Sunway REIT

Asset acquisitions strengthened earnings

- SREIT's 3Q25 CNP rose 25.7% YoY, bringing its 9M25 CNP to RM306.1m (+22.9% YoY), broadly in line with expectations.
- We expect flattish QoQ earnings in 4Q25F, as the loss of rental income from asset disposal is expected to be offset by seasonally stronger retail spending in 4Q.
- We trim our FY26/ FY27F earnings estimates by 5%/ 4% to account for loss of rental income from disposal of Sunway U&C. Maintain HOLD and TP of RM2.14, after rolling forward our valuation base to FY26F.

9M25 CNP grew 22.9% YoY to RM306.1m; in line with expectations

Sunway REIT (SREIT)'s 3QFY25 core net profit (CNP) grew 25.7% YoY and 17.2% QoQ to RM112.0m. This brings its 9M25 CNP to RM306.1m (+22.9% YoY), representing 77% of our and 76% of consensus full-year forecasts, broadly in line with expectations. 9M25 NPI rose 22.0% YoY, driven by the full-year contribution from retail assets acquired in 2024, which accounted for 11.5% of 9M25 NPI. These gains were partly offset by lower office occupancy rate (-3 percentage points YoY). We have excluded the one-off RM25.6m gain from the disposal of Sunway University and College (Sunway U&C) in our CNP computation. The disposal proceeds will be used to pare down borrowings, which should reduce gearing to about 37% by end-Oct 2025 (from 41% in 3Q25).

3Q25 NPI strengthened QoQ on improved retail and hotel performance

SREIT's 3Q25 net property income (NPI) rose 16.8% QoQ to RM180.9m, driven by a recovery in the retail segment after a subdued 2Q25 that lacked major festive spending. The hotel segment also recorded seasonally stronger results, with NPI doubling QoQ, supported by the mid-year holiday season and robust demand from MICE-related bookings. While retail tenancy sales improved QoQ in 3Q25, they remained weaker YoY, with 9M25 tenancy sales per sq ft declining 3% YoY.

Maintain Hold call and TP of RM2.14 per share

We expect a flattish 4Q25 for SREIT, as the rental income loss from the disposal of Sunway U&C on 30 Sep 2025 is likely to be offset by seasonally stronger performance from the retail segment. Following the disposal, we cut our FY26F/FY27F earnings forecasts by 5%/4% to reflect the loss of rental income. We maintain our HOLD call and target price of RM2.14, after rolling forward our valuation base to FY26F. SREIT's current 12-month forward distribution yield spread over the 10-year MGS stands at 1.6%, in line with its 10-year historical average. Upside potential could come from stronger-than-expected rental reversions, higher occupancy rates, and better yield-accretive acquisitions, while downside risks include weaker rental reversions, lower occupancy, and subpar acquisition yields.

Figure 1: Result comparison

FYE Dec (RM m)	3Q FY25	3Q FY24	YoY % chg	2Q FY25	QoQ % chg	3QFY25 cum	3QFY24 cum	YoY % chg	Prev. FY25F
Revenue	236.4	192.1	*23.1*	211.4	*11.8*	666.7	546.3	*22.0*	852.0
Operating costs	(97.1)	(60.1)	*61.6*	(43.3)	*124.2*	(214.5)	(176.6)	*21.4*	(348.2)
EBITDA	139.3	132.0	*5.5*	168.1	*(17.1)*	452.2	369.7	*22.3*	503.9
EBITDA margin (%)	*58.9*	*68.7*	*(14.3)*	*79.5*	*(25.9)*	*67.8*	*67.7*	*0.2*	*59.1*
Depn & amort.	(1.0)	(1.0)	*(2.3)*	(1.0)	*(1.3)*	(3.0)	(3.0)	*(1.2)*	(3.9)
EBIT	138.3	131.0	*5.6*	167.1	*(17.2)*	449.2	366.6	*22.5*	578.8
Interest expense	(42.3)	(43.5)	*(2.8)*	(43.8)	*(3.5)*	(128.6)	(122.0)	*5.4*	(176.8)
Interest & invt inc	4.6	1.6	*199.3*	5.1	*(9.6)*	12.8	9.9	*29.2*	13.0
Pretax profit	**132.3**	**89.1**	***48.4***	**129.4**	***2.2***	**365.9**	**321.2**	***13.9***	**415.1**
Tax	(4.6)	0.0	*nm*	0.0	*nm*	(4.6)	0.0	*nm*	0.0
Tax rate (%)	3.5	0.0	*nm*	0.0	*nm*	1.2	0.0	*nm*	0.0
Net profit	**127.7**	**89.1**	***43.2***	**129.4**	***(1.3)***	**361.4**	**321.2**	***12.5***	**389.0**
Core net profit	**112.0**	**89.1**	***25.7***	**95.6**	***17.2***	**306.1**	**249.1**	***22.9***	**389.0**

Source: CIMB Securities, Company

HOLD (no change)

Share price:	Target price: ▶
RM2.14	RM2.14

Consensus: Buy:7 Hold:8 Reduce:1

Stock information

Bloomberg ticker	SREIT MK
Refinitiv ticker	SUNW.KL
Share price (RM)	2.14
Market cap (US$m/RMm)	1,761/7,329
ADTV (RMm)	3.0
Free float (%)	50.2
Upside/(downside) (%)	0.0
CIMB/consensus TP (%)	(2.7)

Diversified REIT spanning retail, hotel, office and industrial assets

Earnings forecast

	Dec-24A	Dec-25F	Dec-26F
Core net profit (RMm)	347.5	389.0	389.5
Core EPS (sen)	10.1	11.4	11.4
Core EPS growth (%)	5.6	12.0	0.1
FD core P/E (x)	21.1	18.8	18.8
P/BV (x)	1.4	1.4	1.4
DPS (sen)	10.0	11.0	11.0
Dividend yield (%)	4.7	5.1	5.1

Source: CIMB Securities

Price performance

	1M	3M	12M
Absolute (%)	(5.3)	(3.6)	17.6
Relative (%)	(5.6)	(7.8)	17.1

Source: Bloomberg, CIMB Securities

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SREIT ongoing developments

Sunway Hotel Seberang Jaya

- On 28 Oct 2025, SREIT announced the proposed disposal of Sunway Hotel Seberang Jaya to Sunway Medical Centre Penang Sdn Bhd, a wholly owned subsidiary of Sunway Healthcare Holdings Bhd, for total cash consideration of RM60m.
- The disposal is part of SREIT's strategic capital recycling initiative, with the net proceeds earmarked to partially fund the development of a new 192-room hotel on top of Sunway Carnival Mall (estimated investment cost: RM140m). The remaining funding will be sourced through borrowings, with project completion targeted for 4Q27.

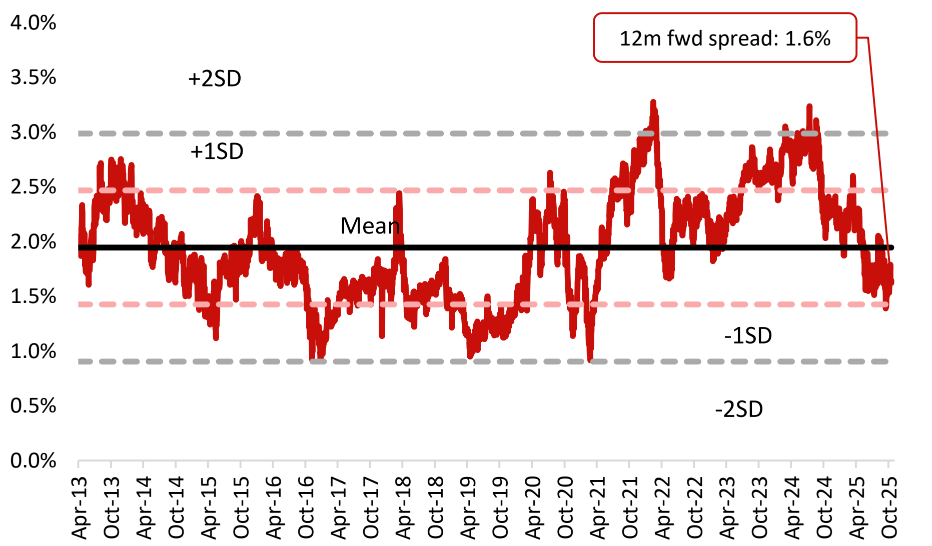
Sunway Pier

- The redevelopment of Sunway Pier remains ongoing, with completion targeted for 2H28.
- SREIT has revised the project's estimated redevelopment cost to RM462m as of 3Q25 (from RM400m in 2Q25), reflecting higher costs arising from the SST expansion and the increase in planned net lettable area.

Transcend 2027

- SREIT reaffirmed its commitment to the Transcend 2027 strategic roadmap, which aims to expand its property value to RM15bn (end-3Q25: RM10.2bn). The growth will be driven by selective third-party acquisitions and potential asset injections from its sponsor, underscoring management's focus on scaling the portfolio.

Figure 2: SREIT's 12-month forward distribution yield spread vs. 10-year MGS



Source: Company reports, CIMB Securities, Bloomberg

Financial Information

Figure 1: Profit and Loss

(RMm)	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Rental revenues	716	767	852	848	870
Other revenues	nm	nm	nm	nm	nm
Gross property revenue	**716**	**767**	**852**	**848**	**870**
Total property expenses	(185)	(197)	(200)	(206)	(213)
Net property income	**531**	**570**	**652**	**641**	**657**
General and admin. expenses	nm	nm	nm	nm	nm
Management fees	(44)	(47)	(52)	(51)	(52)
Trustee's fees	(1)	(1)	(1)	(1)	(1)
Other operating expenses	(14)	162	(19)	(16)	(16)
EBITDA	**472**	**684**	**580**	**573**	**588**
Depreciation and amortisation	6	(4)	(4)	(1)	(3)
EBIT	**479**	**680**	**576**	**573**	**585**
Net interest income	(129)	(154)	(161)	(160)	(160)
Associates' profit	nm	nm	nm	nm	nm
Other income/(expenses)	nm	nm	nm	nm	nm
Exceptional items	(11)	166	0	0	0
Pre-tax profit	**350**	**527**	**415**	**413**	**425**
Taxation	(1)	(3)	(3)	0	0
Minority interests	nm	nm	nm	nm	nm
Preferred dividends	(20)	(10)	(23)	(23)	(23)
Net profit	**329**	**514**	**389**	**389**	**401**
Distributable profit	**319**	**344**	**389**	**389**	**401**

Source: CIMB Securities, Company

Figure 2: Cash Flow

(RMm)	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Pre-tax profit	**350**	**527**	**415**	**413**	**425**
Depreciation and non-cash Adj.	4	4	4	1	3
Change in working capital	99	125	(106)	6	17
Tax paid	nm	nm	nm	nm	nm
Others	(126)	(265)	0	2	(1)
Cash flow from operations	**446**	**544**	**474**	**581**	**603**
Capex	(200)	(313)	(237)	(93)	(93)
Net investments and sale of FA	nm	nm	nm	nm	nm
Other investing cash flow	0	0	0	0	0
Cash flow from investing	**125**	**(1,224)**	**205**	**(93)**	**(93)**
Debt raised/(repaid)	79	1,020	100	0	0
Equity raised/(repaid)	0	0	0	0	0
Dividends paid	(329)	(320)	(375)	(376)	(387)
Cash interest and others	nm	nm	nm	nm	nm
Cash flow from financing	**(399)**	**537**	**(460)**	**(559)**	**(571)**
Total cash generated	171	(143)	219	(71)	(60)
Free cash flow to firm	431	(847)	504	315	338
Free cash flow to equity	649	340	778	488	511

Source: CIMB Securities, Company

Financial Information

Figure 3: Balance Sheet

(RMm)	Dec-23A	Dec-24A	Dec-25F	Dec-26F	Dec-27F
Total investments	8,972	10,455	10,247	10,340	10,432
Intangible assets	0	0	0	0	0
Other long-term assets	1	1	1	1	1
Total non-current assets	**8,990**	**10,472**	**10,261**	**10,353**	**10,442**
Total cash and equivalents	425	290	494	423	364
Inventories	nm	nm	nm	nm	nm
Trade debtors	19	24	45	43	41
Other current assets	104	17	42	40	42
Total current assets	**549**	**331**	**582**	**507**	**446**
Trade creditors	1	6	8	9	10
Short-term debt	1,637	1,737	1,737	1,737	1,737
Other current liabilities	269	336	259	260	275
Total current liabilities	**1,907**	**2,078**	**2,004**	**2,006**	**2,022**
Long-term borrowings	2,000	2,730	2,830	2,830	2,830
Other long-term liabilities	102	106	106	106	106
Total non-current liabilities	**2,115**	**2,852**	**2,952**	**2,952**	**2,952**
Shareholders' equity	5,176	5,372	5,386	5,400	5,414
Minority interests	nm	nm	nm	nm	nm
Preferred shareholders funds	340	500	500	500	500
Total equity	**5,516**	**5,872**	**5,886**	**5,899**	**5,913**

Source: CIMB Securities, Company

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