

13 August 2025

Property | REITS

Sunway REIT (SREIT MK)

Buy (Maintained)

Riding On Upswing; Keep BUY

Target Price (Return): MYR2.42 (12.6%)
 Price (Market Cap): MYR2.15 (USD1,739m)
 ESG score: 3.2 (out of 4)
 Avg Daily Turnover (MYR/USD) 8.41m/1.99m

- **Stay BUY, new DDM-derived MYR2.42 TP from MYR2.13, 13% upside and 6% yield.** Sunway REIT's 1H25 results met expectations. We continue to like the REIT for its solid growth prospects underpinned by active acquisition strategy and continuous asset enhancement initiatives. We see further upside despite its share price rally due to the wider yield spread (230bps) post interest rate cut and the growing investors' interest in domestic defensive assets. This report marks the transfer of coverage to Tai Yu Jie.
- **Within expectations.** SREIT's 1H25 core profit of MYR200.9m (+21.1% YoY) met 49% and 51% of our and Street's full-year estimates. 2Q25 DPU came to 5.7 sen (2Q24: 4.7 sen), while 2Q25 gearing stood at 41% (2Q24: 44%).
- **Results review.** YoY, 1H25 revenue grew 21.5% to MYR430.3m – driven by contributions from newly acquired properties in 2024 (Sunway 163 Mall, Sunway Kluang Mall, and six hypermarkets), as well as higher revenue from Sunway Pyramid Mall following the opening of its Oasis Wing in Nov 2024. That said, 1H25 NPI margin contracted 0.8ppts to 72.5%, likely due to higher utilities and maintenance expenses. QoQ, 2Q25 revenue dipped slightly by 3.4% to MYR211.4m, likely due to softer seasonality in the absence of festive periods. 2Q25 core profit rose 3.8% QoQ to MYR102.3m due to higher interest income from larger cash balances – mainly advance rentals ahead of sales & service tax (SST) implementation.
- **Outlook.** We expect 3Q25 retail sales (turnover rent: 10–15% of rental income) to remain seasonally subdued in the absence of major festive periods, although this should be partly offset by the recently declared additional September public holiday and continued government measures to spur consumer spending. Despite the SST expansion, we forecast high single-digit retail rental reversions in FY25, supported by full occupancy and strong landlord bargaining power following asset enhancement efforts. In addition, the full-year contribution from 2024 acquisitions is set to drive a robust FY25F (+13.1%) profit growth, which should offset the soft hotel and office segments from rising competition. Meanwhile, the active property development activities of SREIT's sponsor Sunway (SWB MK, BUY, TP: MYR5.81) should provide a healthy pipeline of potential acquisition opportunities to drive inorganic growth.
- **Forecast and ratings.** Post results, we maintain our forecasts but raise our TP to MYR2.42 after updating our cost of equity (CoE) assumption (from 7.6% to 6.8%) to reflect a revised beta and a lower risk-free rate following the recent rate cut. Our TP implies a FY26F yield of 5%, offering a spread of 160bps over the 10-year Malaysian Government Bond yield – in line with other retail REITs under our coverage. Key risks: Lower-than-expected occupancy and rental reversions, and longer-than-expected delays in acquisitions.

Analysts

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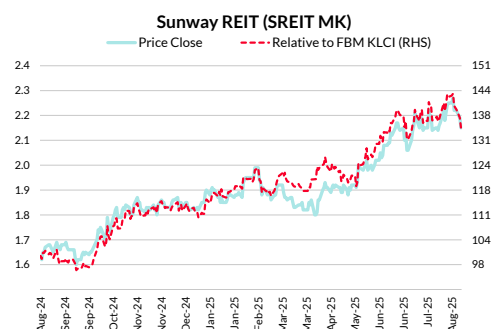


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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	16.2	0.0	12.0	10.3	31.9
Relative	20.7	(2.1)	10.6	12.5	34.3
52-wk Price low/high (MYR)				1.60	–2.27



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (MYRm)	705	767	877	898	924
Net property income (MYRm)	516	570	649	665	684
Reported net profit (MYRm)	338	362	409	438	451
Total distributable income (MYRm)	319	181	389	418	431
DPS (MYR)	0.09	0.10	0.11	0.12	0.13
DPS growth (%)	(2.8)	7.8	13.1	7.6	3.1
P/B (x)	1.33	1.25	1.25	1.25	1.25
Dividend Yield (%)	4.3	4.7	5.3	5.7	5.9
Return on average equity (%)	6.1	6.4	7.0	7.5	7.7
Return on average assets (%)	3.6	3.6	3.8	4.1	4.3

Source: Company data, RHB

Overall ESG Score: 3.2 (out of 4)

E Score: 3.3 (EXCELLENT)

S Score: 3.0 (GOOD)

G Score: 3.0 (GOOD)

Please refer to the ESG analysis on the next page

Emissions And ESG

Trend analysis	Emissions (tCO2e)	Dec-22	Dec-23	Dec-24	Dec-25
Total emissions increased by 11% from FY23 with the addition of new buildings into its portfolio.	Scope 1	11	14	12	na
	Scope 2	56,827	45,156	59,523	na
	Scope 3	113,647	115,998	119,989	na
	Total emissions	170,485	161,168	179,524	na

Source: Company data, RHB

Latest ESG-Related Developments

- Has an internal carbon pricing framework at MYR15 per tonne of CO2 emitted.
- The first M-REIT to implement a Green Lease Partnership programme.
- Was excluded from FTSE Indices, including FTSE4Good because of low liquidity trading volume.
- On Oct 2024, Sunway REIT completed its maiden issuance of MYR500m sustainability-linked rated perpetual securities.
- Extended green lease clauses to its “industrials and others” segment.

ESG Unbundled

Overall ESG Score: 3.2 (out of 4)

Last Updated: 14 May 2025

E Score: 3.3 (EXCELLENT)

Sunway REIT’s buildings strive for green certification standards through sustainable refurbishment practices, and supports clean energy use by providing charging bay facilities for electric vehicles – effectively reducing almost 50,000 tonnes of CO2 emission, with water consumption gradually decreasing over the years.

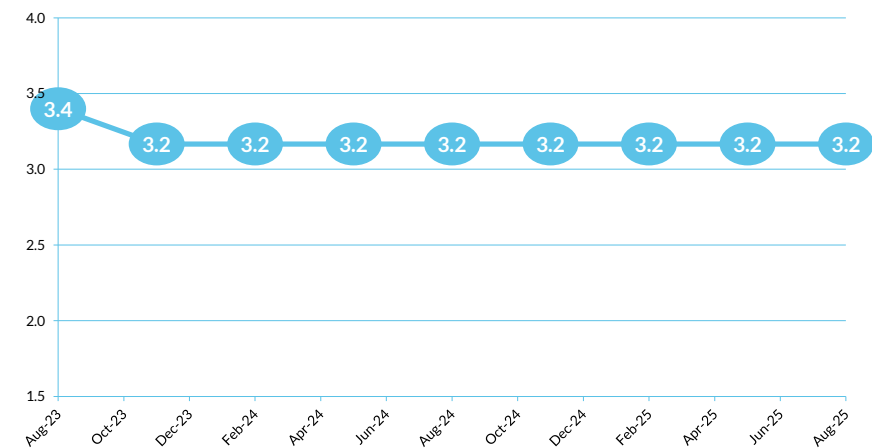
S Score: 3.0 (GOOD)

In addition to the many benefits (care for nursing mothers, childcare subsidy) for employees of the Manager, training and engagement are also prioritised. Safety of employees is also ensured by the proper hazard identification, risk assessment, and incident investigation. Community enrichment is also of utmost importance.

G Score: 3.0 (GOOD)

A diverse and skilled board comprising 57% independent directors – 43% of whom are female. The tenure of an independent director is capped at 9 years, and the details of remuneration in the annual report are on a named basis.

ESG Rating History



Source: RHB

Financial Exhibits

Asia	Financial summary	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Malaysia	Recurring EPS (MYR)	0.10	0.11	0.12	0.13	0.13
Property	EPS (MYR)	0.10	0.11	0.12	0.13	0.13
Sunway REIT	DPS (MYR)	0.09	0.10	0.11	0.12	0.13
SREIT MK	BVPS (MYR)	1.61	1.71	1.71	1.71	1.71
Buy	Return on average equity (%)	6.1	6.4	7.0	7.5	7.7
	Weighted avg adjusted shares (m)	3,424.81	3,424.81	3,424.81	3,424.81	3,424.81
Valuation basis	Valuation metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Dividend discount model	Recurring P/E (x)	21.81	20.36	18.01	16.80	16.31
	P/E (x)	21.81	20.36	18.01	16.80	16.31
Key drivers	P/B (x)	1.3	1.3	1.3	1.3	1.3
Improvement in domestic consumer sentiment leading to strong consumer spending.	FCF Yield (%)	4.1	5.5	6.0	6.8	7.1
	Dividend Yield (%)	4.3	4.7	5.3	5.7	5.9
Key risks	EV/EBITDA (x)	(3.05)	(2.86)	(2.47)	(2.21)	(2.14)
Downside risks include prolonged weak domestic consumer sentiment while upside risks include stronger demand for its assets leading to higher occupancy rates and rental reversion rates at its assets.	EV/EBIT (x)	(3.05)	(2.86)	(2.47)	(2.21)	(2.14)
	Income statement (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
	Total turnover	705	767	877	898	924
	EBITDA	468	518	579	593	610
	Operating profit	468	518	579	593	610
	Net interest	(129)	(154)	(172)	(157)	(161)
	Pre-tax profit	339	365	407	436	449
	Taxation	(1)	(3)	2	2	2
	Recurring net profit	338	362	409	438	451
	Cash flow (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
	Change in working capital	49	(34)	(1)	20	26
	Cash flow from operations	299	403	445	500	520
	Cash flow from investing activities	125	(1,224)	0	475	0
	Dividends paid	(339)	(354)	(409)	(438)	(451)
	Cash flow from financing activities	(268)	697	(852)	(1,357)	(895)
	Cash at beginning of period	251	425	290	340	450
	Net change in cash	156	(124)	(407)	(382)	(375)
	Ending balance cash	408	301	(117)	(42)	76
	Balance sheet (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
	Total cash and equivalents	425	290	340	450	552
	Tangible fixed assets	0	0	2	3	4
	Total investments	8,990	10,385	10,385	9,910	9,910
	Total other assets	0	87	96	105	116
	Total assets	9,539	10,803	10,854	10,497	10,613
	Short-term debt	1,637	1,737	1,737	1,737	1,737
	Total long-term debt	2,000	2,730	2,836	2,466	2,572
	Total liabilities	4,023	4,931	4,982	4,625	4,741
	Shareholders' equity	5,516	5,872	5,872	5,872	5,872
	Total equity	5,516	5,872	5,872	5,872	5,872
	Net debt	3,212	4,177	4,233	3,753	3,757
	Total liabilities & equity	9,539	10,803	10,854	10,497	10,613
	Key metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
	Revenue growth (%)	10.2	8.9	14.3	2.5	2.9
	Recurrent EPS growth (%)	0.3	7.1	13.1	7.2	3.0
	Operating EBITDA margin (%)	66.4	67.5	66.0	66.0	66.0
	Net profit margin (%)	47.9	47.1	46.6	48.8	48.9
	Dividend payout ratio (%)	94.5	95.1	95.1	95.5	95.6
	Interest cover (x)	3.37	3.11	3.16	3.53	3.54

Source: Company data, RHB

Results At a Glance

Figure 1: SREIT's results summary

FYE Dec (MYRm)	2Q24	1Q25	2Q25	QoQ (%)	YoY (%)	1H24	1H25	YoY (%)	Comments
Revenue	175.6	218.9	211.4	(3.4)	20.4	354.2	430.3	21.5	Revenue grew from the contribution of new acquisitions, and stronger performance from Sunway Pyramid
Net property income	129.3	157.2	154.9	(1.5)	19.8	259.8	312.1	20.1	
Interest expense	(40.0)	(42.5)	(43.8)	3.1	9.5	(77.6)	(86.3)	11.2	
Interest income	2.1	3.4	5.1	51.7	>100	8.4	8.5	>100	Higher interest income from larger cash balances – mainly advance rentals ahead of SST implementation
Pretax profit	145.1	104.6	102.4	(2.1)	(29.4)	232.0	206.9	(10.8)	
Tax	0.0	0.0	0.0	nm	nm	0.0	0.0	nm	
Reported net profit	145.1	104.6	102.4	(2.1)	(29.4)	232.0	206.9	(10.8)	
Core net profit	78.9	98.6	102.3	3.8	29.7	165.8	200.9	21.1	Within expectations
Core earnings per unit (sen)	2.3	2.9	3.0	3.8	29.7	4.8	5.9	21.1	
Dividends per unit (sen)	4.7	0.0	5.7	nm	21.9	4.7	5.7	21.9	Dividends announced semi-annually
NPI margin (%)	73.6	71.8	73.3			73.4	72.5		
Pretax margin (%)	82.6	47.8	48.4			65.5	48.1		
Net margin (%)	44.9	45.0	48.4			46.8	46.7		

Source: Company data, RHB

Figure 2: SREIT's segmental revenue

FYE Dec (MYRm)	2Q24	1Q25	2Q25	QoQ (%)	YoY (%)	1H24	1H25	YoY (%)	% of total revenue contribution (%)
Retail	123.7	168.4	160.0	(5.0)	29.4	250.0	299.7	19.9	75.2
Hospitality	19.2	16.1	16.7	3.9	(12.9)	38.3	32.9	(14.3)	8.2
Office	20.8	20.4	20.4	(0.3)	(2.2)	42.1	40.8	(3.1)	10.2
Services	9.6	9.8	9.8	0.0	2.3	19.2	19.6	2.3	4.9
Industrial	2.2	4.2	4.5	7.4	99.7	4.5	5.5	22.0	1.4
Total Revenue	175.6	218.9	211.4	-3.4	20.4	354.2	398.4	12.5	100.0

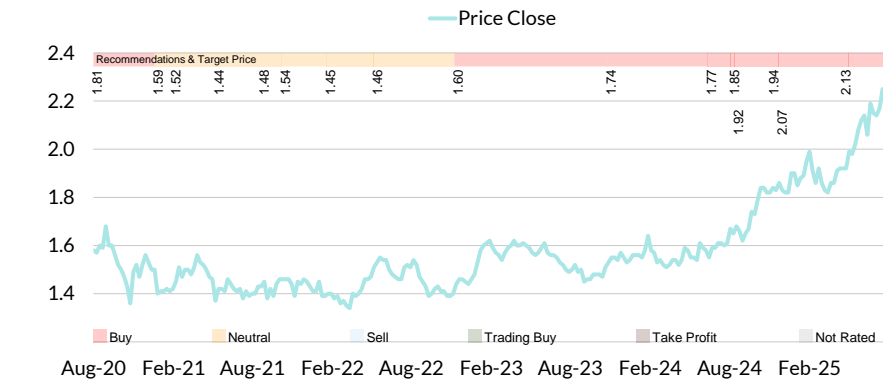
Source: Company data, RHB

Figure 3: SREIT's segmental NPI

FYE Dec (MYRm)	2Q24	1Q25	2Q25	QoQ (%)	YoY (%)	1H24	1H25	YoY (%)	% of total NPI contribution (%)
Retail	86.2	116.8	114.1	(2.3)	32.4	173.1	215.2	24.3	73.2
Hospitality	18.5	15.0	15.6	4.1	(15.8)	36.6	30.5	(16.6)	10.4
Office	13.0	12.4	12.2	(1.2)	(6.1)	26.9	24.6	(8.5)	8.4
Services	9.6	9.8	9.8	0.0	2.3	19.2	19.6	2.3	6.7
Industrial	2.0	3.2	3.2	(1.7)	57.4	4.0	4.0	(1.1)	1.4
Total NPI	129.3	157.2	154.9	-1.5	19.8	259.8	293.9	13.1	100.0

Source: Company data, RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-05-15	Buy	2.13	2.00
2025-02-03	Buy	2.07	1.87
2024-12-04	Buy	2.07	1.85
2024-11-15	Buy	1.94	1.82
2024-08-26	Buy	1.92	1.69
2024-08-16	Buy	1.85	1.67
2024-06-23	Buy	1.77	1.58
2023-11-17	Buy	1.74	1.55
2023-11-06	Buy	1.74	1.53
2022-11-20	Buy	1.60	1.40
2022-08-19	Neutral	1.46	1.54
2022-05-19	Neutral	1.46	1.52
2022-01-31	Neutral	1.45	1.39
2021-10-20	Neutral	1.54	1.46
2021-09-01	Neutral	1.48	1.43

Source: RHB, Bloomberg

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