"SREIT's improved earnings lifted 9M25 DPU by 21.9% yoy to 5.68sen"

Share price performance

	1M	3M	12M
Absolute (%)	-5.3	-3.6	17.6
Rel KLCI (%)	-5.6	-7.8	17.1

	BUY	HOLD	SELL
Consensus	7	8	1

Stock Data

Sector	REIT
Issued shares (m)	3,424.8
Mkt cap (RMm)/(US$m)	7329.1/1760.7
Avg daily vol - 6mth (m)	5.8
52-wk range (RM)	1.65-2.32
Est free float	50.2%
Stock Beta	0.60
Net cash/(debt) (RMm)	(3,766.4)
ROE (CY25E)	6.6%
Derivatives	No
Shariah Compliant	No
FTSE4Good Constituent	Yes
FBM EMAS (Top 200)	Top 26-50%
ESG Rank	
ESG Risk Rating	12.5 (4.2 yoy)

Key Shareholders

Sunway Berhad	40.9%
EPF	13.5%
KWAP	6.0%
PNB	4.4%

Source: Bloomberg, Affin Hwang, Bursa Malaysia, ESG Risk Rating Powered by Sustainalytics

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Sunway REIT (SREIT MK)

BUY (maintain)
Up/Downside: +11.2%

Price Target: RM2.38
Previous Target (Rating): RM2.37 (BUY)

9M25 realised EPU grew by 20% yoy – above estimates

- **SREIT's 9M25 realised net profit grew a robust 20% yoy to RM298m on higher rental income from its active asset acquisitions and developments**
- **Looking ahead, we expect SREIT to deliver DPU growth of 4-15% yoy over 2025E-27E, driven by the full-year NPI gains from the Sunway Pyramid redevelopment and 10 completed asset acquisitions in 2024/2025**
- **Maintain BUY on SREIT with a revised DDM-derived TP of RM2.38. SREIT offers decent 2025E-27E DPU yields of 5-6%**

9M25 realised net profit grew a robust 20% yoy to RM298m – above estimates

Excluding the RM41m realised gains from disposal of Sunway University and College (Sun U KL), 9M25 realised net profit rose 19.5% yoy to RM297.7m, driven by higher rental income from core retail asset reconfigurations and strategic acquisitions. Sequentially, 3Q25 realised net profit increased 6.3% qoq to RM102.6m, led by stronger NPI hotel contributions from summer holiday seasonality and active MICE events that boosted RevPAR. The retail segment also supported qoq NPI growth, underpinned by (i) full-quarter rental income from Sunway Carnival following its completed refurbishment in May-25, and (ii) contribution from newly acquired AEON Seri Manjung, effective Jul-25.

SREIT's 2025E-27E DPU is expected to grow by 4-15% yoy

SREIT's 9M25 results were above our but within consensus estimates, with core net profit representing 74-77% of consensus and our full-year forecasts. The earnings beat was due to higher-than-expected contribution from Sunway Carnival Mall and its core hotels. Looking ahead, DPU growth is expected to be driven by full-year contributions from the (i) Oasis precinct reconfiguration which is expected to boost Sunway Pyramid's rental income, (ii) completion of Sunway Carnival's Old Wing reconfiguration on 8 May 2025 and (iii) accretive impact of 10 acquisitions made in 2024. We expect these positive developments to deliver 4-15% yoy DPU growth in 2025E-27E. While the disposal of Sunway U KL may create an annual NPI void of RM38.4m, we expect the RM613m of disposal proceeds to save RM24m in annual borrowing costs through debt repayment.

Maintain BUY with a revised 12-month TP of RM2.38

We maintain our BUY rating on SREIT with a revised DDM-derived 12-month target price of RM2.38 (from RM2.37), after marginally adjusting our 2025E–27E earnings forecasts by 2-3% to reflect (i) higher rental assumptions across Sunway Carnival Mall which benefited from its major refurbishment exercise at the Old Wing section and its core hotels in anticipation of Visit Malaysia 2026, (ii) additional contributions from the newly acquired AEON Seri Manjung, (iii) NPI void from the disposal of Sun U KL, and (iv) lower borrowing costs following debt repayment using proceeds from the disposal. We like SREIT for its (i) diversified asset portfolio, (ii) strong branding and (iii) decent 2025E-27E DPU yields of 5.4-5.8%. Downside risks to our view are (i) earnings disappointment, (ii) delay in acquisition plans and (iii) steeper-than-expected hike in OPR.

Earnings & Valuation Summary

FYE 31 Dec (RMm)	2023	2024	2025E	2026E	2027E
Revenue	715.7	767.1	832.3	875.4	897.7
Net property income	526.9	569.7	639.6	659.2	674.8
Reported net profit	338.2	524.8	394.1	412.6	427.2
EPU (sen)	9.3	15.0	11.5	12.0	12.5
Distributable profit	319.0	343.8	394.1	412.6	427.3
Realised net profit	319.0	343.8	394.1	412.6	427.2
Realised EPU (sen)	9.3	10.0	11.5	12.0	12.5
Realised EPU chg (%)	-2.8	7.7	14.6	4.7	3.5
Realised PER (x)	23.0	21.3	18.6	17.8	17.2
DPU (sen)	9.3	10.0	11.5	12.0	12.4
Distribution Yield (%)	4.3	4.7	5.4	5.6	5.8
P/RNAV (x)	1.4	1.4	1.4	1.4	1.4
Chg in distr. EPU (%)			+2.5	+3.3	+2.8
Affin/Consensus (x)			1.0	1.0	1.0

Source: Company, Bloomberg, Affin Hwang forecasts

Fig 1: Results Comparison

FYE Dec (RMm)	3Q24	2Q25	3Q25	QoQ % chg	YoY % chg	9M24	9M25	YoY % chg	Comments
Revenue	**192.1**	**211.4**	**236.4**	**11.8**	**23.1**	**546.3**	**666.7**	**22.0**	Stronger 9M25 revenue yoy on higher rental income from retail segment due to full-year contributions from (i) 6 Sunway REIT hypermarkets, (ii) Sunway 163 and (iii) Sunway Kluang, alongside strong performance from Sunway Pyramid and Sunway Carnival post-refurbishment
Op expenses	-47.8	-56.5	-55.5	-1.7	16.1	-142.1	-173.7	22.2	
Net Property Income	**144.3**	**154.9**	**180.9**	**16.8**	**25.3**	**404.2**	**493.0**	**22.0**	Stronger 3Q25 NPI qoq, led by the hotel segment which benefit from active MICE events and summer holiday seasonality
NPI margin (%)	*75.1*	*73.3*	*76.5*	*3.2*	*1.4*	*74.0*	*73.9*	*0.0*	
Revaluation surplus / others	1.6	32.2	8.5	-73.5	>100	76.2	43.8	>100	
Net Invest. Income	**145.9**	**187.1**	**189.4**	**1.2**	**29.8**	**480.4**	**536.8**	**11.8**	
Int expense	-43.5	-43.8	-42.3	-3.5	-2.8	-121.2	-128.6	6.2	Lower 3Q25 interest expense qoq as average cost of debt reduced to 3.83% (2Q25: 3.89%) amid lower OPR
REIT's expenses	-13.3	-13.9	-14.9	7.0	12.4	-38.0	-42.3	11.3	
Pretax Profit	**89.1**	**129.4**	**132.3**	**2.2**	**48.4**	**321.2**	**365.9**	**13.9**	
Net profit	**89.1**	**123.6**	**121.9**	**-1.4**	**36.7**	**315.4**	**348.6**	**10.5**	
Realised net profit	**89.1**	**96.5**	**102.6**	**6.3**	**15.1**	**249.1**	**297.7**	**19.5**	3Q25/9M25 realised net profit excludes the total realised gains of RM41m from disposal of Sunway University and College (KL)
Distributable income	**89.1**	**96.5**	**143.6**	**48.7**	**61.1**	**249.1**	**338.7**	**35.9**	
EPU (sen)	2.61	3.61	3.56	-1.4	36.3	9.21	10.18	10.5	
Realised EPU (sen)	2.61	2.82	2.99	6.3	14.7	7.27	8.69	19.5	
DPU (sen)	0.00	5.68	0.00	n.m.	n.m.	4.66	5.68	21.9	

Source: Affin Hwang, Company

Fig 2: Segmental breakdown

FYE 31 Dec (RMm)	1Q CY24	2Q CY24	3Q CY24	4Q CY24	1Q CY25	2Q CY25	3Q CY25	QoQ % chg	YoY % chg
Revenue*									
Retail	126.3	123.7	130.6	149.0	168.4	160.0	167.2	4.5%	28.1%
Hotel	19.1	19.2	29.2	27.9	16.1	16.7	35.0	>100	19.7%
Office	21.3	20.8	20.5	20.5	20.4	20.4	20.1	-1.2%	-1.9%
Industrial	2.3	2.2	2.3	3.5	4.2	4.5	4.4	-2.4%	93.4%
Services	9.6	9.6	9.6	9.7	9.8	9.8	9.7	-1.1%	1.2%
NPI*									
Retail	86.9	86.2	91.8	103.5	116.8	114.1	121.9	6.8%	32.8%
Hotel	18.1	18.5	28.1	26.8	15.0	15.6	33.9	>100	20.6%
Office	13.9	13.0	12.9	12.4	12.4	12.2	11.8	-3.2%	-8.5%
Industrial	2.0	2.0	1.9	2.9	3.2	3.2	3.6	12.3%	86.3%
Services	9.6	9.6	9.6	9.7	9.8	9.8	9.7	-1.1%	1.2%

Source: Company, Affin Hwang
**Excluded unrealised rental income (in relation to unbilled lease income receivable)*

Important Disclosures and Disclaimer

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BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.

OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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