.4
Retail	149.0	130.6	14.1	20.2	529.6	12.0
Hotel	27.9	29.2	(4.7)	19.8	95.5	9.6
Office	20.5	20.5	0.2	(2.3)	83.1	0.6
Others	13.1	11.8	10.9	17.9	48.7	(21.4)
Operating expenses	(55.3)	(47.8)	15.6	0.8	(197.4)	4.6
Net Property Income	155.3	144.3	7.6	24.7	559.4	8.5
Retail	103.5	91.8	12.8	30.1	368.4	14.8
Hotel	26.8	28.1	(4.7)	25.0	91.5	11.1
Office	12.4	12.9	(4.4)	(4.7)	52.2	(0.0)
Others	12.6	11.5	9.5	19.4	47.3	(21.7)
Core PAT	99.2	89.1	11.3	26.5	354.2	4.5
EPU (sen)	2.9	2.6	11.3	26.6	10.3	4.6
DPU (sen)	5.3	0.0	n.m.	14.1	10.0	7.5

Source: Sunway REIT, UOB Kay

RESULTS

- In line.** Sunway REIT (SREIT) reported 4Q24 revenue of RM210.6m (+9.6% qoq, +17.4% yoy) and core net profit of RM99.2m (+11.3% qoq, +26.5% yoy). This brings 2024 core net profit to RM354.2m (+4.5% yoy), accounting for 95% and 101% of our and consensus' forecasts respectively, which we deem in line with expectations.
- Declares 5.3 sen dividend for 2H24 (2H23: 4.7 sen), which bring cumulative dividend to 10.0 sen (+7.5% yoy).** This represents a dividend yield of 5.3%.

KEY FINANCIALS

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	704.5	756.9	817.6	860.3	902.4
Operating profit	515.8	559.4	605.0	636.6	667.7
Net profit (rep./act.)	338.2	524.8	402.7	418.1	433.1
Net profit (adj.)	339.1	354.2	402.7	418.1	433.1
EPU (sen)	9.9	10.3	11.8	12.2	12.6
DPU (sen)	9.3	10.0	10.6	11.0	11.5
PE (x)	18.9	18.1	15.9	15.3	14.8
P/B (x)	1.2	1.2	1.2	1.2	1.2
DPU Yld (%)	5.0	5.3	5.7	5.9	6.1
Net margin (%)	48.1	46.8	49.3	48.6	48.0
Net debt/(cash) to asset (%)	34.9	33.7	38.7	41.3	44.1
Interest cover (x)	3.7	3.4	3.8	3.6	3.5
Consensus DPU (sen)			10.7	11.6	13.0
UOBKH/Consensus (x)			1.0	1.0	0.9

Source: Sunway REIT, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM1.87
Target Price	RM2.05
Upside	+10.3%
(Previous)	RM2.00

COMPANY DESCRIPTION

Sunway Real Estate Investment Trust invests in retail, office, and hotel properties.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	SREIT MK
Shares issued (m):	3,424.8
Market cap (RMm):	6,472.9
Market cap (US\$m):	1,444.0
3-mth avg daily t'over (US\$m):	0.6

Price Performance (%)

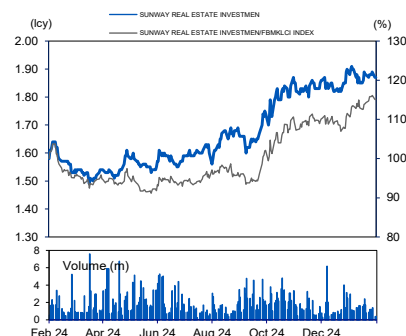
52-week high/low RM1.92/RM1.49

1mth	3mth	6mth	1yr	YTD
(0.5)	2.7	18.1	19.6	2.2

Major Shareholders

	%
Sunway Bhd	40.9
Employees Provident Fund	16.2
Kumpulan Wang Persaraan	5.9
FY24 NAV/Share (RM)	2.38
FY24 Net Debt/Share (RM)	2.05

PRICE CHART



Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

- Retail: Optimistic on retail segment.** 4Q24 retail revenue rose 20.2% yoy due to new asset rental contributions from the six hypermarkets (in Apr 24), Sunway 163 Mall (in Oct 24), as well as the reopening of Sunway Pyramid Oasis New Wing (in Nov 24). As a result, 4Q24 net property income (NPI) margin for the retail segment rose to 69.5% (4Q23: 64.2%). Overall, management maintained its mid-single-digit rental reversion guidance for 2025 (vs 2024: 6.4%), while there is upside potential mainly contributed by Sunway Carnival Mall given tenants' low occupancy cost. Management is upbeat on consumer spending for 2025, as it hopes the minimum wage hike and its retail diversification strategy (to essential good offerings) could offset potential inflationary pressures on discretionary spending in 2H25.
- Hotel: 4Q24 hotel revenue up 19.8% yoy.** NPI margin expanded to 96.1% (+4ppt yoy), driven by strong performance from Sunway Resort Hotel (+33% yoy). Management expects the average hotel occupancy rate to further improve in 2025, from 65% in 2024 (+1ppt yoy), on the back of better flight connectivity and higher foreign tourist arrivals (foreign tourist composition remains flattish at 51% in 2024).
- Office: Largely stable amid oversupply especially in KL region.** The yoy drop in office revenue (-2.3% yoy) and NPI margin (-1.5ppt yoy) in 4Q24 was due to the drop in occupancy rate for Sunway Putra Tower following the relocation of major tenants, CIDB and CREAM, to their own office buildings. However, a new tenant has already been secured, and occupancy is expected to improve to 80% once the government agency tenant completes the necessary paperwork to commence operations.
- Remains dedicated to executing AEI plans.** The company has completed c.50% of the RM920m planned capex for AEIs, including the refurbishment at Sunway Pyramid Oasis Mall (RM190m) and Sunway Carnival Mall (c.RM250m). Ongoing works include c.RM100m for the Sunway Carnival Mall (to complete by end-3Q25) and Sunway Pier, which has a planned investment of RM370m and completion target by end-4Q26, with only 3% completed to date. Gearing ratio was at 41.4% as of end-Dec 24 (vs 43.1% as of end-Sep 24). Based on our calculation, gearing ratio could go up to 43.0% after accounting for the asset acquisition of AEON Mall in Sri Manjung and capex for Sunway Carnival. Hence, we believe that a private placement is imminent should the company plan to acquire sizeable assets in the future.

EARNINGS REVISION/RISK

- We raise our earnings by 1% for 2025-26 to include AEON mall asset contribution.

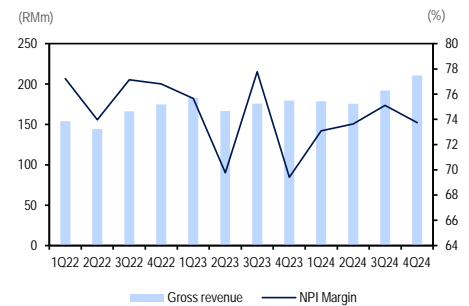
VALUATION/RECOMMENDATION

- Maintain BUY with higher target price of RM2.05.** Our DDM-based target price is based on a required rate of return of 7.7% and implied 2025F dividend yield of 5.2%. We like SREIT for its diverse and strong asset base, spearheaded by the retail and hospitality segments, mainly from international patronage. We reckon its current valuation is attractive as its forward yield spread to MGS of 2.2ppt is still above its five-year historical mean (2.0ppt).

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

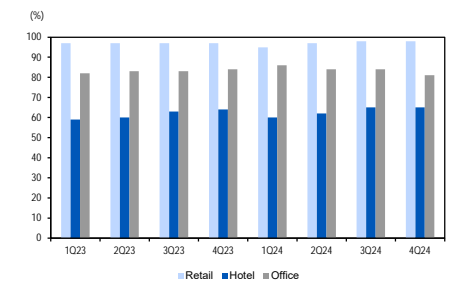
<ul style="list-style-type: none"> Environmental <ul style="list-style-type: none"> Sunway REIT aims to achieve Net Zero Carbon Emissions by 2050. Established internal carbon pricing framework at RM15 per tonne of CO2e emitted.
<ul style="list-style-type: none"> Social <ul style="list-style-type: none"> Established a Sustainability Policy and a Donations, Sponsorships and Corporate Responsibility Policy to guide the execution of sustainability as well as its commitment towards contributing to the communities. Formed an Occupational, Health, Safety and Environment Committee at the business segment level.
<ul style="list-style-type: none"> Governance <ul style="list-style-type: none"> 43% of the Board of Directors are women. Adopted the Anti-Bribery and Corruption Policy and Procedure, and is further supported by the existing Whistleblowing Policy and Procedures.

REVENUE AND NPI MARGIN



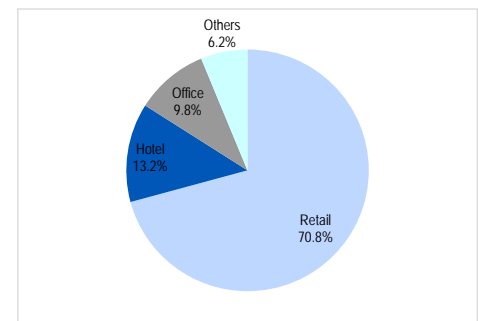
Source: SREIT, UOB Kay Hian

OCCUPANCY



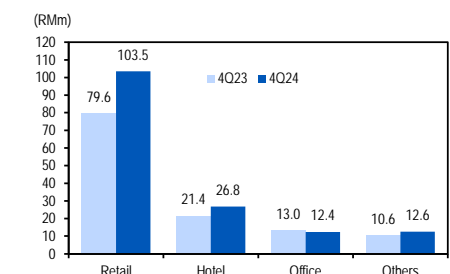
Source: SREIT, UOB Kay Hian

REVENUE BREAKDOWN



Source: SREIT, UOB Kay Hian

NPI CONTRIBUTION BY SEGMENT



Source: SREIT, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	756.9	817.6	860.3	902.4
EBITDA	559.4	605.0	636.6	667.7
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	559.4	605.0	636.6	667.7
Total other non-operating income	(38.6)	(41.5)	(43.3)	(45.0)
Net interest income/(expense)	(166.6)	(160.8)	(175.2)	(189.6)
Pre-tax profit	527.7	402.7	418.1	433.1
Tax	(2.9)	0.0	0.0	0.0
Net profit	524.8	402.7	418.1	433.1
Net profit (adj.)	354.2	402.7	418.1	433.1

CASH FLOW

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	543.8	605.0	636.6	667.7
Pre-tax profit	770.8	817.6	860.3	902.4
Deprec. & amort.	0.0	0.0	0.0	0.0
Working capital changes	(246.3)	(212.6)	(223.7)	(234.6)
Other operating cashflows	19.3	0.0	0.0	0.0
Investing	(1,209.8)	(270.0)	(270.0)	(270.0)
Capex (maintenance)	(312.9)	(200.0)	(200.0)	(200.0)
Investments	(911.0)	0.0	0.0	0.0
Proceeds from sale of assets	(70.0)	(70.0)	(70.0)	(70.0)
Others	84.2	0.0	0.0	0.0
Financing	530.5	(363.5)	(393.3)	(422.7)
Distribution to unitholders	(319.9)	(402.7)	(418.1)	(433.1)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	7,179.0	200.0	200.0	200.0
Loan repayment	(6,318.6)	0.0	0.0	0.0
Others/interest paid	(10.0)	(160.8)	(175.2)	(189.6)
Net cash inflow (outflow)	(135.5)	(28.5)	(26.7)	(25.0)
Beginning cash & cash equivalent	425.3	289.8	261.3	234.6
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	289.8	261.3	234.6	209.6

BALANCE SHEET

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	10,401.5	10,671.5	10,941.5	11,211.5
Other LT assets	70.6	70.6	70.6	70.6
Cash/ST investment	289.8	261.3	234.6	209.6
Other current assets	40.8	136.8	160.1	327.9
Total assets	10,802.6	11,140.2	11,406.8	11,819.6
ST debt	1,736.7	2,136.7	2,536.7	2,936.7
Other current liabilities	341.7	247.8	260.7	273.4
LT debt	2,835.5	2,835.5	2,835.5	2,835.5
Other LT liabilities	16.6	48.2	(98.1)	(98.1)
Shareholders' equity	5,872.0	5,872.0	5,872.0	5,872.0
Total liabilities & equity	10,802.6	11,140.2	11,406.8	11,819.6

KEY METRICS

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	73.9	74.0	74.0	74.0
Pre-tax margin	69.7	49.3	48.6	48.0
Net margin	69.3	49.3	48.6	48.0
ROA	5.3	4.0	4.1	4.1
ROE	9.3	7.1	7.4	7.6
Growth				
Turnover	15.4	24.6	31.1	37.6
EBITDA	27.9	38.3	45.5	52.6
Pre-tax profit	171.1	106.9	114.8	122.5
Net profit	168.4	106.0	113.9	121.6
Net profit (adj.)	4.5	13.7	3.8	3.6
EPU	4.5	13.7	3.8	3.6
Leverage				
Debt to total capital	77.9	84.7	91.5	98.3
Debt to equity	77.9	84.7	91.5	98.3
Net debt/(cash) to equity	72.9	80.2	87.5	94.7
Interest cover (x)	3.4	3.8	3.6	3.5

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