

COMPANY RESULTS

Sunway REIT (SREIT MK)

1Q25: Results In Line; Resilient Retail Segment Ahead

SREIT reported in-line results. We expect the retail segment to remain resilient, supported by higher contributions from the new asset acquisition and reopening of Sunway Carnival Mall Phase 2. The weaker hotel occupancy in 1Q25, partially impacted by seasonality, should pick up sequentially in 2Q25. Gearing ratio is expected to stay below 40% by end-25, supported by proceeds from the opportunistic disposal of Sunway University and college campus. Maintain BUY. Target price of RM2.05.

1Q25 RESULTS

Year to 31 Dec (RMm)	1Q25	4Q24	1Q24	qoq % chg	yoy % chg
Gross revenue	218.9	210.6	178.6	3.9	22.6
Retail	168.4	149.0	126.3	13.0	33.3
Hotel	16.1	27.9	19.1	(42.2)	(15.8)
Office	20.4	20.5	21.3	(0.6)	(4.1)
Others	14.0	13.1	11.9	6.4	17.8
Operating expenses	(61.7)	(55.3)	(48.0)	11.5	28.4
Net Property Income	157.2	155.3	130.5	1.2	20.4
Retail	116.8	103.5	86.9	12.8	34.4
Hotel	15.0	26.8	18.1	(44.2)	(17.5)
Office	12.4	12.4	13.9	0.1	(10.8)
Others	13.0	12.6	11.6	3.5	12.5
Core PAT	104.3	99.2	87.0	5.2	19.9
EPU (sen)	3.0	2.9	2.5	5.2	19.9
DPU (sen)	0.0	5.3	0.0	n.m.	n.m.

Source: Sunway REIT, UOB Kay

RESULTS

- In line.** Sunway REIT (SREIT) reported a 1Q25 revenue of RM218.9m (+3.9% qoq, +22.6% yoy) and core net profit of RM104.3m (+5.2% qoq, +19.9% yoy). The results accounted for 26% and 27% of our and consensus' full year forecasts respectively, which we deem in line with expectations.
- Gearing ratio stood at 41.8% as at end-Mar 25** (vs 41.4% as of end-24). Gearing is expected to normalise by end-25 as the AEON Seri Manjung acquisition (RM138m) and required AEIs (RM300m) will be more than offset by the disposal of Sunway University & college campus (for RM613m), which is expected to be completed in 2H25.

KEY FINANCIALS

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	704.5	756.9	817.6	860.3	902.4
Operating profit	515.8	559.4	605.0	636.6	667.7
Net profit (rep./act.)	338.2	524.8	402.7	418.1	433.1
Net profit (adj.)	339.1	354.2	402.7	418.1	433.1
EPU (sen)	9.9	10.3	11.8	12.2	12.6
DPU (sen)	9.3	10.0	10.6	11.0	11.5
PE (x)	18.9	18.1	15.9	15.3	14.8
P/B (x)	1.2	1.2	1.2	1.2	1.2
DPU Yld (%)	5.0	5.3	5.7	5.9	6.1
Net margin (%)	48.1	46.8	49.3	48.6	48.0
Net debt/(cash) to asset (%)	34.9	33.7	38.7	41.3	44.1
Interest cover (x)	3.7	3.4	3.8	3.6	3.5
Consensus DPU (sen)			11.0	11.5	11.8
UOBKH/Consensus (x)			1.0	1.0	1.0

Source: Sunway REIT, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM1.93
Target Price	RM2.05
Upside	+6.2%

COMPANY DESCRIPTION

Sunway Real Estate Investment Trust invests in retail, office, and hotel properties.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	SREIT MK
Shares issued (m):	3,424.8
Market cap (RMm):	6,609.9
Market cap (US\$m):	1,541.7
3-mth avg daily t'over (US\$m):	1.3

Price Performance (%)

52-week high/low RM2.01/RM1.52

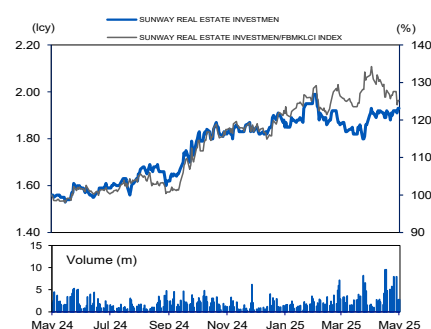
1mth	3mth	6mth	1yr	YTD
3.8	(1.0)	6.6	22.9	4.3

Major Shareholders

	%
Sunway Bhd	40.9
Employees Provident Fund	15.8
Kumpulan Wang Persaraan	6.0

FY25 NAV/Share (RM)	2.35
FY25 Net Debt/Share (RM)	1.87

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Retail: Growth from AEs and acquisitions.** 1Q25 retail revenue rose 33% yoy due to full-quarter rental contributions from the acquisitions of six hypermarkets (in Apr 24), Sunway 163 Mall (in Oct 24) and Sunway Kluang Mall (in Dec 24). As a result, 1Q25 net property income (NPI) margin for the retail segment rose to 69.4% (1Q24: 68.8%). Looking ahead, the quarterly NPI run rate should improve due to new acquisitions of Aeon Seri Manjung, which is expected to complete in 3Q25, and the full reopening of Sunway Carnival Phase 2 in Jun 25 (vs 50% opened currently). We understand that the monthly rental psf for this latest addition (100,000 sqft out of 770,000 sqft in total) is >20% higher than before refurbishment as it has more smaller lots. Meanwhile, Sunway 163 mall's 1Q25 annualised NPI yield was 9.4%, far exceeding its initial yield target of 6.5%, due to better management (replaced low-performing tenants) and better cost control.
- Hotel: Demand weaker in 1Q25 but expected to pick up sequentially in 2Q25.** 1Q25 hotel revenue fell 16% yoy due to softer occupancy at 55% (1Q24: 60%). As a result, the hotel NPI margin shrank to 92.9% (1Q24: 94.8%). Management attributes the weaker occupancy to new competition and reduced demand for leisure and MICE activities during the Ramadan period, impacting KL hotels such as Sunway Putra. Nevertheless, it expects demand to pick up in 2Q25 based on better performance qtd and forward bookings for Jun 25.
- Office: Stable rental reversion amid oversupply.** The yoy drop in 1Q25 office revenue (-4% yoy) and NPI (-11 yoy) was due to the lower occupancy rate for Sunway Putra Tower, which was highlighted previously. Management now expects the new tenant to come in by 2026, which then will lift occupancy to 80%. Office's rental reversion is expected to stay flattish amid the increasing office supply into Klang Valley in 2025 (+2.5m sqft) and 2026 (+2.3m sqft).

EARNINGS REVISION/RISK

- No change to earnings forecasts.

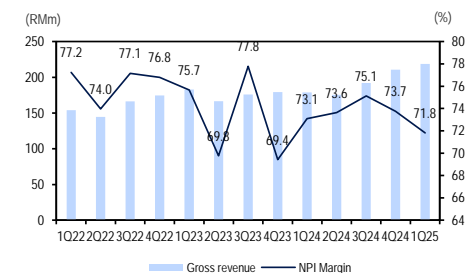
VALUATION/RECOMMENDATION

- Maintain BUY with unchanged target price of RM2.05.** Our DDM-based target price is based on a required rate of return of 7.5% and implied 2025F dividend yield of 5.2%. We like SREIT for its diverse and strong asset base, spearheaded by the retail and hospitality segments, mainly from international patronage. We reckon its current valuation is attractive as its forward yield spread to MGS of 2.4ppt is still above its five-year historical mean (2.0ppt).

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

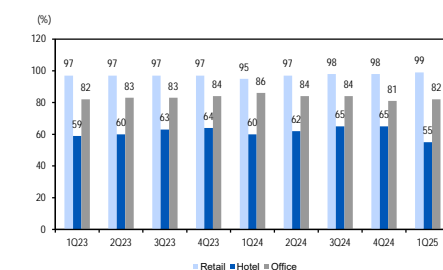
• Environmental <ul style="list-style-type: none"> Sunway REIT aims to achieve Net Zero Carbon Emissions by 2050. Established internal carbon pricing framework at RM15 per tonne of CO₂e emitted.
• Social <ul style="list-style-type: none"> Established a Sustainability Policy and a Donations, Sponsorships and Corporate Responsibility Policy to guide the execution of sustainability as well as its commitment towards contributing to the communities. Formed an Occupational, Health, Safety and Environment Committee at the business segment level.
• Governance <ul style="list-style-type: none"> 43% of the Board of Directors are women. Adopted the Anti-Bribery and Corruption Policy and Procedure, and is further supported by the existing Whistleblowing Policy and Procedures.

REVENUE AND NPI MARGIN



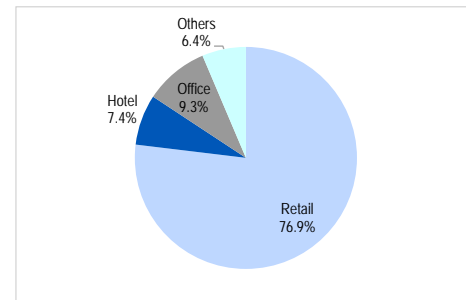
Source: SREIT, UOB Kay Hian

OCCUPANCY



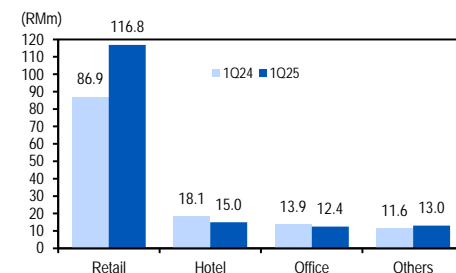
Source: SREIT, UOB Kay Hian

REVENUE BREAKDOWN



Source: SREIT, UOB Kay Hian

NPI CONTRIBUTION BY SEGMENT



Source: SREIT, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	756.9	817.6	860.3	902.4
EBITDA	559.4	605.0	636.6	667.7
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	559.4	605.0	636.6	667.7
Total other non-operating income	(38.6)	(41.5)	(43.3)	(45.0)
Net interest income/(expense)	(166.6)	(160.8)	(175.2)	(189.6)
Pre-tax profit	527.7	402.7	418.1	433.1
Tax	(2.9)	0.0	0.0	0.0
Net profit	524.8	402.7	418.1	433.1
Net profit (adj.)	354.2	402.7	418.1	433.1

BALANCE SHEET

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	10,401.5	10,671.5	10,941.5	11,211.5
Other LT assets	70.6	70.6	70.6	70.6
Cash/ST investment	289.8	261.3	234.6	209.6
Other current assets	40.8	136.8	160.1	327.9
Total assets	10,802.6	11,140.2	11,406.8	11,819.6
ST debt	1,736.7	2,136.7	2,536.7	2,936.7
Other current liabilities	341.7	247.8	260.7	273.4
LT debt	2,835.5	2,835.5	2,835.5	2,835.5
Other LT liabilities	16.6	48.2	(98.1)	(98.1)
Shareholders' equity	5,872.0	5,872.0	5,872.0	5,872.0
Total liabilities & equity	10,802.6	11,140.2	11,406.8	11,819.6

CASH FLOW

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	543.8	605.0	636.6	667.7
Pre-tax profit	770.8	817.6	860.3	902.4
Deprec. & amort.	0.0	0.0	0.0	0.0
Working capital changes	(246.3)	(212.6)	(223.7)	(234.6)
Other operating cashflows	19.3	0.0	0.0	0.0
Investing	(1,209.8)	(270.0)	(270.0)	(270.0)
Capex (maintenance)	(312.9)	(200.0)	(200.0)	(200.0)
Investments	(911.0)	0.0	0.0	0.0
Proceeds from sale of assets	(70.0)	(70.0)	(70.0)	(70.0)
Others	84.2	0.0	0.0	0.0
Financing	530.5	(363.5)	(393.3)	(422.7)
Distribution to unitholders	(319.9)	(402.7)	(418.1)	(433.1)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	7,179.0	200.0	200.0	200.0
Loan repayment	(6,318.6)	0.0	0.0	0.0
Others/interest paid	(10.0)	(160.8)	(175.2)	(189.6)
Net cash inflow (outflow)	(135.5)	(28.5)	(26.7)	(25.0)
Beginning cash & cash equivalent	425.3	289.8	261.3	234.6
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	289.8	261.3	234.6	209.6

KEY METRICS

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	73.9	74.0	74.0	74.0
Pre-tax margin	69.7	49.3	48.6	48.0
Net margin	69.3	49.3	48.6	48.0
ROA	5.3	4.0	4.1	4.1
ROE	9.3	7.1	7.4	7.6
Growth				
Turnover	15.4	24.6	31.1	37.6
EBITDA	27.9	38.3	45.5	52.6
Pre-tax profit	171.1	106.9	114.8	122.5
Net profit	168.4	106.0	113.9	121.6
Net profit (adj.)	4.5	13.7	3.8	3.6
EPU	4.5	13.7	3.8	3.6
Leverage				
Debt to total capital	77.9	84.7	91.5	98.3
Debt to equity	77.9	84.7	91.5	98.3
Net debt/(cash) to equity	72.9	80.2	87.5	94.7
Interest cover (x)	3.4	3.8	3.6	3.5

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