

Malaysia

ADD (previously HOLD)

Consensus ratings*: Buy 7 Hold 8 Sell 1

Current price: RM2.14
Target price:  RM2.32
Previous target: RM2.16
Up/downside: 8.4%
CGSI / Consensus: 3.2%

Reuters: SUNW.KL
Bloomberg: SREIT MK
Market cap: US\$1,762m
RM7,329m
Average daily turnover: US\$3.50m
RM14.75m
Current shares o/s: 3,425m
Free float: 39.6%

*Source: Bloomberg

Key changes in this note

- Raise our FY25F-27F DPU estimates by 11-14%.
- Upgrade to Add with a higher DDM-based TP of RM2.32.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-5.3	-3.6	17.6
Relative (%)	-5.6	-8.1	17.2

Major shareholders	% held
Sunway Bhd	40.9
EPF	13.5
KWAP	6.0

Analyst(s)



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Sunway REIT

Higher retail and hotel earnings in 9MFY25

- 9MFY25 core net profit of RM315m came in ahead of expectations at 85% of our FY25F forecast and 79% of Bloomberg consensus estimate.
- Operating metrics were resilient in 9MFY25, particularly the retail portfolio, with improved occupancy of 97% and average rental reversions of 10%.
- Upgrade to Add with a higher TP of RM2.32 given a bright FY25F-27F earnings outlook and a decent FY26F dividend yield of 5.9%.

9MFY25 outperformed on stronger retail and hotel earnings

Sunway REIT delivered higher 3QFY25 core net profit of RM118.7m (+22% qoq, +33% yoy). This lifted 9MFY25 core net profit to RM314.9m (+27% yoy), ahead of expectations at 85% of our FY25F forecast and 79% of Bloomberg consensus. We believe the outperformance was primarily driven by stronger-than-expected earnings from retail and hospitality assets while the commendable yoy growth in 9MFY25 core net earnings was mainly underpinned by increased revenue from Sunway Pyramid Mall and Sunway Carnival Mall as well as additional contributions from newly acquired assets. Meanwhile, the sequential strength in 3QFY25 core net profit was backed by improved performance in both retail and hospitality segments.

Key takeaways from 3QFY25 briefing (10 Nov)

Portfolio operating metrics remained resilient as the retail portfolio's occupancy improved to 97% in 9MFY25 (95% in 9MFY24), supported by sustained leasing demand at Sunway Pyramid and Sunway Carnival Mall. Management also highlighted that 9MFY25 average rental reversions across retail assets were c.10% despite softer sales psf by -3% yoy. Meanwhile, the industrial portfolio saw meaningful occupancy recovery to 85% in 9MFY25 (from 72% in 9MFY24) but office occupancy softened slightly to 81% (from 84%). Hotel performance strengthened qoq, boosted by a pick-up in meetings, incentives, conferences, and exhibitions (MICE) activity. Management expects sequential improvement in overall portfolio performance into 4QFY25F, driven by festive seasons and commencement of new tenancies, coupled with incremental earnings from newly acquired assets. This is despite the earnings vacuum from the disposal of Sunway University & College Campus, which was completed on 30 Sep 2025.

Upgrade to Add with a higher TP

We raise our FY25F-27F DPU forecasts by 11-14%, reflecting our increased rental reversion and NPI margin assumptions for both the retail and hospitality segments. Our DDM-based TP is lifted to RM2.32 (COE: 8.5%, TG: 2.0%) post the earnings revisions. Upgrade to Add as we are positive on Sunway REIT's FY25F-27F earnings outlook, underpinned by healthy private consumption growth and incremental earnings from new assets. Its FY26F dividend yield of 5.9% is also higher than the sector average of 5.7%. Downside risks include lower occupancy rate and negative rental reversions. Re-rating catalysts include higher rental reversion and strong hotel earnings.

Financial Summary	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Gross Property Revenue (RMm)	715.7	767.1	875.0	898.0	942.8
Net Property Income (RMm)	526.9	569.7	653.6	668.9	706.9
Net Profit (RMm)	318.3	514.5	423.2	438.6	472.0
Distributable Profit (RMm)	319.0	343.8	423.2	438.6	472.0
Core EPS (RM)	0.10	0.10	0.12	0.13	0.14
Core EPS Growth	0.1%	6.8%	20.4%	3.7%	7.6%
FD Core P/E (x)	22.28	20.86	17.32	16.71	15.53
DPS (RM)	0.09	0.10	0.12	0.13	0.14
Dividend Yield	4.35%	4.67%	5.72%	5.92%	6.38%
Asset Leverage	38.1%	41.3%	42.6%	40.7%	41.5%
BVPS (RM)	1.51	1.57	1.57	1.57	1.57
P/BV (x)	1.42	1.36	1.36	1.36	1.36
Recurring ROE	6.35%	6.66%	7.87%	8.15%	8.77%
% Change In DPS Estimates			13.8%	12.5%	10.9%
DPS/Consensus DPS (x)			1.09	1.09	1.12

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

Figure 1: 9MFY25 earnings summary – 9MFY25 core net profit of RM315m (+27% yoy) came in above expectations at 85% of our FY25F forecast and 79% of Bloomberg consensus estimate

FYE Dec (RM m)	3QFY25	3QFY24	YoY	2QFY25	QoQ	9MFY25	9MFY24	YoY
Revenue	236.4	192.1	23.1%	211.4	11.8%	666.7	546.3	22.0%
Property operating expenses	(55.5)	(47.8)	16.1%	(56.5)	-1.7%	(173.7)	(142.1)	22.2%
Net property income	180.9	144.3	25.3%	154.9	16.8%	493.0	404.2	22.0%
- NPI margin	76.5%	75.1%		73.3%		73.9%	74.0%	
Interest income	4.6	1.6	199.3%	5.1	-9.6%	12.8	9.9	29.2%
Other income	0.1	0.0	42.2%	0.1	18.5%	0.2	0.1	68.9%
FV change & disposal gains	3.8	-	-	27.0	-85.8%	30.8	66.2	-53.4%
Net investment income	189.4	145.9	29.8%	187.1	1.2%	536.8	480.4	11.8%
Managers' fees	(14.0)	(11.9)	17.2%	(13.0)	7.6%	(39.7)	(34.4)	15.2%
Trustee's fees	(0.2)	(0.2)	3.0%	(0.2)	2.0%	(0.7)	(0.6)	12.4%
Other trust expenses	(0.7)	(1.1)	-36.5%	(0.7)	-1.9%	(2.0)	(3.0)	-34.1%
Finance costs	(42.3)	(43.5)	-2.8%	(43.8)	-3.5%	(128.6)	(121.2)	6.2%
Profit before tax	132.3	89.1	48.4%	129.4	2.2%	365.9	321.2	13.9%
Tax expenses	(4.6)	-	-	-	-	(4.6)	0.0	-
Profit after tax	127.7	89.1	43.2%	129.4	-1.3%	361.4	321.2	12.5%
Unrealised income	21.7	(0.0)	-48360.0%	(27.1)	-180.3%	(5.4)	(66.3)	-91.9%
Profit attributable to perpetual note holders	(5.8)	0.0	-	(5.8)	1.1%	(17.3)	(5.8)	199.7%
Realised income attributable to unitholders	143.6	89.1	61.1%	96.5	48.7%	338.7	249.1	35.9%
Core net profit	118.7	89.1	33.3%	97.5	21.7%	314.9	248.8	26.5%
EPU (sen)	4.19	2.61	60.5%	2.82	48.6%	9.89	7.28	35.9%
DPU (sen)	-	-	-	5.68	-	5.68	4.66	21.9%

SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 2: We raise our FY25F-27F DPU forecasts by 11-14%, reflecting our increased rental reversion and NPI margin assumptions for both the retail and hospitality segments

(RM m unless otherwise stated)	FY25F	Previous FY26F	FY27F	FY25F	Revised FY26F	FY27F	FY25F	Change (%) FY26F	FY27F
Revenue	850.6	882.1	933.9	875.0	898.0	942.8	3%	2%	1%
NPI	597.0	614.7	654.8	653.6	668.9	706.9	9%	9%	8%
PBT	391.4	409.3	444.6	446.3	461.8	495.2	14%	13%	11%
Distributable income	368.2	386.1	421.5	423.2	438.6	472.0	15%	14%	12%
Core net profit	368.2	386.1	421.5	423.2	438.6	472.0	15%	14%	12%
EPU (sen)	10.8	11.3	12.3	12.4	12.8	13.8	15%	14%	12%
DPU (sen)	10.8	11.3	12.3	12.2	12.7	13.6	14%	12%	11%

SOURCES: CGSI RESEARCH ESTIMATES

Figure 3: Peer comparison

Company	Ticker	FYE	Rec	TP (RM)	Last Price (RM)	Upside (%)	Mkt Cap (US\$)	P/E (x) CY25F	P/E (x) CY26F	3Y EPS CAGR (%)	EPS Growth (%) CY25F	EPS Growth (%) CY26F	P/BV (x) CY25F	P/BV (x) CY26F	ROE (%) CY25F	ROE (%) CY26F	DY (%) CY25F	DY (%) CY26F
Axis REIT	AXRB MK	Dec	Add	2.29	2.15	6.5	1,035	21.2	21.2	6.8	22.8	0.2	1.3	1.3	6.2	6.2	4.7	4.7
CapitaLand Malaysia Trust	CLMT MK	Dec	Add	0.78	0.62	25.8	494	12.5	11.9	7.6	7.5	4.3	0.6	0.7	4.9	5.4	7.6	7.9
IGB REIT	IGBREIT MK	Dec	Hold	2.66	2.67	(0.4)	2,317	24.0	19.3	11.4	8.9	24.3	2.3	2.0	9.4	9.3	4.4	5.0
KLCC Stapled Group	KLCCSS MK	Dec	Hold	8.85	8.70	1.7	3,761	18.9	18.8	5.6	4.8	0.4	1.0	1.0	5.4	5.4	5.0	5.0
Pavilion REIT	PREIT MK	Dec	Hold	1.84	1.82	1.1	1,710	19.5	17.9	6.7	9.9	9.4	1.3	1.3	6.6	7.3	4.8	5.2
Sunway REIT	SREIT MK	Dec	Add	2.32	2.14	8.4	1,755	17.3	16.7	10.1	20.4	3.7	1.2	1.2	7.6	7.9	5.7	5.9
Malaysia average								18.9	17.6	8.0	12.4	7.0	1.3	1.2	6.7	6.9	5.4	5.7

SHARE PRICES AS AT 10 NOV 2025

SOURCES: CGSI RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

ESG in a nutshell



LSEG ESG Scores

B+ ESG Grade	A+ ESG Controversies Grade	B+ ESG Combined Grade	A- ESG Environment Pillar Grade	B ESG Social Pillar Grade	A- ESG Governance Pillar Grade
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Sunway REIT's ESG initiatives are guided by global sustainability frameworks such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standard Board (SASB). In FY24, Sunway REIT expanded its materiality assessment to 21 (from 18 issues in FY21), reflecting the evolving operating landscape and newly identified priorities. Based on its ESG disclosures, LSEG rated Sunway REIT with an overall ESG rating of B+ as at 31 Dec 2024.

Keep your eye on

Sunway REIT is dedicated to advancing towards building energy intensity (BEI) targets outlined in its 2030 Goals and honouring its pledge to achieve Net Zero Carbon Emissions by 2050F. Some of its ESG-focused targets are:

- 1) Managed assets to remain below BEI targets, which will be lowered by 3.5-4.0% annually through 2030F in line with the Intergovernmental Panel on Climate Change's (IPCC) goal of a 45% reduction in carbon intensity by 2030F;
- 2) At least of 40% of electricity from renewable energy sources by 2030F;
- 3) Certify 100% of Sunway REIT's properties as green buildings by 2034F.

Implications

Sunway REIT's Sustainability Committee is responsible for the group's sustainability strategies, issues, risks and opportunities and ensures the alignment with business objectives. Reducing carbon emissions should allow Sunway REIT to achieve sustainability ratings for all buildings under management, with future asset enhancement initiatives (AEIs) incorporating sustainability features.

ESG highlights

Sunway REIT's sustainability efforts are illustrated by its various key achievements in FY24, including:

- 1) 37% of its total portfolio's gross floor area (GFA) are green-certified (FY23: 35%);
- 2) 98% of Sunway REIT's borrowings were structured with sustainable finance mechanism;
- 3) 4,075 MWh (1.8% of group total) renewable generated on all Sunway REIT properties;
- 4) installed 10 additional electric vehicles (EVs) charging points (totalling up to 61 charging points).

The REIT's ESG initiatives have also been acknowledged by the community, with multiple awards, such as Gold Award from The Edge ESG Awards 2024 (REIT category), Gold Award from Australasian Reporting Awards 2024 (Distinguished Achievement in Reporting) and GreenRE Sustainable Development Awards 2024 (Best Shopping Mall for Sunway Putra Mall & Best Hotel for Sunway Resort Hotel), among others.

Implications

These ESG developments reflect Sunway REIT's commitment to advancing its sustainability agenda. While the immediate impact on share price may be modest, we believe investors will continue to monitor progress on these key ESG priorities, with sustained improvements finding interest from ESG-conscious investors and funds.

Trends

Sunway REIT is not a constituent of the FTSE4Good Bursa Malaysia Index but achieved a 4-star rating band from FTSE Russel (as at Jun 25 review period). It also retained its A score under MSCI ESG Rating in FY24.

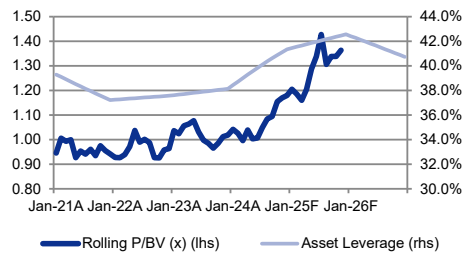
Implications

We believe Sunway REIT will continue to embark on more refined ESG-related initiatives, particularly in light of the growing importance of sustainability issues. This is likely to be aligned with Transcend 2027, which is the group's strategy to achieve portfolio growth over the next three years.

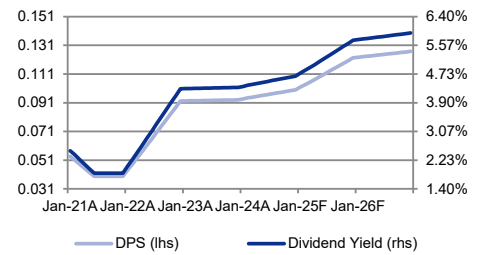
SOURCES: CGSI RESEARCH, LSEG

BY THE NUMBERS

P/BV vs Asset Leverage



Dividend Yield vs Net DPS



Profit & Loss

(RMm)	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Rental Revenues	715.7	767.1	875.0	898.0	942.8
Other Revenues					
Gross Property Revenue	715.7	767.1	875.0	898.0	942.8
Total Property Expenses	(188.8)	(197.4)	(221.4)	(229.1)	(235.9)
Net Property Income	526.9	569.7	653.6	668.9	706.9
General And Admin. Expenses					
Management Fees	(43.9)	(47.2)	(50.6)	(51.4)	(52.8)
Trustee's Fees	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Other Operating Expenses	(3.3)	(4.0)	(3.6)	(3.6)	(3.6)
EBITDA	478.9	517.7	598.5	613.0	649.6
Depreciation And Amortisation					
EBIT	478.9	517.7	598.5	613.0	649.6
Net Interest Income	(129.1)	(153.5)	(152.2)	(151.3)	(154.4)
Associates' Profit					
Other Income/(Expenses)	(10.2)	163.5	0.0	0.0	0.0
Exceptional Items					
Pre-tax Profit	339.6	527.7	446.3	461.8	495.2
Taxation	(1.4)	(2.9)	0.0	0.0	0.0
Minority Interests					
Preferred Dividends	(19.9)	(10.2)	(23.2)	(23.2)	(23.2)
Net Profit	318.3	514.5	423.2	438.6	472.0
Distributable Profit	319.0	343.8	423.2	438.6	472.0

Cash Flow

(RMm)	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Pre-tax Profit	339.6	527.7	446.3	461.8	495.2
Depreciation And Non-cash Adj.	129.1	153.5	152.2	151.3	154.4
Change In Working Capital	(28.3)	124.6	38.1	16.0	13.6
Tax Paid	(1.4)	(2.9)	0.0	0.0	0.0
Others	6.7	(259.2)	4.1	4.8	5.8
Cashflow From Operations	445.6	543.8	640.8	633.8	668.9
Capex	(205.6)	(315.9)	(268.4)	(112.4)	(113.8)
Net Investments And Sale Of FA	343.4	(897.0)	307.0	0.0	0.0
Other Investing Cashflow	(2.4)	3.1	17.9	17.6	11.3
Cash Flow From Investing	135.4	(1,209.8)	56.6	(94.7)	(102.5)
Debt Raised/(repaid)	79.0	860.4	263.0	(330.0)	160.0
Equity Raised/(Repaid)	0.0	0.0	0.0	0.0	0.0
Dividends Paid	(329.5)	(319.9)	(418.9)	(434.2)	(467.3)
Cash Interest And Others	(146.5)	3.1	(175.4)	(174.4)	(177.6)
Cash Flow From Financing	(397.0)	543.6	(331.3)	(938.6)	(484.9)
Total Cash Generated	184.0	(122.4)	366.0	(399.5)	81.5
Free Cashflow To Firm	590.9	(652.9)	715.2	556.7	577.8
Free Cashflow To Equity	533.3	47.3	808.1	57.9	572.0

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(RMm)	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Total Investments	8,972	10,455	10,407	10,511	10,615
Intangible Assets	0	0	0	0	0
Other Long-term Assets	18	17	22	26	30
Total Non-current Assets	8,990	10,472	10,429	10,537	10,645
Total Cash And Equivalents	425	290	638	221	291
Inventories					
Trade Debtors	108	41	46	47	49
Other Current Assets	15	0	0	0	0
Total Current Assets	549	331	684	267	339
Trade Creditors	270	327	371	387	403
Short-term Debt	1,637	1,737	1,892	1,760	1,824
Other Current Liabilities	0	14	14	14	14
Total Current Liabilities	1,907	2,078	2,277	2,162	2,241
Long-term Borrowings	2,000	2,730	2,838	2,640	2,736
Other Long-term Liabilities	115	122	122	122	122
Total Non-current Liabilities	2,115	2,852	2,960	2,762	2,858
Shareholders' Equity	5,176	5,372	5,377	5,381	5,386
Minority Interests					
Preferred Shareholders Funds	340	500	500	500	500
Total Equity	5,516	5,872	5,876	5,881	5,885

Key Ratios

	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Gross Property Revenue Growth	9.9%	7.2%	14.1%	2.6%	5.0%
NPI Growth	5.3%	8.1%	14.7%	2.3%	5.7%
Net Property Income Margin	73.6%	74.3%	74.7%	74.5%	75.0%
DPS Growth	0.9%	7.5%	22.3%	3.7%	7.6%
Gross Interest Cover	3.45	3.11	3.52	3.63	3.92
Effective Tax Rate	0.40%	0.55%	0.00%	0.00%	0.00%
Net Dividend Payout Ratio	100%	67%	99%	99%	99%
Current Ratio	0.29	0.16	0.30	0.12	0.15
Quick Ratio	0.29	0.16	0.30	0.12	0.15
Cash Ratio	0.22	0.14	0.28	0.10	0.13
Return On Average Assets	3.36%	5.06%	3.86%	4.00%	4.33%

Key Drivers

	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
NPI margin (%)	73.6%	74.3%	74.7%	74.5%	75.0%

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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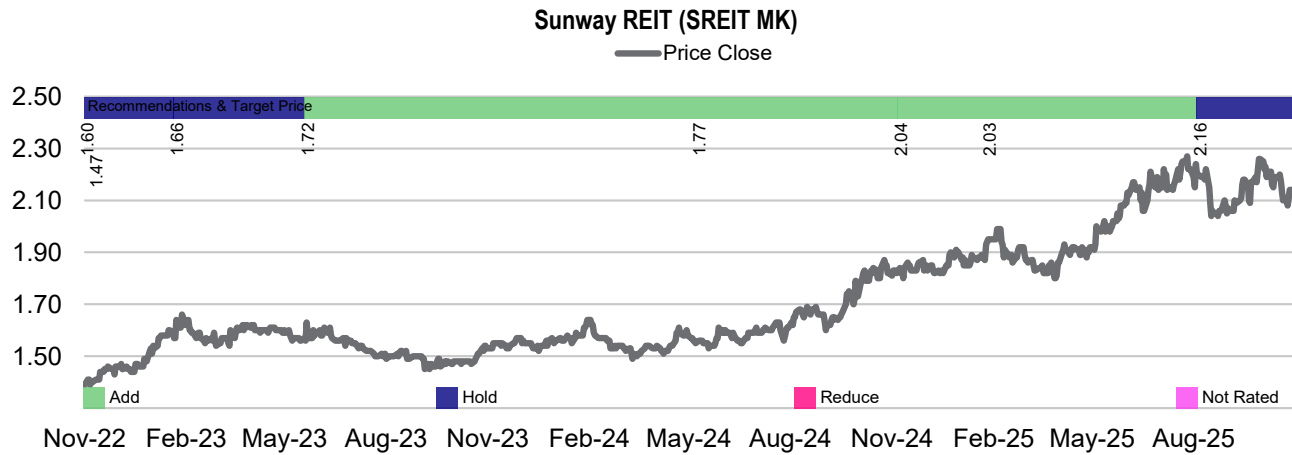
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2025		
551 companies under coverage for quarter ended on 30 September 2025		
	Rating Distribution (%)	Investment Banking clients (%)
Add	69.9%	1.3%
Hold	20.7%	0.5%
Reduce	9.4%	0.4%

Spitzer Chart for stock being researched (2 year data)



Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

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- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.