


Malaysia

HOLD (previously ADD)

Consensus ratings*: Buy 11 Hold 4 Sell 1

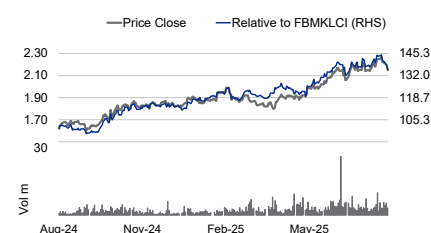
Current price: RM2.15
Target price:  RM2.16
Previous target: RM2.03
Up/downside: 0.5%
CGSI / Consensus: -0.7%

Reuters: SUNW.KL
Bloomberg: SREIT MK
Market cap: US\$1,741m
RM7,363m
Average daily turnover: US\$1.98m
RM8.41m
Current shares o/s: 3,425m
Free float: 37.5%

*Source: Bloomberg

Key changes in this note

- Raise our FY25F/26F/27F DPU estimates by 2%/1%/2%.
- Downgrade to Hold despite a higher TP.

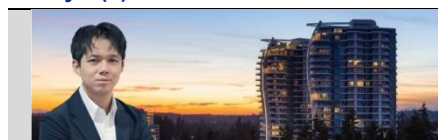


Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.0	12.0	31.9
Relative (%)	-2.1	10.6	34.3

Major shareholders	% held
Sunway Bhd	40.9
EPF	15.6
KWAP	6.0

Analyst(s)



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Sunway REIT

Resilient 1HFY25 but uncertainties ahead

- 1HFY25 core net profit of RM196m was slightly above expectations, accounting for 54% of our FY25F estimate and 50% of Bloomberg consensus.
- Management conservatively projects mid-single-digit reversion for 2HFY25F due to weaker consumer sentiment and uncertainties from SST and US tariffs.
- Downgrade to Hold as our higher TP of RM2.16 offers limited upside, with a modest FY26F dividend yield of 5%.

1HFY25 earnings slightly above expectations

Sunway REIT delivered a 2QFY25 core net profit of RM97.5m (-1% qoq, +26% yoy) on revenue of RM211.4m (-3% qoq, +20% yoy). This lifted 1HFY25 core net profit to RM196.1m (+23% yoy), coming in slightly above our expectations at 54% of our FY25F estimate and 50% of Bloomberg consensus. We attribute the outperformance to lower-than-expected finance costs and higher NPI margins. Meanwhile, the commendable yoy growth in 1HFY25 core net earnings was mainly driven by increased revenue from Sunway Pyramid Mall and Sunway Carnival Mall as well as additional contributions from newly-acquired assets, in our view. Sunway REIT declared an interim DPU of 5.68 sen (+22% yoy) for 1HFY25, ahead of expectations at 54% our FY25F DPU forecast.

Key takeaways from 2QFY25 briefing (12 Aug)

Sunway REIT's retail portfolio recorded low teens rental reversion in 1HFY25, driven by stable footfall. This is despite the mild drop in tenant sales by 5% yoy in 1HFY25, weighed down by weaker consumer sentiment, according to management. Due to uncertainties from the 8% sales and services tax (SST) on leasing and rental services as well as the disruptive US tariffs, management conservatively maintains its mid-single-digit reversion guidance for 2HFY25F. Nevertheless, we believe resilient footfall and tenant sales within its retail portfolio may help to cushion the headwinds. We also expect the completed acquisition of Aeon Mall Seri Manjung (in Jul 2025) and full re-opening of the refurbished existing wing at Sunway Carnival Mall (in May 2025) to contribute to a moderate boost to 2HFY25F earnings. Meanwhile, the disposal of Sunway University and College campus for RM613m is on track for completion in 3QFY25F.

Downgrade to Hold despite a higher TP

We raise our FY25F/26F/27F DPU estimates by 2%/1%/2%, reflecting the disposal of Sunway University and College campus, which is more than offset by lower financing costs and higher NPI margins. Our DDM-based TP is lifted to RM2.16 (COE: 8.5%, TG: 2.0%) following the earnings revisions and rollover of valuation to FY26F. Downgrade to Hold as the TP offers limited upside, with a modest FY26F dividend yield of 5.2% vs. sector average of 5.7%. We believe Sunway REIT's earnings outlook in FY25F-27F is resilient, underpinned by healthy private consumption growth and incremental earnings from new assets. Downside risks include lower occupancy rate and negative rental reversions. Upside risks include higher rental reversion and strong hotel earnings.

Financial Summary	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Gross Property Revenue (RMm)	715.7	767.1	850.6	882.1	933.9
Net Property Income (RMm)	526.9	569.7	597.0	614.7	654.8
Net Profit (RMm)	318.3	514.5	368.2	386.1	421.5
Distributable Profit (RMm)	319.0	343.8	368.2	386.1	421.5
Core EPS (RM)	0.10	0.10	0.11	0.11	0.12
Core EPS Growth	0.09%	6.82%	4.79%	4.86%	9.15%
FD Core P/E (x)	22.39	20.96	20.00	19.07	17.47
DPS (RM)	0.09	0.10	0.11	0.11	0.12
Dividend Yield	4.33%	4.65%	5.00%	5.24%	5.72%
Asset Leverage	38.1%	41.3%	42.4%	40.5%	41.3%
BVPS (RM)	1.51	1.57	1.57	1.57	1.57
P/BV (x)	1.42	1.37	1.37	1.37	1.37
Recurring ROE	6.35%	6.66%	6.85%	7.19%	7.84%
% Change In DPS Estimates			1.84%	0.74%	2.48%
DPS/Consensus DPS (x)			0.97	0.97	1.02

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

Figure 1: 1HFY25 earnings summary – core net profit slightly above expectations at 54% of our FY25F estimate and 50% of Bloomberg consensus

FYE Dec (RM m)	2QFY25	2QFY24	YoY	1QFY25	QoQ	1HFY25	1HFY24	YoY
Revenue	211.4	175.6	20.4%	218.9	-3.4%	430.3	354.2	21.5%
Property operating expenses	(56.5)	(46.3)	22.1%	(61.7)	-8.4%	(118.2)	(94.3)	25.3%
Net property income	154.9	129.3	19.8%	157.2	-1.5%	312.1	259.8	20.1%
- NPI margin	73.3%	73.6%		71.8%		72.5%	73.4%	
Interest income	5.1	2.1	146.8%	3.0	69.4%	8.2	8.4	-2.4%
Other income	0.1	0.0	107.7%	0.1	-34.9%	0.1	0.1	85.1%
Fair value change on investment properties	27.0	66.2	-59.2%	-	-	27.0	66.2	-59.2%
Net investment income	187.1	197.6	-5.3%	160.3	16.7%	347.4	334.4	3.9%
Managers' fees	(13.0)	(11.3)	15.1%	(12.7)	2.2%	(25.7)	(22.5)	14.1%
Trustee's fees	(0.2)	(0.2)	2.0%	(0.3)	-22.2%	(0.5)	(0.4)	17.2%
Other trust expenses	(0.7)	(1.0)	-26.5%	(0.5)	46.5%	(1.2)	(1.8)	-32.7%
Finance costs	(43.8)	(40.0)	9.5%	(42.5)	3.1%	(86.3)	(77.6)	11.2%
Profit before tax	129.4	145.1	-10.8%	104.3	24.0%	233.7	232.0	0.7%
Tax expenses	-	-	-	-	-	0.0	0.0	-
Profit after tax	129.4	145.1	-10.8%	104.3	24.0%	233.7	232.0	0.7%
Unrealised income	(27.1)	(66.2)	-59.1%	(0.1)	48210.7%	(27.1)	(66.3)	-59.1%
Profit attributable to perpetual note holders	(5.8)	(0.8)	606.2%	(5.7)	1.1%	(11.5)	(5.8)	98.7%
Realised income attributable to unitholders	96.5	78.0	23.7%	98.6	-2.1%	195.1	160.0	21.9%
Core net profit	97.5	77.7	25.6%	98.6	-1.1%	196.1	159.8	22.8%
EPU (sen)	2.82	2.28	23.7%	2.88	-2.1%	5.70	4.67	22.1%
DPU (sen)	5.68	4.66	21.9%	-	-	5.68	4.66	21.9%

SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 2: Raise our FY25F/26F/27F DPU estimates by 2%/1%/2%, reflecting the disposal of Sunway University and College campus, which is more than offset by lower financing costs and higher NPI margins

(RM m unless otherwise stated)	FY25F	Previous FY26F	FY27F	FY25F	Revised FY26F	FY27F	FY25F	Change (%) FY26F	FY27F
Revenue	867.9	914.0	958.0	850.6	882.1	933.9	-2%	-3%	-3%
NPI	611.7	645.9	679.1	597.0	614.7	654.8	-2%	-5%	-4%
PBT	387.6	409.3	437.3	391.4	409.3	444.6	1%	0%	2%
Distributable income	361.6	383.3	411.2	368.2	386.1	421.5	2%	1%	2%
Core net profit	361.6	383.3	411.2	368.2	386.1	421.5	2%	1%	2%
EPU (sen)	10.6	11.2	12.0	10.8	11.3	12.3	2%	1%	2%
DPU (sen)	10.6	11.2	12.0	10.8	11.3	12.3	2%	1%	2%

SOURCES: CGSI RESEARCH ESTIMATES

Figure 3: Peer comparisons

Company	Ticker	FYE	Rec	TP (RM)	Last Price (RM)	Upside (%)	Mkt Cap (US\$)	P/E (x) CY25F	P/E (x) CY26F	3Y EPS CAGR (%)	EPS Growth (%) CY25F	EPS Growth (%) CY26F	P/BV (x) CY25F	P/BV (x) CY26F	ROE (%) CY25F	ROE (%) CY26F	DY (%) CY25F	DY (%) CY26F
Axis REIT	AXRB MK	Dec	Add	2.28	2.06	10.7	984	20.3	20.3	6.8	22.8	0.2	1.3	1.3	6.2	6.2	4.9	4.9
CapitaLand Malaysia Trust	CLMT MK	Dec	Add	0.78	0.61	27.9	421	12.3	11.8	7.6	7.5	4.3	0.6	0.6	4.9	5.4	7.7	8.1
IGB REIT	IGBREIT MK	Dec	Hold	2.64	2.76	(4.3)	2,364	24.8	20.0	11.4	8.9	24.3	2.3	2.0	9.4	9.3	4.2	4.8
KLCC Stapled Group	KLCCSS MK	Dec	Hold	8.85	8.63	2.5	3,684	18.8	18.7	5.6	4.8	0.4	1.0	1.0	5.4	5.4	5.0	5.0
Pavilion REIT	PREIT MK	Dec	Add	1.79	1.73	3.5	1,604	16.6	15.6	9.8	22.9	6.5	1.2	1.2	7.4	8.0	5.6	6.0
Sunway REIT	SREIT MK	Dec	Hold	2.16	2.15	0.5	1,741	20.0	19.1	5.5	4.8	4.9	1.3	1.3	6.7	7.0	5.0	5.2
Malaysia average								18.8	17.6	7.8	11.9	6.8	1.3	1.2	6.7	6.9	5.4	5.7

SHARE PRICES AS AT 12 AUG 2025

SOURCES: CGSI RESEARCH, BLOOMBERG

ESG in a nutshell



LSEG ESG Scores

B+ ESG Grade	A+ ESG Controversies Grade	B+ ESG Combined Grade	A- ESG Environment Pillar Grade	B ESG Social Pillar Grade	A- ESG Governance Pillar Grade
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Sunway REIT's ESG initiatives are guided by global sustainability frameworks such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standard Board (SASB). In FY24, Sunway REIT expanded its materiality assessment to 21 (from 18 issues in FY21), reflecting the evolving operating landscape and newly identified priorities. Based on its ESG disclosures, LSEG rated Sunway REIT with an overall ESG rating of B+ as at 31 Dec 2024.

Keep your eye on

Sunway REIT is dedicated to advancing towards building energy intensity (BEI) targets outlined in its 2030 Goals and honouring its pledge to achieve Net Zero Carbon Emissions by 2050F. Some of its ESG-focused targets are:

- 1) Managed assets to remain below BEI targets, which will be lowered by 3.5-4.0% annually through 2030F in line with the Intergovernmental Panel on Climate Change's (IPCC) goal of a 45% reduction in carbon intensity by 2030F;
- 2) At least of 40% of electricity from renewable energy sources by 2030F;
- 3) Certify 100% of Sunway REIT's properties as green buildings by 2034F.

Implications

Sunway REIT's Sustainability Committee is responsible for the group's sustainability strategies, issues, risks and opportunities and ensures the alignment with business objectives. Reducing carbon emissions should allow Sunway REIT to achieve sustainability ratings for all buildings under management, with future asset enhancement initiatives (AEIs) incorporating sustainability features.

ESG highlights

Sunway REIT's sustainability efforts are illustrated by its various key achievements in FY24, including:

- 1) 37% of its total portfolio's gross floor area (GFA) are green-certified (FY23: 35%);
- 2) 98% of Sunway REIT's borrowings were structured with sustainable finance mechanism;
- 3) 4,075 MWh (1.8% of group total) renewable generated on all Sunway REIT properties;
- 4) installed 10 additional electric vehicles (EVs) charging points (totalling up to 61 charging points).

The REIT's ESG initiatives have also been acknowledged by the community, with multiple awards, such as Gold Award from The Edge ESG Awards 2024 (REIT category), Gold Award from Australasian Reporting Awards 2024 (Distinguished Achievement in Reporting) and GreenRE Sustainable Development Awards 2024 (Best Shopping Mall for Sunway Putra Mall & Best Hotel for Sunway Resort Hotel), among others.

Implications

These ESG developments reflect Sunway REIT's commitment to advancing its sustainability agenda. While the immediate impact on share price may be modest, we believe investors will continue to monitor progress on these key ESG priorities, with sustained improvements finding interest from ESG-conscious investors and funds.

Trends

Sunway REIT is not a constituent of the FTSE4Good Bursa Malaysia Index but achieved a 4-star rating band from FTSE Russel (as at Jun 25 review period). It also retained its A score under MSCI ESG Rating in FY24.

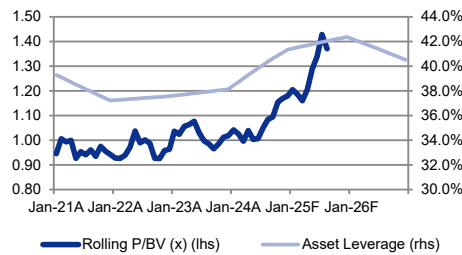
Implications

We believe Sunway REIT will continue to embark on more refined ESG-related initiatives, particularly in light of the growing importance of sustainability issues. This is likely to be aligned with Transcend 2027, which is the group's strategy to achieve portfolio growth over the next three years.

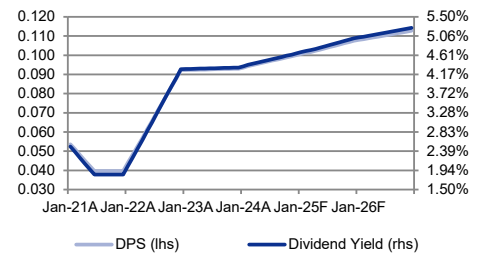
SOURCES: CGSI RESEARCH, LSEG

BY THE NUMBERS

P/BV vs Asset Leverage



Dividend Yield vs Net DPS



Profit & Loss

(RMm)	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Rental Revenues	715.7	767.1	850.6	882.1	933.9
Other Revenues					
Gross Property Revenue	715.7	767.1	850.6	882.1	933.9
Total Property Expenses	(188.8)	(197.4)	(253.7)	(267.4)	(279.2)
Net Property Income	526.9	569.7	597.0	614.7	654.8
General And Admin. Expenses					
Management Fees	(43.9)	(47.2)	(48.9)	(49.8)	(51.3)
Trustee's Fees	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Other Operating Expenses	(3.3)	(4.0)	(3.6)	(3.6)	(3.6)
EBITDA	478.9	517.7	543.6	560.5	599.0
Depreciation And Amortisation					
EBIT	478.9	517.7	543.6	560.5	599.0
Net Interest Income	(129.1)	(153.5)	(152.2)	(151.3)	(154.4)
Associates' Profit					
Other Income/(Expenses)	(10.2)	163.5	0.0	0.0	0.0
Exceptional Items					
Pre-tax Profit	339.6	527.7	391.4	409.3	444.6
Taxation	(1.4)	(2.9)	0.0	0.0	0.0
Minority Interests					
Preferred Dividends	(19.9)	(10.2)	(23.2)	(23.2)	(23.2)
Net Profit	318.3	514.5	368.2	386.1	421.5
Distributable Profit	319.0	343.8	368.2	386.1	421.5

Cash Flow

(RMm)	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Pre-tax Profit	339.6	527.7	391.4	409.3	444.6
Depreciation And Non-cash Adj.	129.1	153.5	152.2	151.3	154.4
Change In Working Capital	(28.3)	124.6	93.4	26.3	22.4
Tax Paid	(1.4)	(2.9)	0.0	0.0	0.0
Others	6.7	(259.2)	4.1	4.8	5.7
Cashflow From Operations	445.6	543.8	641.1	591.6	627.2
Capex	(205.6)	(315.9)	(268.1)	(112.2)	(113.7)
Net Investments And Sale Of FA	343.4	(897.0)	307.0	0.0	0.0
Other Investing Cashflow	(2.4)	3.1	17.9	17.6	11.3
Cash Flow From Investing	135.4	(1,209.8)	56.8	(94.6)	(102.4)
Debt Raised/(repaid)	79.0	860.4	263.0	(330.0)	160.0
Equity Raised/(Repaid)	0.0	0.0	0.0	0.0	0.0
Dividends Paid	(329.5)	(319.9)	(368.2)	(386.1)	(421.5)
Cash Interest And Others	(146.5)	3.1	(175.4)	(174.4)	(177.6)
Cash Flow From Financing	(397.0)	543.6	(280.6)	(890.5)	(439.0)
Total Cash Generated	184.0	(122.4)	417.3	(393.5)	85.7
Free Cashflow To Firm	590.9	(652.9)	715.8	514.7	536.1
Free Cashflow To Equity	533.3	47.3	808.7	15.8	530.3

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(RMm)	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Total Investments	8,972	10,455	10,407	10,511	10,615
Intangible Assets	0	0	0	0	0
Other Long-term Assets	18	17	22	26	29
Total Non-current Assets	8,990	10,472	10,429	10,537	10,645
Total Cash And Equivalents	425	290	689	278	352
Inventories					
Trade Debtors	108	41	45	46	48
Other Current Assets	15	0	0	0	0
Total Current Assets	549	331	734	324	401
Trade Creditors	270	327	425	452	477
Short-term Debt	1,637	1,737	1,892	1,760	1,824
Other Current Liabilities	0	14	14	14	14
Total Current Liabilities	1,907	2,078	2,331	2,227	2,315
Long-term Borrowings	2,000	2,730	2,838	2,640	2,736
Other Long-term Liabilities	115	122	122	122	122
Total Non-current Liabilities	2,115	2,852	2,960	2,762	2,858
Shareholders' Equity	5,176	5,372	5,372	5,372	5,372
Minority Interests					
Preferred Shareholders Funds	340	500	500	500	500
Total Equity	5,516	5,872	5,872	5,872	5,872

Key Ratios

	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Gross Property Revenue Growth	9.9%	7.2%	10.9%	3.7%	5.9%
NPI Growth	5.33%	8.12%	4.78%	2.98%	6.51%
Net Property Income Margin	73.6%	74.3%	70.2%	69.7%	70.1%
DPS Growth	0.87%	7.53%	7.52%	4.86%	9.15%
Gross Interest Cover	3.45	3.11	3.20	3.32	3.61
Effective Tax Rate	0.40%	0.55%	0.00%	0.00%	0.00%
Net Dividend Payout Ratio	100%	67%	100%	100%	100%
Current Ratio	0.29	0.16	0.31	0.15	0.17
Quick Ratio	0.29	0.16	0.31	0.15	0.17
Cash Ratio	0.22	0.14	0.30	0.12	0.15
Return On Average Assets	3.36%	5.06%	3.35%	3.51%	3.85%

Key Drivers

	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
NPI margin (%)	73.6%	74.3%	70.2%	69.7%	70.1%

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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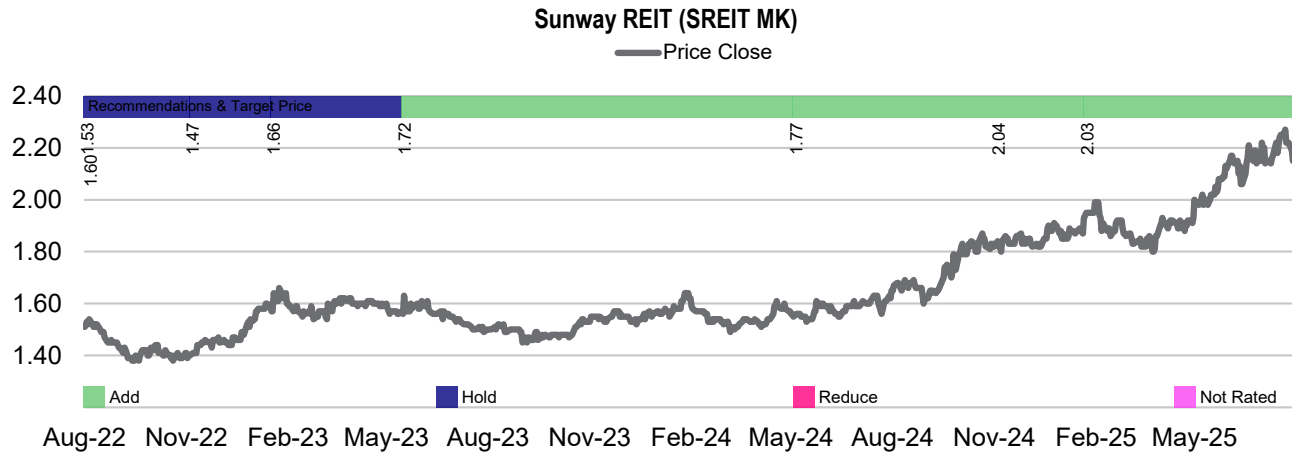
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2025		
561 companies under coverage for quarter ended on 30 June 2025		
	Rating Distribution (%)	Investment Banking clients (%)
Add	70.6%	1.1%
Hold	20.5%	0.5%
Reduce	8.9%	0.5%

Spitzer Chart for stock being researched (2 year data)



Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
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