

13 August 2025

# Sunway REIT

## Hotel dips, but recovery expected

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SUNREIT's 1HFY25 results were within expectations with both revenue and net profit surging by 22% YoY mainly driven by newly acquired retail assets and stronger performance from Sunway Pyramid and Sunway Carnival post-refurbishments. However, its hotel segment continued to show weakness as occupancy dipped mainly from softer leisure spending in the sector and the temporary closure in some Middle Eastern airspaces in June 2025. We expect a gradual recovery in the hotel segment in 2HFY25 as the group guided on improved room bookings in recent months while the sector will also be supported by the government's increasing marketing efforts in promoting tourism. We maintain our earnings forecasts, TP of RM2.11 and MARKET PERFORM call.

**Within expectations.** SUNREIT's 1HFY25 net profit made up 48% and 49% of our full-year forecasts and full-year consensus estimates, respectively. An after-tax dividend of 5.1 sen was declared for the quarter which is on track to meet our FY25F NDPU of 10.8 sen.

**YoY,** SUNREIT's 1HFY25 revenue and net profit both increased by 22%. This was mainly driven by the inclusion of rental income from:

- (i) six new hypermarkets and Sunway 163 Mall acquired in Apr 2024 leading to an increase in the asset's revenue by c.6% and newly acquired industrial asset in Prai on Oct 2024.
- (ii) Sunway Pyramid newly opened Oasis Wing in Nov 2024, leading to a rise in the asset's revenue by c.10%; and
- (iii) progressive openings in Sunway Carnival which have been completed in 2QFY25.

On the flip side, its hotel segment saw a decline of 17% in profit due to fewer MICE activities during Chinese New Year and Ramadan season in 1QCY25, coupled with lower 1HFY25 overall occupancy YoY (from 62% to 60%), which is consistent with what we observed in other hoteliers in town. This was largely due to softer leisure spending as consumer sentiment remained weak and the temporary closure of multiple Middle Eastern airspaces in June 2025. Having said that, we anticipate recovery ahead as the group has guided improved room bookings in the 3QFY25. On the retail front, tenant sales of its retail segment also registered a decline of 5%, in line with the suggested weakness in consumer sentiment.

**QoQ,** both its revenue and net profit fell by 3% and 2%, respectively. We believe this is mainly due to 1QFY25's high base which consisted of both CNY and Ramadan festivals that boosted tenant sales.

**Outlook.** SUNREIT will fully recognise income from multiple new assets in FY25, namely the six new hypermarkets, Sunway 163 Mall and Sunway Kluang Mall (completed in April, October and December 2024, respectively). We gather that Sunway Pyramid's new wing, the OASIS, which accounts for 11% of its NLA, has transformed into a lively and vibrant shopping space that is now attracting 40% higher footfalls,

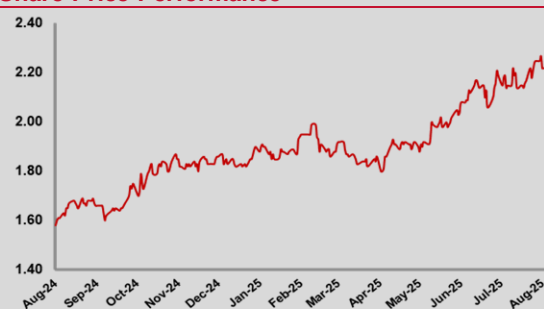
In addition, progressive refurbishment work in Sunway Carnival, Seberang Jaya has been completed and will further support SUNREIT's earnings growth. Separately, the group remains cautious on potential challenges stemming from the newly implemented 8% SST on its rental reversion in the near term.

We remain confident that its hotel segment will see a gradual recovery and revenue growth amid the government's higher allocation in promoting tourism. That said, the hotel segment is expected to make up only <15% of the group's NPI, with the lion's share still being retail operations (c.70%).

# MARKET PERFORM ↔

**Price:** RM2.15  
**Target Price:** RM2.11 ↔

## Share Price Performance



KLCI 1,567.90  
YTD KLCI chg -4.5%  
YTD stock price chg 16.2%

## Stock Information

Shariah Compliant	No
Bloomberg Ticker	SREIT MK EQUITY
Market Cap (RM m)	7,363.3
Shares Outstanding	3424.81
52-week range (H)	2.32
52-week range (L)	1.59
3-mth avg. daily vol.	4,142,448
Free Float	50%
Beta	0.5

## Major Shareholders

Sunway Bhd	40.9%
Employees Provident Fund	15.7%
Kumpulan Wang Persaraan	6.0%

## Summary Earnings Table

FY Dec (RM m)	2024A	2025F	2026F
Turnover	767.1	877.4	874.2
EBIT	569.7	665.6	653.3
PBT	527.7	422.9	424.4
<b>Net Profit (NP)</b>	<b>524.8</b>	<b>420.6</b>	<b>422.0</b>
<b>Core Net Profit</b>	<b>351.4</b>	<b>410.6</b>	<b>412.0</b>
Consensus (NP)	-	395.1	410.0
Earnings Revision (%)	-	0.0	0.0
Core EPS (sen)	10.3	12.0	12.0
Core EPS Growth (%)	6.8	16.8	0.3
GDPU (sen)	10.0	11.8	12.0
NDPU (sen)	9.2	10.8	11.1
BVPS (RM)	1.57	1.57	1.58
Core PER (x)	21.0	17.9	17.9
Price/BV (x)	1.4	1.4	1.4
Net Asset Gearing (x)	0.39	0.43	0.32
Net Div. Yield (%)	4.3	5.0	5.1

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**Forecasts.** Maintained.

**Valuations.** Maintain the TP of RM2.11 based on FY26F NDPU of 11.1 sen. The basis of our TP remains unchanged at a target yield of 5.25% (derived from a 1.50% yield spread above our 10-year MGS assumption of 3.75%). The relatively lower yield spread against what we had applied to its peers reflects SUNWAY's diversified asset portfolio in key urban regions. We reckon that the group's brand equity also benefits greatly from its affiliation to the Sunway conglomerate. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us. **We maintain our MARKET PERFORM call.**

**Risks to our call include:** (i) higher/lower-than-expected bond yield, and (ii) lower/higher-than-expected occupancy rates.

### Results Highlights

	2Q	1Q	QoQ	2Q	YoY	6M	6M	YoY
FYE Dec (RM m)	FY25	FY25	Chg	FY24	Chg	FY25	FY24	Chg
Rental and lease income	205.1	213.0	-3.7%	170.8	20.1%	418.2	344.6	21.3%
Other operating income	6.3	5.8	7.5%	4.7	32.1%	12.1	9.5	27.0%
<b>Gross Revenue</b>	<b>211.4</b>	<b>218.9</b>	<b>-3.4%</b>	<b>175.6</b>	<b>20.4%</b>	<b>430.3</b>	<b>354.2</b>	<b>21.5%</b>
Property Operating Expenses	-56.5	-61.7	-8.4%	-46.3	22.1%	-118.2	-94.3	25.3%
<b>Net Property Income</b>	<b>154.9</b>	<b>157.2</b>	<b>-1.5%</b>	<b>129.3</b>	<b>19.8%</b>	<b>312.1</b>	<b>259.8</b>	<b>20.1%</b>
Investment Income	32.2	3.1	933.4%	68.3	-52.9%	35.3	74.6	-52.7%
Other Non-operating Expenses	-13.9	-13.5	3.4%	-12.5	11.6%	-27.4	-24.7	10.7%
Finance Cost	-43.8	-42.5	3.1%	-40.0	9.5%	-86.3	-77.6	11.2%
<b>Profit Before Tax</b>	<b>129.4</b>	<b>104.3</b>	<b>24.0%</b>	<b>145.1</b>	<b>-10.8%</b>	<b>233.7</b>	<b>232.0</b>	<b>0.7%</b>
Taxation	0.0	0.0	N.M	0.0	N.M.	0.0	0.0	N.M
Minority Interest	0.0	0.0	N.M	0.0	N.M.	0.0	0.0	N.M
<b>Net Profit</b>	<b>129.4</b>	<b>104.3</b>	<b>24.0%</b>	<b>145.1</b>	<b>-10.8%</b>	<b>233.7</b>	<b>232.0</b>	<b>0.7%</b>
<b>Distributable Income</b>	<b>239.7</b>	<b>143.2</b>	<b>67.4%</b>	<b>203.3</b>	<b>17.9%</b>	<b>239.7</b>	<b>203.3</b>	<b>17.9%</b>
<b>Core Net Profit</b>	<b>96.6</b>	<b>98.6</b>	<b>-2.1%</b>	<b>78.1</b>	<b>23.7%</b>	<b>195.2</b>	<b>160.2</b>	<b>21.9%</b>
Core Earnings Per Unit (sen)	2.82	2.88	-2.1%	2.28	23.7%	5.70	4.67	22.1%
Gross Distribution Per Unit (sen)	5.68	0.00		4.66		5.68	4.66	
<b>Key Operating Metrics:</b>								
Net property income margin	73.3%	71.8%		73.6%		72.5%	73.4%	
Pretax margin	61.2%	47.7%		82.6%		54.3%	65.5%	

Source: Company, Kenanga Research

### Segmental Breakdown

	2Q	1Q	QoQ	2Q	YoY	6M	6M	YoY
FYE Dec (RM m)	FY25	FY25	Chg	FY24	Chg	FY25	FY24	Chg
Retail	160.0	168.4	-5.0%	123.7	29.4%	328.4	250.0	31.3%
Hotel	16.7	16.1	3.9%	19.2	-12.9%	32.9	38.3	-14.3%
Office	20.4	20.4	-0.3%	20.8	-2.2%	40.8	42.1	-3.1%
Services	9.8	9.8	0.0%	9.6	2.3%	19.6	19.2	2.3%
Industrial & Others	4.5	4.2	7.4%	2.2	99.7%	8.6	4.5	91.1%
<b>Total Revenue</b>	<b>211.4</b>	<b>218.9</b>	<b>-3.4%</b>	<b>175.6</b>	<b>20.4%</b>	<b>430.3</b>	<b>354.2</b>	<b>21.5%</b>
Retail	114.1	116.8	-2.3%	86.2	32.4%	230.9	173.1	33.4%
Hotel	15.6	15.0	4.1%	18.5	-15.8%	30.5	36.6	-16.6%
Office	12.2	12.4	-1.2%	13.0	-6.1%	24.6	26.9	-8.5%
Services	9.8	9.8	0.0%	9.6	2.3%	19.6	19.2	2.3%
Industrial & Others	3.2	3.2	-1.7%	2.0	57.4%	6.4	4.0	59.2%
<b>Net property income</b>	<b>154.9</b>	<b>157.2</b>	<b>-1.5%</b>	<b>129.3</b>	<b>19.8%</b>	<b>312.1</b>	<b>259.8</b>	<b>20.1%</b>

Source: Company, Kenanga Research

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### Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
AXIS REIT	MP	2.06	1.86	-9.7%	4,162.8	Y	12/2025	10.4	10.6	28.1%	2.0%	19.8	19.4	1.3	6.3%	9.6	4.7%
CAPITALAND MALAYSIA TRUST	MP	0.61	0.700	14.8%	2,032.1	N	12/2025	5.1	5.0	13.1%	13.7%	12.0	12.1	0.6	5.1%	4.7	7.7%
IGB REIT	MP	2.76	2.40	-13.0%	10,002.2	N	12/2025	11.7	13.7	14.6%	39.8%	23.6	20.2	2.6	10.0%	11.0	4.0%
KLCCP STAPLED GROUP	MP	8.63	8.52	-1.3%	15,580.0	Y	12/2025	47.6	48.8	9.8%	2.5%	18.1	17.7	1.2	6.3%	45.7	5.3%
SUNWAY REIT	MP	2.15	2.11	-1.9%	7,363.3	N	12/2025	12.0	12.5	16.8%	3.8%	17.9	17.3	1.4	7.2%	10.8	5.0%
SECTOR AGGREGATE					39,140.4					14.1%	11.2%	19.1	17.2	1.4	7.0%		5.3%

Source: Kenanga Research

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### Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★	★	
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	☆		
SPECIFIC	Effluent/Waste Management	★	★	★		
	Water Management	★	★	★		
	Energy Efficiency	★	★	★		
	Green Buildings	★	★	★		
	Tenant Management	★	★	★		
	Supply Chain Management	★	★	★		
OVERALL		★	★	★		

☆ denotes half-star  
 ★ -10% discount to TP  
 ★★ -5% discount to TP  
 ★★★ TP unchanged  
 ★★★★ +5% premium to TP  
 ★★★★★ +10% premium to TP

### Stock Ratings are defined as follows:

#### Stock Recommendations

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%  
 MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%  
 UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

#### Sector Recommendations\*\*\*

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%  
 NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%  
 UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.

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