

13 Aug 2025

Hold**Price**

RM2.15

Target Price

RM2.14 (from RM2.11)

Market Data

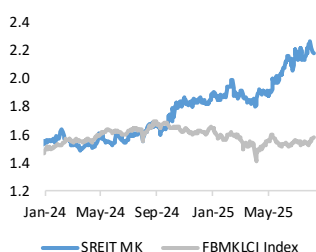
Bloomberg Code	SREIT MK
No. of shares (m)	3,424.8
Market cap (RMm)	7,466.1
52-week high/low (RM)	2.32 / 1.59
Avg daily turnover (RMm)	8.8
KLCI (pts)	1,567.9
Source: Bloomberg, CIMB Securities	

Major Shareholder (%)

Sunway Bhd	40.9
EPF	15.9
KWAP	5.9
Free Float	37.3
Source: Bloomberg, CIMB Securities	

Performance

	3M	6M	12M
Absolute (%)	14.1	11.8	34.6
Rel Market (%)	15.2	13.5	37.3



Source: Bloomberg, CIMB Securities

Analyst

Lim Yue Jia

yuejia.lim@cimb.com

Ivy Ng Lee Fang

ivy.ng@cimb.com

Sunway REIT

1HFY25 growth steered by acquisitions

SunREIT's 1HFY25 CNP and DPU were in line with expectations. 2Q25 and 1H25 CNP grew 23.7% and 21.9% YoY, respectively, owing to contribution from new assets in the retail and industrial segment, which contributed 15% to 1H25 NPI. However, this was partly offset by softer performance in the hotel segment, which recorded a lower occupancy rate (-2 pp). We expect earnings to improve in 3Q25, driven by the completion of an asset acquisition and the early reopening of Sunway Carnival Mall. We have raised our FY25–27F earnings estimates by 1.3–2.2% to reflect recent changes in SunREIT's portfolio. We maintain our Hold call with a slightly higher TP of RM2.14.

Financial highlights

FYE Dec	2023	2024	2025F	2026F	2027F
Revenue (RM mil)	715.7	767.1	852.0	888.0	911.4
Net Property Income	530.8	569.7	651.6	681.5	698.8
Realised Net profit (RM mil)	328.9	195.1	389.0	411.5	419.5
EPU (sen)	9.6	10.1	11.4	12.0	12.2
EPU Growth (%)	0.1%	5.6%	12.0%	5.8%	1.9%
DPU (sen)	9.3	10.0	11.0	11.6	11.8
PE (x)	22.4	21.2	18.9	17.9	17.6
Div yield (%)	4.3	4.7	5.1	5.4	5.5
ROE (%)	6.5%	9.9%	7.7%	8.1%	8.2%
Gearing (%)	38.1%	41.3%	42.8%	43.8%	44.6%

Source: Company, CIMB Securities

1H25 CNP grew 21.9% YoY to RM195.1m; in line with expectations

Sunway REIT (SunREIT)'s 2QFY25 core net profit (CNP) grew 23.7% YoY but fell 2.0% QoQ to RM96.5m. This brings its 1H25 CNP to RM195.1m (+21.9% YoY), representing 51% of our and 49% of consensus full-year forecasts. The REIT proposed a distribution per unit (DPU) of 5.68 sen for 1H25 (1H24: 4.66 sen), aligning with expectations at 52% and 51% of our and consensus full-year forecasts, respectively. The payout ratio remains high at 99.7% (1H24: 99.7%). SunREIT's 1H25 NPI rose 20.1% YoY, driven by the full contribution from retail assets acquired in 2024 and higher revenue from Sunway Pyramid Mall following the full opening of its Oasis Wing on 1 Nov 2024. The earlier-than-expected full reopening of Sunway Carnival Mall on 7 May 2025 — initially planned for end-Jun 2025 — also supported the REIT's YoY NPI growth. However, these gains were partly offset by lower occupancy in the office segment (-2 percentage points [pp]) and hotel segment (-2 pp) due to softer leisure demand from local and foreign tourists. Excluding the contribution from new assets, 1H25 and 2Q25 NPI rose 7.8% and 10.3% YoY, respectively.

NPI weakened QoQ owing to absence of festive season and weaker hotel segment

In 2Q25, SunREIT's NPI grew 19.8% YoY but fell 1.4% QoQ to RM154.9m. The stronger YoY performance was driven by its industrial and retail segment, which saw the injection of nine new assets. The weaker QoQ performance is attributable to the lack of festive season spending. Additionally, the REIT's hotel segment was impacted by lower average room rates and occupancy levels following multiple airspace closures in the Middle East in Jun 2025. Foreign tourists account for 40–61% of SunREIT's hotel occupancy, with a significant share of these tourists coming from the Middle East, in addition to Singapore and China. Meanwhile, tenancy sales fell YoY in 2Q25, recording a mid-single-digit decline amid softer consumer sentiment.

Completion of AEON Mall Seri Manjung acquisition in Jul 2025

On 25 Jul 2025, SunREIT completed the RM138m acquisition of AEON Mall Seri Manjung in Perak from YNH Property Bhd. The asset is secured under a 12-year master lease with AEON Co (M) Bhd until Dec 2037. The property offers an average net property income (NPI) yield of 7% throughout the lease term, higher than the yield achieved by SunREIT's retail portfolio in FY24 of 5.7%. As the acquisition is fully funded via borrowings, it is estimated to raise SunREIT's gearing to approximately 43% from 41.2% as at end-Jun 2025.

Higher CNP QoQ in 3Q25 supported by contribution from new asset

We anticipate SunREIT's earnings to improve QoQ, underpinned by contributions from AEON Seri Manjung, the reopening of Sunway Carnival Mall, and the 25 basis point reduction in the overnight policy rate, which is expected to yield annual cost savings of approximately RM6m. July also recorded a recovery in hotel room bookings, supported by the return of foreign tourists. Nonetheless, SunREIT is cautious about (i) tenancy sales amid weak consumer sentiment and (ii) near-term rental reversions, citing potential pressure from the implementation of the 8% Sales and Service Tax on leasing services.

Maintain Hold with slightly higher TP of RM2.14 per share

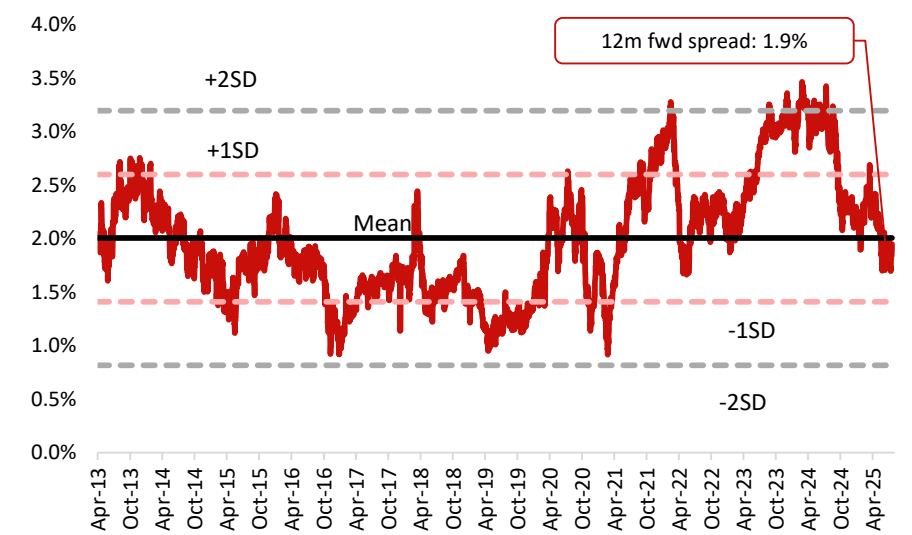
We raise our FY25–27F CNP estimates slightly by 1.3–2.2% to reflect the completion of the AEON Seri Manjung acquisition and the early reopening of Sunway Carnival Mall. We maintain our Hold call on SunREIT with a slightly higher target price (TP) of RM2.14 (vs. RM2.11 previously). The REIT's current 12-month forward distribution yield spread over the 10-year Malaysian Government Securities (MGS) stands at 1.9%, in line with its 10-year historical average of 2.0%. Upside potential could stem from stronger-than-expected rental reversion, higher occupancy rate, and higher yield returns from acquisitions, while downside risks include weaker-than-expected rental reversion, lower occupancy rate, and lower yield returns from acquisitions.

Exhibit 1: Results comparison

FYE Dec (RM m)	2Q FY25	2Q FY24	YoY % chg	1Q FY24	QoQ % chg	2QFY25 cum	2QFY24 cum	YoY % chg	Prev. FY25F
Revenue	211.4	175.6	20.4	218.9	(3.4)	430.3	354.2	21.5	846.5
Operating costs	(43.3)	(57.3)	(24.4)	(74.1)	(41.5)	(117.4)	(116.5)	0.7	(342.6)
EBITDA	168.1	118.2	42.2	144.8	16.1	312.9	237.6	31.7	503.9
<i>EBITDA margin (%)</i>	79.5	67.3	18.1	66.2	20.2	72.7	67.1	8.4	59.5
Depn & amort.	(1.0)	(1.0)	(2.9)	(1.0)	(2.0)	(2.0)	(2.0)	-0.6	(3.9)
EBIT	167.1	117.2	42.5	143.8	16.2	310.9	235.6	31.9	574.0
Interest expense	(43.8)	(40.8)	7.3	(42.5)	3.1	(86.3)	(78.5)	10.0	(177.1)
Interest & invt inc	5.1	2.1	146.8	3.0	69.4	8.2	8.4	>100	13.0
Pretax profit	129.4	145.1	(10.8)	104.3	24.0	233.7	232.0	0.7	409.9
Tax	0.0	0.0	<i>nm</i>	0.0	<i>nm</i>	0.0	0.0	<i>nm</i>	0.0
Tax rate (%)	0.0	0.0	<i>nm</i>	0.0	<i>nm</i>	0.0	0.0	<i>nm</i>	0.0
Net profit	129.4	145.1	(10.8)	104.3	24.0	233.7	232.0	0.7	409.9
Core net profit	96.5	78.0	23.7	98.5	(2.0)	195.1	160.0	21.9	383.8
DPU (sen)	5.7	4.7	21.9	0.0	<i>nm</i>	5.7	4.7	21.9	10.8

Source: COMPANY REPORTS, CIMB SECURITIES

Exhibit 2: SunREIT’s 12-month forward dividend yield spread vs. 10-year MGS



Source: COMPANY REPORTS, CIMB SECURITIES, BLOOMBERG

Sunway REIT

Income Statement

FYE Dec (RMm)	2023	2024	2025F	2026F	2027F
Gross rental income	715.7	767.1	852.0	888.0	911.4
Property operating expenses	(184.9)	(197.4)	(200.4)	(206.4)	(212.6)
Net property income	530.8	569.7	651.6	681.5	698.8
Non-property expenses	(48.0)	(52.0)	(57.0)	(58.7)	(60.0)
PBITDA	472.5	684.2	582.8	610.5	626.1
PBIT	468.6	680.2	578.8	606.6	622.2
Interest expense	(138.9)	(166.6)	(176.8)	(182.1)	(189.7)
Exceptional item	(10.6)	166.1	0.0	0.0	0.0
PBT	339.6	526.7	415.1	437.5	445.5
Tax	(1.4)	(2.9)	0.0	0.0	0.0
Distributable Income	328.9	233.7	389.0	411.5	419.5
Core Net Profit	328.9	195.1	389.0	411.5	419.5

Balance Sheet

FYE Dec (RMm)	2023	2024	2025F	2026F	2027F
Investment Properties	8,990.1	10,472.1	10,849.6	10,938.2	11,026.8
Trade and other receivables	19.4	23.8	45.2	44.9	42.8
Cash and cash equivalents	425.3	289.8	43.4	185.2	330.3
Inventories	0.0	0.0	0.0	0.0	0.0
Total Assets	9,538.6	10,802.6	10,980.6	11,210.6	11,443.3
Payables and accruals	270.1	327.3	267.5	281.9	298.5
Short-term Borrowings	1,637.0	1,736.7	1,736.7	1,736.7	1,736.7
Long-term Borrowings	2,000.0	2,730.0	2,968.0	3,168.0	3,368.0
Payables and accruals	270.1	327.3	267.5	281.9	298.5
Unit holder's capital	3,433.9	3,433.9	3,433.9	3,433.9	3,433.9
Undistributed income to Reserves	1,742.5	1,938.4	1,952.0	1,966.4	1,981.1
Total unit holder's fund	5,176.4	5,372.3	5,385.9	5,400.3	5,415.0
Total liabilities and shareholder's fund	9,538.6	10,802.6	10,980.0	11,208.8	11,440.0

Cash flow Statement

FYE Dec (RMm)	2023	2024	2025F	2026F	2027F
Pretax profit	339.6	526.7	415.1	437.5	445.5
Working Capital	98.9	17.0	(106.5)	14.7	17.5
Others	nm	nm	nm	nm	nm
Operating cash flows	445.6	543.8	473.8	623.6	642.2
Acquisitions	(62.1)	(900.0)	(145.0)	0.0	0.0
Enhancement exp.	(200.1)	(309.8)	(236.5)	(92.5)	(92.5)
Others	nm	nm	nm	nm	nm
Investing cash flows	135.4	(1,209.8)	(368.5)	(79.5)	(79.5)
Issue of shares	3,070.0	6,320.0	0.0	0.0	0.0
Dividend paid	(329.5)	(330)	(375.4)	(397.1)	(404.8)
Borrowings	761.5	(5,300)	238.0	200.0	200.0
Others	(3,889.1)	(160)	(176.8)	(182.1)	(189.7)
Financing cash flow	(406.9)	530	(351.6)	(402.3)	(417.6)
Net inflows/(outflows)	174.1	(136)	(246.3)	141.8	145.1
Change in receivables	63.6	67.4	(46.8)	0.3	0.9
Change in payables	35.3	57.2	(59.7)	14.4	16.6

Source: Bloomberg, CIMB Securities

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Hold	The stock's total return is expected to be between 0% and positive 10% over the next twelve (12) months.
Reduce	The stock's total return is expected to fall below 0% or more over the next twelve (12) months.
	<i>Note: The total expected return of a stock is defined as the sum of:</i> <i>(a) the percentage difference between the target price and the current price; and</i> <i>(b) the forward net dividend yields of the stock. Stock price targets have an investment horizon of twelve (12) months.</i>
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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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