J.P.Morgan

Asia Pacific Equity Research
12 August 2025

Sunway REIT

Continues to deliver strong results

1H25 gross DPU rose +21.9% YoY to 5.68 Mcts. Results were above our/street expectations with 1H25 DPU representing 50%/51% of our/street FY25E DPU. Beat to our estimates came from a stronger than expected retail performance. Sunway REIT should experience a stronger 2H owing to full contribution from the recently completed refurbishment at Carnival Mall as well as uplift from OPR cuts (guidance is for cost to trend towards ~3.8% from ~3.88% currently) as well as positive rental reversions. We continue to be positive on Sunway REIT owing to strong ~11% 2-year DPU CAGR. We maintain our OW rating with a revised street high Dec-26 PT of RM2.40.

Strong 1H25 performance was underpinned by 1H25 revenue/NPI rising 21.5%/20.1% YoY to RM430.3m/RM312.1m respectively. Sunway REIT benefited from the completion of refurbishment works at the existing wing of Carnival Mall in May-25 and earlier opening of the Oasis precinct at Sunway Pyramid in Nov-24. This resulted in 1H25 retail revenue/NPI jumping 31.3%/33.4% YoY to RM328.4m/RM230.9m. Earnings were also boosted by low teen retail rental reversions in 1H25 although guidance is now for mid single digit rental reversions given the potential impact from the implementation of the sales and service tax (link). On changes in electricity rates, Sunway REIT expects ~9% in savings given that some of its malls and hotels will see lower tariff rates. Only negative was ~5% YoY fall in 1H25 tenant psf given softer retail conditions. Occupancy costs remain in the low to mid teens range which still provides an opportunity to drive rents ahead.

Hotel segment a disappointment with 1H25 revenue/NPI dropping 14.3%/16.6% YoY to RM32.9m/RM30.5m. Sunway REIT's hotels were impacted by a 1% YoY drop in room rates and 2pts YoY fall in occupancy as it experienced a higher level of competition as well as fewer one-off events this year. The temporary closure of multiple Middle Eastern airspaces in June-25 also contributed to weaker demand.

Raise FY25-27E DPU by 1-3% on the back of stronger than expected retail segment/rents partially tempered by soft hotel performance where we lower our RevPAR assumptions. On the back of our higher DPU estimates and rolling forward our DDM to Dec-26, we raise our PT to RM2.40 from RM2.30 previously.

Overweight

SUNW.KL, SREIT MK
Price (12 Aug 25):RM2.15

▲**Price Target (Dec-26):RM2.40**
Prior (Jun-26):RM2.30

Singapore/ASEAN Property and REITs

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Key Changes (FYE Dec)

	Prev	Cur
Gross DPS - 25E (RM)	0.114	0.115
Gross DPS - 26E (RM)	0.120	0.123

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	65	57	51	57	49
Growth	19	17	19	78	74
Momentum	9	24	65	11	69
Quality	30	57	40	63	92
Low Vol	17	17	26	26	9

Sources for: Style Exposure – J.P. Morgan Quantitative and Derivatives Strategy; all other tables are company data and J.P. Morgan estimates.

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Price Performance

	YTD	1m	3m	12m
Abs	16.2%	0.0%	12.0%	31.9%
Rel	20.7%	-2.1%	10.6%	34.3%

Company Data

Shares O/S (mn)	3,425
52-week range (RM)	2.32-1.59
Market cap ($ mn)	1,739
Exchange rate	4.23
Free float (%)	50.2%
3M ADV (mn)	4.14
3M ADV ($ mn)	2.1
Volatility (90 Day)	22
Index	FBMKLCI - FTSE BURSA MALAYSIA KLCI
BBG ANR (Buy | Hold | Sell)	11|4|1

Key Metrics (FYE Dec)

RM in millions	FY24A	FY25E	FY26E	FY27E
Financial Estimates				
NOI	570	640	644	654
Adj. EBITDA	518	586	591	601
FFO per share	0.11	0.12	0.13	0.13
BBG FFOPS	0.11	0.12	0.13	0.13
AFFO per share	0.01	0.08	0.08	0.09
Gross DPS	0.100	0.115	0.123	0.125
Margins and Growth				
NOI margin	74.3%	72.7%	71.9%	72.4%
NOI growth	8.1%	12.3%	0.6%	1.5%
EBITDA margin	67.5%	66.5%	66.0%	66.5%
EBITDA Growth Y/Y (%)	8.1%	13.1%	0.9%	1.6%
Ratios				
Adj. tax rate	0.8%	0.7%	0.7%	0.6%
FFO payout	0.9	0.9	1.0	1.0
AFFO payout	7.0	1.5	1.5	1.5
Net debt/EBITDA	8.1	6.7	7.0	7.1
ROA	3.6%	3.9%	4.2%	4.2%
ROE	6.9%	7.8%	8.2%	8.3%
Valuation				
Net debt/EV	0.3	0.3	0.3	0.4
Dividend yield	4.7%	5.3%	5.7%	5.8%
EV/EBITDA	23.3	20.1	20.3	20.2
EV/Revenue	15.7	13.4	13.4	13.4
Adj. P/E	20.4	17.6	16.7	16.6
P/FFO	20.4	17.6	16.7	16.6
P/AFFO	151.3	27.8	25.6	25.3
P/ BV	1.4	1.4	1.4	1.4

Summary Investment Thesis and Valuation

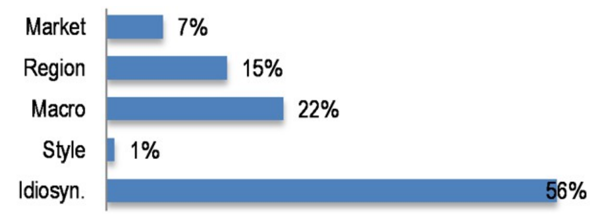
Investment Thesis

We are OW on Sunway REIT. Our positive view is underpinned by the strong positioning of Sunway Pyramid, Sunway REIT's key asset, exposure to education properties with in-built escalations, ~RM1bn worth of acquisitions and completion of Sunway Pyramid and Sunway Carnival AEI and continued growth of its hotel portfolio, which we believe position the REIT for healthy growth ahead. Combined with continued growth in retail tenant sales resulting in positive rental reversions ahead, we project a 11% two-year DPU CAGR.

Valuation

Our Dec-26 PT of RM2.40 is based on our DDM, which uses a 7.0% discount rate, a 4% risk-free rate and 2% terminal growth. Our PT implies a forward FY26E net yield of 4.6% (0.4 s.d. below mean) which we believe is justified given strong growth and gearing now at a manageable level at ~40%.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.27	0.36
Region: Malaysia	0.51	0.41
Macro:		
Emerging Economies CPI(YoY)	-0.30	-0.31
JP Morgan GBI-EM Global Div	0.43	0.23
JP Morgan EMBI Global Spread	-0.20	-0.17
Quant Styles:		
Size	0.28	0.15
Value	0.01	0.13
DivYld	-0.02	0.13

Source: J.P. Morgan Quantitative and Derivatives Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

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Table 1: Results

RM, year-end Dec	2Q24	1Q25	2Q25	QoQ Chg	YoY Chg	1H24	1H25	YoY Chg	FY24	FY25E	YoY Chg
Revenue	175.6	218.9	211.4	-3.4%	20.4%	354.2	430.3	21.5%	767.1	880.5	14.8%
NPI	129.3	157.2	154.9	-1.5%	19.8%	259.8	312.1	20.1%	569.7	640.0	12.3%
Dist. Income (Avail.)	78.0	98.6	96.5	-2.1%	23.7%	160.0	195.1	21.9%	343.8	392.6	14.2%
Declared gross DPU (Mcts)	4.66	0.00	5.68	nm	21.9%	4.66	5.68	21.9%	10.00	11.46	14.6%

Source: J.P. Morgan estimates, Company data.

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Investment Thesis, Valuation and Risks

Sunway REIT *(Overweight; Price Target: RM2.40)*

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Risks to Rating and Price Target

Key downside risks include:

- Elevated cost of living, mortgage rates and/or removal of government subsidies negatively impacting tenant sales/retail rents.
- Competition from e-commerce negatively impacting retail malls.
- A larger-than-expected impact from new retail, office and hotel supply.
- A higher-than-expected increase in bond yields.
- Revaluation losses lifting elevated gearing.

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Sunway REIT: Summary of Financials

Income Statement	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	**716**	**767**	**881**	**895**	**903**
COGS	(189)	(197)	(241)	(251)	(249)
Net property income	527	570	640	644	654
Adj. EBITDA	**479**	**518**	**586**	**591**	**601**
D&A	-	-	-	-	-
Adj. EBIT	**479**	**518**	**586**	**591**	**601**
Revaluation gains/(losses)	-	-	-	-	-
Net Interest	(129)	(154)	(165)	(147)	(153)
Adj. PBT	**350**	**365**	**421**	**444**	**448**
Tax	(1)	(3)	(3)	(3)	(3)
Minority Interest	-	-	-	-	-
Adj. Net Income	**349**	**362**	**418**	**441**	**445**
Distributable profit	349	362	418	441	445
Funds from operations (FFO)	349	362	418	441	445
Adjusted funds from operations (AFFO)	**149**	**49**	**265**	**288**	**292**
Reported EPS	0.10	0.11	0.12	0.13	0.13
Adj. EPS	**0.10**	**0.11**	**0.12**	**0.13**	**0.13**
FFO per share	0.10	0.11	0.12	0.13	0.13
Payout ratio (x)	0.9	0.9	0.9	1.0	1.0
AFFO per share	**0.04**	**0.01**	**0.08**	**0.08**	**0.09**
Payout ratio (x)	2.1	7.0	1.5	1.5	1.5
DPS	**0.093**	**0.100**	**0.115**	**0.123**	**0.125**
Shares outstanding	3,425	3,425	3,425	3,425	3,425

Balance Sheet	FY23A	FY24A	FY25E	FY26E	FY27E
Cash and cash equivalents	425	290	185	112	115
Accounts receivable	123	41	57	58	59
Other current assets	0	0	0	(0)	0
Current assets	**549**	**331**	**243**	**170**	**173**
PP&E	-	-	-	-	-
Investment properties	8,912	10,385	10,123	10,317	10,470
LT investments	-	-	-	-	-
Other non current assets	8,990	10,472	10,210	10,404	10,557
Total assets	**9,539**	**10,803**	**10,453**	**10,574**	**10,730**
Short term borrowings	1,637	1,737	1,377	1,492	1,645
Payables	-	-	-	-	-
Other short term liabilities	270	342	352	358	361
Current liabilities	**1,907**	**2,078**	**1,729**	**1,850**	**2,006**
Long-term debt	2,000	2,730	2,730	2,730	2,730
Other long term liabilities	455	622	622	622	622
Total liabilities	**4,362**	**5,430**	**5,081**	**5,202**	**5,358**
Shareholders' equity	5,176	5,372	5,372	5,372	5,372
Minority interests	0	0	0	0	0
Total liabilities & equity	**9,539**	**10,803**	**10,453**	**10,574**	**10,730**
BVPS	**1.51**	**1.57**	**1.57**	**1.57**	**1.57**
y/y Growth	*(0.2%)*	*3.8%*	*0.0%*	*0.0%*	*0.0%*
Net debt/(cash)	3,212	4,177	3,921	4,110	4,260

Cash Flow Statement	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operating activities	**446**	**544**	**575**	**596**	**608**
o/w Depreciation & amortization	0	0	0	0	0
o/w Changes in working capital	(32)	29	(8)	7	10
Cash flow from investing activities	**135**	**(1,210)**	**270**	**(188)**	**(149)**
o/w Capital expenditure	(200)	(313)	(153)	(153)	(153)
as % of sales	*28.0%*	*40.8%*	*17.4%*	*17.1%*	*17.0%*
Cash flow from financing activities	**(407)**	**530**	**(949)**	**(481)**	**(456)**
o/w Dividends paid	(329)	(320)	(393)	(421)	(429)
o/w Shares issued/(repurchased)	0	0	0	0	0
o/w Net debt issued/(repaid)	79	860	(360)	115	153
Net change in cash	**174**	**(136)**	**(104)**	**(73)**	**3**
Adj. Free cash flow to firm	**374**	**383**	**585**	**588**	**607**
y/y Growth	*(15.0%)*	*2.4%*	*52.8%*	*0.5%*	*3.1%*

Valuation	FY23A	FY24A	FY25E	FY26E	FY27E
P/FFO (x)	21.1	20.4	17.6	16.7	16.6
P/AFFO (x)	49.5	151.3	27.8	25.6	25.3
P/E (x)	21.1	20.4	17.6	16.7	16.6
P/BV (x)	1.4	1.4	1.4	1.4	1.4
EV/EBITDA (x)	22.8	23.3	20.1	20.3	20.2
Dividend Yield	4.3%	4.7%	5.3%	5.7%	5.8%

Ratio Analysis	FY23A	FY24A	FY25E	FY26E	FY27E
NOI margin	73.6%	74.3%	72.7%	71.9%	72.4%
EBITDA margin	66.9%	67.5%	66.5%	66.0%	66.5%
EBIT margin	66.9%	67.5%	66.5%	66.0%	66.5%
Net profit margin	48.7%	47.1%	47.5%	49.3%	49.3%
FFO margin	48.7%	47.1%	47.5%	49.3%	49.3%
ROE	6.7%	6.9%	7.8%	8.2%	8.3%
ROA	3.7%	3.6%	3.9%	4.2%	4.2%
ROCE	5.4%	5.5%	6.0%	6.2%	6.2%
Net debt/Equity	0.6	0.8	0.7	0.8	0.8
Net debt/EBITDA	6.7	8.1	6.7	7.0	7.1
Sales/Assets (x)	0.1	0.1	0.1	0.1	0.1
Assets/Equity (x)	1.8	1.9	2.0	2.0	2.0
Interest cover (x)	3.7	3.4	3.5	4.0	3.9
Operating leverage	57.7%	112.9%	88.9%	54.3%	186.9%
Debt/Investment properties	38.1%	41.4%	40.0%	41.1%	42.6%
Tax rate	0.4%	0.8%	0.7%	0.7%	0.6%
Revenue y/y Growth	9.9%	7.2%	14.8%	1.7%	0.9%
EBITDA y/y Growth	5.7%	8.1%	13.1%	0.9%	1.6%
EPS y/y Growth	0.1%	3.7%	15.6%	5.6%	0.8%

Source: Company reports and J.P. Morgan estimates.
Note: RM in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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Sunway REIT (SUNW.KL, SREIT MK) Price Chart

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Aug 15, 2010. All share prices are as of market close on the previous business day.

Date	Rating	Price (RM)	Price Target (RM)
08-Mar-23	N	1.56	1.6
16-Nov-23	N	1.53	1.55
14-Nov-24	N	1.82	1.7
20-Mar-25	N	1.85	1.85
21-May-25	OW	1.99	2.3

The chart(s) show J.P. Morgan's continuing coverage of the stocks; the current analysts may or may not have covered it over the entire period.
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	Overweight (buy)	Neutral (hold)	Underweight (sell)
J.P. Morgan Global Equity Research Coverage*	50%	37%	13%
IB clients**	51%	48%	35%
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IB clients**	72%	69%	51%

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****Percentage of subject companies within each of the "buy," "hold" and "sell" categories for which J.P. Morgan has provided investment banking services within the previous 12 months.**
For purposes of FINRA ratings distribution rules only, our Overweight rating falls into a buy rating category; our Neutral rating falls into a hold rating category; and our Underweight rating falls into a sell rating category. Please note that stocks with an NR designation are not included in the table above. This information is current as of the end of the most recent calendar quarter.

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