

15 May 2025

Buy

Price
RM1.93

Target Price
RM2.11

Market Data

Bloomberg Code	SREIT MK
No. of shares (m)	3,424.8
Market cap (RMm)	6,609.9
52-week high/low (RM)	2.01 / 1.52
Avg daily turnover (RMm)	5.6
KLCI (pts)	1,578.0

Source: Bloomberg, CIMB Securities

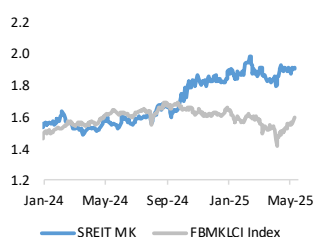
Major Shareholder (%)

Sunway Bhd	40.9%
EPF	15.9%
KWAP	5.9%
Free Float	37.3%

Source: Bloomberg, CIMB Securities

Performance

	3M	6M	12M
Absolute (%)	(2.1)	4.4	21.7
Rel Market (%)	(0.5)	6.3	23.2



Source: Bloomberg, CIMB Securities

Analyst

Lim Yue Jia

yuejia.lim@cimb.com

Ivy Ng Lee Fang

ivy.ng@cimb.com

Sunway REIT

Earnings boost from new assets

SunREIT's 1Q25 results were in line with expectations, at 26% and 25% of our and consensus full-year estimates, respectively. 1Q25 core net profit grew by 20% YoY and 4% QoQ, driven by the completion of asset acquisitions in FY24. We anticipate 2Q25 earnings to be marginally weaker owing to the absence of festive-driven spending, but this could be partly offset by the early completion of Sunway Carnival Mall AEI and an improvement in its hotel segment. We maintain our Buy call and DDM-based TP of RM2.11 per share, underpinned by upside potential and dividend yields of 5.7–6.1% over FY25–27F.

Financial highlights

FYE Dec	2023	2024	2025F	2026F	2027F
Revenue (RM mil)	715.7	767.1	846.5	876.6	899.9
Net Property Income	530.8	569.7	646.0	670.2	687.2
Realised Net profit (RM mil)	328.9	343.8	383.8	402.5	412.0
EPU (sen)	9.6	10.1	11.2	11.8	12.0
EPU Growth (%)	0.1%	5.6%	10.5%	4.9%	2.4%
DPU (sen)	9.3	10.0	10.8	11.3	11.6
PE (x)	19.1	18.0	16.3	15.6	15.2
Div yield (%)	5.1	5.5	5.7	5.9	6.1
ROE (%)	6.5%	9.9%	7.6%	7.9%	8.0%
Gearing (%)	38.1%	41.3%	42.1%	42.6%	43.5%

Source: Company, CIMB Securities

1Q25 CNP grew 20.2% YoY; in line with expectations

Sunway REIT (SunREIT) reported a core net profit (CNP) of RM98.5m (+20.2% YoY, +4.0% QoQ) for 1QFY25, which is in line with expectations at 26% and 25% of our and consensus full-year forecasts, respectively. No distribution was declared in 1Q25 given SunREIT's half-yearly payout. We attribute the stronger performance to the reopening of Sunway Pyramid Mall's Oasis precinct in Nov 2024, as well as contribution from new assets (i.e., Giant hypermarkets from 30 Apr 2024, Sunway 163 Mall from 9 Oct 2024, and Sunway Kluang Mall from 30 Dec 2024), which together contributed 16.5% to the REIT's 1Q25 NPI. Excluding the impact from new acquisitions in 1Q25, SunREIT's net property income (NPI) grew 12.2% YoY and 10.2% QoQ. However, the strong performance in the retail segment was partly offset by softness in the hotel segment, with the occupancy rate falling 5 percentage points (pp) YoY and 10 pp QoQ to 55%. Additionally, demand for meetings, incentives, conferences, and exhibitions (MICE) softened in 1Q25 amid the Ramadan fasting month in Mar 2025. However, we gather that the segment's performance is expected to improve QoQ, with SunREIT reporting an uptick in room bookings.

Disposal of Sunway University and College could lower gearing to 40%

In 1Q25, SunREIT's borrowing costs grew 13.0% YoY, attributable to a higher average interest rate of 3.92% (1Q24: 3.85%) and increased borrowings. Consequently, its gearing level rose to 41.8% (1Q24: 40.1%). On 2 May 2025, SunREIT announced the disposal of Sunway University and College to Sunway College (KL) Sdn Bhd for RM613m (4.6% above the asset's market value). As at FY24, the asset accounted for 5.6% of Sunway REIT's portfolio value and contributed 6.8% to its NPI. Targeted for completion in 2H25, the disposal is an opportunistic move to unlock asset value and is expected to generate a total gain of RM41m. Proceeds will be utilised for yield-accretive investments, asset enhancement initiatives (AEI), or debt repayment, which could lower gearing to 40%.

Maintain Buy and DDM-based TP of RM2.11 per share

Sunway REIT's earnings are expected to weaken QoQ owing to the absence of festive-driven spending. However, this could be partially mitigated by (1) the early completion of Phase 2 of the AEI at Sunway Carnival Mall, now slated for May 2025 (two months earlier than originally scheduled), and (2) an improvement in its hotel segment following the end of the fasting period. We maintain our Buy call and DDM-based target price (TP) of RM2.11.

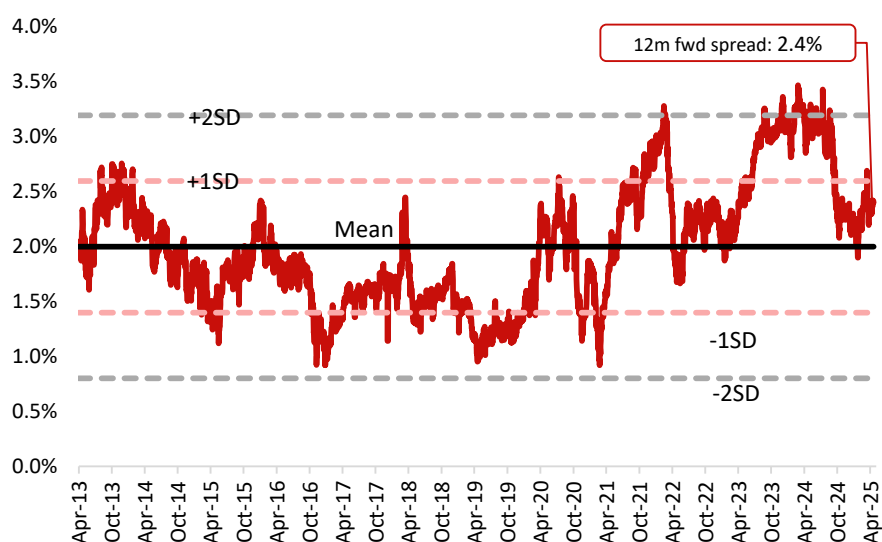
Sunway REIT's 12-month forward distribution yield spread over the 10-year Malaysian Government Securities (MGS) stands at 2.4%, above its 10-year historical average of 2.0%. Key risks to our call include lower-than-expected rental reversion, lower-than-expected occupancy rates, and higher-than-anticipated operating expenses.

Exhibit 1: Results comparison

FYE Dec (RM m)	1Q FY25	1Q FY24	yoy % chg	4Q FY24	qoq % chg	Prev. FY25F
Revenue	218.9	178.6	22.6	220.9	(0.9)	846.5
Operating costs	(74.1)	(59.2)	25.1	(79.2)	(6.5)	(342.6)
EBITDA	144.8	119.4	21.3	141.7	2.2	503.9
EBITDA margin (%)	66.2	66.8	(1.0)	64.1	3.1	59.5
Depn & amort.	(1.0)	(1.0)	1.8	(1.0)	(1.4)	(3.9)
EBIT	143.8	118.4	21.5	140.6	2.2	574.0
Interest expense	(42.5)	(37.6)	13.0	(45.5)	(6.5)	(177.1)
Interest & invt inc	3.0	6.3	(51.8)	3.2	(4.6)	13.0
Pretax profit	104.3	87.0	19.9	206.5	(49.5)	409.9
Net profit	104.3	87.0	19.9	203.6	(48.8)	409.9
Core net profit	98.5	82.0	20.2	94.7	4.0	383.8

Source: COMPANY REPORTS, CIMB SECURITIES, BLOOMERG

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



Source: COMPANY REPORTS, CIMB SECURITIES, BLOOMERG

Sunway REIT

Income Statement

FYE Dec (RMm)	2023	2024	2025F	2026F	2027F
Gross rental income	715.7	767.1	846.5	876.6	899.9
Property operating expenses	(184.9)	(197.4)	(200.4)	(206.4)	(212.6)
Net property income	530.8	569.7	646.0	670.2	687.2
Non-property expenses	(48.0)	(52.0)	(56.4)	(57.6)	(59.0)
PBITDA	472.5	684.2	577.9	600.5	615.8
PBIT	468.6	680.2	574.0	596.5	611.9
Interest expense	(138.9)	(166.6)	(177.1)	(181.0)	(186.9)
Exceptional item	(10.6)	166.1	0.0	0.0	0.0
PBT	339.6	526.7	409.9	428.5	438.0
Tax	(1.4)	(2.9)	0.0	0.0	0.0
Distributable Income	328.9	524.8	383.8	402.5	412.0
Core Net Profit	328.9	343.8	383.8	402.5	412.0

Balance Sheet

FYE Dec (RMm)	2023	2024	2025F	2026F	2027F
Investment Properties	8,990.1	10,472.1	10,704.6	10,793.2	10,881.8
Trade and other receivables	19.4	23.8	44.9	44.3	42.2
Cash and cash equivalents	425.3	289.8	48.4	87.3	230.6
Inventories	0.0	0.0	0.0	0.0	0.0
Total Assets	9,538.6	10,802.6	10,840.0	10,966.6	11,197.6
Payables and accruals	270.1	327.3	265.8	278.3	294.7
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	2,830.0	2,930.0	3,130.0
Payables and accruals	270.1	327.3	265.8	278.3	294.7
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	1,951.8	1,965.9	1,980.4
Total unit holder's fund	5,176.4	5,372.3	5,385.7	5,399.8	5,414.2
Total liabilities and shareholder's fund	9,538.6	10,802.6	10,840.1	10,966.7	11,197.5

Cash flow Statement

FYE Dec (RMm)	2023	2024	2025F	2026F	2027F
Pretax profit	339.6	526.7	409.9	428.5	438.0
Working Capital	98.9	17.0	(107.7)	13.4	17.3
Others	nm	nm	nm	nm	nm
Operating cash flows	445.6	543.8	467.0	610.9	630.4
Acquisitions	(62.1)	(900.0)	0.0	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)	(223.5)	(79.5)	(79.5)
Issue of shares	3,070.0	6,320.0	0.0	0.0	0.0
Dividend paid	(329.5)	(330)	(370.4)	(388.4)	(397.6)
Borrowings	761.5	(5,300)	100.0	100.0	200.0
Others	(3,889.1)	(160)	(177.1)	(181.0)	(186.9)
Financing cash flow	(406.9)	530	(484.9)	(492.5)	(407.6)
Net inflows/(outflows)	174.1	(136)	(241.4)	38.9	143.3
Change in receivables	63.6	67.4	(46.2)	0.8	0.9
Change in payables	35.3	57.2	(61.5)	12.5	16.4

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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