

"SREIT's 6M25 realised net profit grew by 22% yoy to RM195m - above estimates"

Share price performance



	1M	3M	12M
Absolute (%)	0.0	12.0	31.9
Rel KLCI (%)	-2.0	10.5	35.2

	BUY	HOLD	SELL
Consensus	11	4	1

Stock Data

Sector	REIT
Issued shares (m)	3,424.8
Mkt cap (RMm)/(US\$m)	7363.3/1740.4
Avg daily vol - 6mth (m)	3.6
52-wk range (RM)	1.59-2.32
Est free float	50.2%
Stock Beta	0.53
Net cash/(debt) (RMm)	(4,135.1)
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 (0.0 yoy)

Key Shareholders

Sunway Berhad	40.9%
EPF	15.6%
KWAP	6.0%
PNB	4.4%

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

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Sunway REIT (SREIT MK)

BUY (maintain)

Up/Downside: +10.2%

Price Target: RM2.37

Previous Target (Rating): RM2.33 (BUY)

6M25 DPU grew by 22% yoy - above estimates

- SREIT's 6M25 realised net profit grew a robust 22% yoy to RM195m on higher rental income from its active asset acquisitions and developments
- Looking ahead, we expect SREIT to deliver DPU growth of 4-9% yoy over 2025E-27E, driven by the full-year NPI gains from the Sunway Pyramid redevelopment and 9 completed asset acquisitions in 2024
- Maintain BUY on SREIT with a higher DDM-derived TP of RM2.37. SREIT offer decent 2025E-27E DPU yields of 5%

6M25 realised net profit grew a robust 22% yoy to RM195m – above estimates

6M25 realised net profit grew by a robust 21.9% yoy to RM195.1m on the back of higher rental income from the reconfiguration of core retail assets and strategic acquisitions. This growth effectively offset the 11.2% yoy increase in borrowing costs, which rose to RM86.3m. The improved earnings lifted 6M25 DPU by 21.9% yoy to 5.68sen. Sequentially, 2Q25 NPI declined by 6.6% qoq to RM154.9m on weaker rental contribution from the retail segment (-2.3% qoq) due to seasonality as 1Q25 benefited from multiple festive periods that lifted tenant sales. As a result, 2Q25 realised net profit decreased by 2.1% qoq to RM96.5m.

SREIT's 2025E-27E DPU is expected to grow by 4-9% yoy

SREIT's 6M25 results exceeded our expectations but were in line with consensus, with core net profit representing 49% and 52% of consensus and our full-year forecasts. The outperformance was driven by lower-than-expected financing costs. Looking ahead, DPU growth is expected to be driven by full-year contributions from the (i) Oasis precinct reconfiguration which is expected to boost Sunway Pyramid's rental income, (ii) completion of Sunway Carnival's Old Wing reconfiguration on 8 May 2025 and (iii) accretive impact of 9 acquisitions made in 2024. We expect these positive developments to deliver 4-9% yoy DPU growth in 2025E-27E. While the proposed disposal of Sunway University and College (KL) may create an annual NPI void of RM38.4m, the RM613m disposal proceeds could be redeployed into (i) new acquisitions – backed by Sunway Berhad's strong asset pipeline or (ii) debt repayment, which saves RM24m in annual borrowing costs and lowering its debt-to-asset ratio to 38% (from 41%). This would still result in a positive realised EPU/DPU growth of 5.5% in 2025E (from 9.2%) despite the disposal's near-term impact.

Maintain BUY with a higher 12-month TP of RM2.37

Maintain our BUY rating on SREIT. We revise our 2025E-27E earnings forecasts higher by 2-3% and raise our DDM-derived 12-month TP to RM2.37 (from RM2.33) after lowering our financing rate assumption to reflect reduced borrowing costs amid an easing OPR. We like SREIT for its (i) diversified asset portfolio, (ii) strong branding and (iii) decent 2025E-27E DPU yields of 5%. Downside risks to our view are (i) earnings disappointment, (ii) delay in acquisition plans and (iii) steeper-than-expected hike in OPR.

Earnings & Valuation Summary

FYE 31 Dec (RMm)	2023	2024	2025E	2026E	2027E
Revenue	715.7	767.1	845.7	881.2	904.9
Net property income	526.9	569.7	640.4	666.6	683.9
Reported net profit	318.3	514.5	384.6	399.3	415.5
EPU (sen)	9.3	15.0	11.2	11.7	12.1
Distributable profit	319.0	343.8	384.7	399.3	415.5
Realised net profit	319.0	343.8	384.6	399.3	415.5
Realised EPU (sen)	9.3	10.0	11.2	11.7	12.1
Realised EPU chg (%)	-2.8	7.7	11.9	3.8	4.1
Realised PER (x)	20.1	18.6	19.1	18.4	17.7
DPU (sen)	9.3	10.0	11.2	11.6	12.1
Distribution Yield (%)	5.0	5.3	5.2	5.4	5.6
P/RNAV (x)	1.2	1.2	1.4	1.4	1.4
Chg in distr. EPU (%)			+2.5	+2.4	+2.3
Affin/Consensus (x)			1.0	1.0	1.0

Source: Company, Bloomberg, Affin Hwang forecasts

Fig 1: Results Comparison

FYE Dec (RMm)	2Q24	1Q25	2Q25	QoQ % chg	YoY % chg	6M24	6M25	YoY % chg	Comments
Revenue	175.6	218.9	211.4	-3.4	20.4	354.2	430.3	21.5	A marginal qoq dip, mainly from softer retail rental income (-5% qoq) due to seasonality, as 1Q benefitted from higher footfall during festive periods
Op expenses	-46.3	-61.7	-56.5	-8.4	22.1	-94.3	-118.2	25.3	
Net Property Income	129.3	157.2	154.9	-1.5	19.8	259.8	312.1	20.1	Stronger 1Q25 NPI yoy on contributions from improved rental income of recently refurbished Sunway Pyramid and 2024 acquisitions – (i) six Giant hypermarkets, (ii) Sunway 163 Mall, (iii) Industrial – Prai, and (iv) Sunway Kluang
<i>NPI margin (%)</i>	73.6	71.8	73.3	1.5	-0.4	73.4	72.5	-0.8	
Revaluation surplus / others	68.3	3.1	32.2	>100	-52.9	74.6	35.3	>100	
Net Invest. Income	197.6	160.3	187.1	16.7	-5.3	334.4	347.4	3.9	This includes a RM27m fair value gain recognised for the disposal of Sunway University & College, which is scheduled for completion by 3Q25
Int expense	-40.0	-42.5	-43.8	3.1	9.5	-77.6	-86.3	11.2	Higher interest expense yoy due to increased borrowings arising from debt-funded acquisitions / refurbishments and higher average interest rate of 3.89% in Jun-25 (Jun-24: 3.86%)
REIT's expenses	-12.5	-13.5	-13.9	3.4	11.6	-24.7	-27.4	10.7	
Pretax Profit	145.1	104.3	129.4	24.0	-10.8	232.0	233.7	0.7	
Net profit	144.3	98.6	123.6	25.3	-14.3	226.3	222.2	-1.8	
Realised net profit	78.0	98.6	96.5	-2.1	23.7	160.0	195.1	21.9	Above ours but within consensus expectations
Distributable income	78.0	98.6	96.5	-2.1	23.7	160.0	195.1	21.9	
EPU (sen)	4.21	2.88	3.61	25.3	-14.3	6.61	6.49	-1.8	
Realised EPU (sen)	2.28	2.88	2.82	-2.1	23.7	4.67	5.70	21.9	
DPU (sen)	4.66	0.00	5.68	>100	21.9	4.66	5.68	21.9	

Source: Affin Hwang, Company

Fig 2: Segmental breakdown

FYE 31 Dec (RMm)	4Q CY23	1Q CY24	2Q CY24	3Q CY24	4Q CY24	1Q CY25	2Q CY25	QoQ % chg	YoY % chg
Revenue*									
Retail	123.9	126.3	123.7	130.6	149.0	168.4	160.0	-5.0%	29.4%
Hotel	23.3	19.1	19.2	29.2	27.9	16.1	16.7	3.9%	-12.9%
Office	21.0	21.3	20.8	20.5	20.5	20.4	20.4	-0.3%	-2.2%
Industrial	1.7	2.3	2.2	2.3	3.5	4.2	4.5	7.4%	99.7%
Services	9.4	9.6	9.6	9.6	9.7	9.8	9.8	0.0%	2.3%
NPI*									
Retail	79.6	86.9	86.2	91.8	103.5	116.8	114.1	-2.3%	32.4%
Hotel	21.4	18.1	18.5	28.1	26.8	15.0	15.6	4.1%	-15.8%
Office	13.0	13.9	13.0	12.9	12.4	12.4	12.2	-1.2%	-6.1%
Industrial	1.7	2.0	2.0	1.9	2.9	3.2	3.2	-1.7%	57.4%
Services	9.4	9.6	9.6	9.6	9.7	9.8	9.8	0.0%	2.3%

Source: Company, Affin Hwang

*excluded unrealised rental income (in relation to unbilled lease income receivable)

Important Disclosures and Disclaimer

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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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