HLIB Research
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Sunway REIT

Higher revenue from hotel segment

BUY (Maintain)

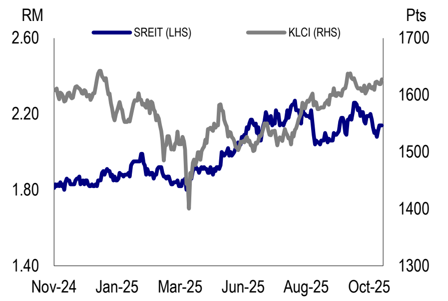
Target Price:	**RM2.52**
Previously:	**RM2.31**
Current Price:	**RM2.14**

Capital upside	17.8%
Dividend yield	5.7%
Expected total return	23.5%

Sector coverage: REIT

Company description: Sunway REIT is one of the largest retail focused REIT that is strategically located across award-winning integrated townships in key locations within Klang Valley, Penang and Perak.

Share price



Historical return (%)	1M	3M	12M
Absolute	-5.3	-3.6	17.6
Relative	-5.6	-7.4	16.3

Stock information

Bloomberg ticker	SREIT MK
Bursa code	5176
Issued shares (m)	3,425
Market capitalisation (RM m)	7,329
3-mth average volume ('000)	7,432
SC Shariah compliant	No
F4GBM Index member	No
ESG rating	★★★★

Major shareholders

Sunway Bhd	40.9%
EPF	13.5%
KWAP	6.0%

Earnings summary

FYE (Dec)	FY24	FY25f	FY26f
PAT – core (RM m)	354.2	440.1	435.9
EPU – core (sen)	10.3	12.9	12.7
P/E (x)	20.7	16.7	16.8

Sunway REIT's 3Q25 core net profit of RM128.4m (+25.5% QoQ, +44.1% YoY) lifted 9M25 earnings to RM335.1m (+31.4% YoY), which came in above our and consensus estimates at 83% and 82% of full-year forecasts respectively. The positive deviation was mainly driven by higher-than-expected hotel revenue. Looking ahead, earnings growth is expected to be supported by the full reopening of Sunway Carnival Mall, full-year contributions from Sunway Oasis and newly acquired assets, partially offset by the expected disposal of Sunway University in 3Q25. Meanwhile, the strong hotel performance is expected to carry into 4Q25, underpinned by the year-end school holidays and festive season. Following the stronger results, we revise our FY25/FY26/FY27 earnings forecasts higher by 8.6%/4.6%/4.5% respectively. Maintain our BUY call with a higher TP of RM2.52 (from RM2.31), based on FY26 DPU and a targeted yield of 5.0%.

Results upbeat. 3Q25 core net profit came in at RM128.4m (+25.5% QoQ, +44.1% YoY), lifting 9M25 earnings to RM335.1m (+31.4% YoY). The results were above our and consensus expectations, at 83% and 82% of full-year forecasts respectively. The positive deviation was mainly attributed to higher-than-expected hotel revenue.

Dividend. None as dividends are usually declared semi-annually.

QoQ. Revenue improved significantly (+11.8%), driven by higher contributions from the hotel segment (+109.1%). This was supported by an increase in hotel occupancy to 76% (2Q25: 64%), with Sunway Resort Hotel and Sunway Putra Hotel achieving a threefold improvement in performance. NPI further expanded (+16.8%) as operating expenses declined (-1.7%), mainly due to lower utility costs. Core profit also rose (+25.5%), aided by lower financing costs (-3.5%).

YoY. Turnover and NPI rose 23.1% and 25.4% respectively, driven by strong retail performance (+28.1%) from new contributions at Sunway 163 Mall (October 2024), Kluang Mall (December 2024), Sunway Oasis at Sunway Pyramid (November 2024), and Aeon Mall Seri Manjung (July 2025). Similarly, core profit improved (+44.1%), supported by lower financing costs (-2.8%).

YTD. Top line and NPI climbed 22.0% and 22.2% respectively, driven by strong retail growth (+30.2%) from the same factors mentioned above. Moreover, slower growth in financing costs (+6.2%) lifted core profit by 31.4%.

Occupancy and gearing. Retail occupancy remained stable at 97%. Meanwhile, hotel and industrial segments improved to 76% (2Q25: 60%) and 85% (2Q25: 83%) respectively, while office occupancy eased slightly to 81% (2Q25: 82%). On the balance sheet front, gearing remained unchanged at 41%.

Retail. The impact from tenants' SST expansion costs being passed on to consumers remains manageable, as tenants' gross turnover (GTO) accounts for only about 10% of total revenue, implying limited variable exposure. Retail earnings are expected to remain firm, supported by the full reopening of Sunway Carnival Mall (post-refurbishment) in May 2025 and full-year contributions from Sunway Oasis, Sunway 163 Mall, and Kluang Mall, together with partial-year contributions from Aeon Mall Seri Manjung (injected in July 2025). These will be slightly offset by the expected disposal of Sunway University in 3Q25.

Hotel. The hotel segment outperformed expectations, supported by stronger occupancy rates and higher average room rates. Management attributed this to robust demand for meetings, incentives, conferences, and exhibitions (MICE) during the quarter. We believe the strong performance will persist into 4Q25, driven by the year-end school holidays and festive season.

Forecast. Following the stronger-than-expected results, we raise our FY25/FY26/FY27 earnings forecasts by 8.6%/4.6%/4.5% respectively. The larger revision in FY25 also reflects the additional one-quarter contribution from Sunway University and College, which was not previously expected before its disposal. That said, the disposal was completed in September 2025.

Maintain BUY but with higher TP of RM2.52 (from RM2.31), given the stronger than expected performance. The valuation is based on a roll-forwarded FY26 DPU and a targeted yield of 5.0% (previously 4.9%), derived from the five-year mean yield spread between Sunway REIT and MAGY10YR. We continue to favour Sunway REIT for its (i) well-diversified portfolio spanning four distinct asset classes (from five previously, following the disposal of Sunway University and College), and (ii) visible pipeline of high-quality asset injections, which could enhance earnings and portfolio resilience over the near term.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Dec	FY23	FY24	FY25f	FY26f	FY27f
Cash	425.3	289.4	652.1	520.4	408.9
Receivables	108.2	40.5	135.4	137.3	141.0
Investment properties	8,912.4	10,384.9	10,007.3	10,160.7	10,288.5
Property, plant & equipment	17.4	16.6	19.0	20.9	22.5
Others	75.4	70.7	70.7	70.7	70.7
Assets	**9,538.6**	**10,802.2**	**10,884.4**	**10,909.9**	**10,931.6**
Payables	226.1	210.8	183.7	178.8	152.6
Debt	3,637.0	4,466.7	4,466.7	4,466.7	4,466.7
Others	159.4	752.3	841.9	867.9	911.3
Liabilities	**4,022.5**	**5,429.9**	**5,492.3**	**5,513.4**	**5,530.7**
Unitholders' capital	3,433.9	3,433.9	3,433.9	3,433.9	3,433.9
Undistributed profit	1,742.5	1,938.4	1,958.2	1,962.6	1,967.1
Others	339.7	-	-	-	-
Equity	**5,516.1**	**5,372.3**	**5,392.1**	**5,396.4**	**5,400.9**

Income Statement

FYE Dec	FY23	FY24	FY25f	FY26f	FY27f
Total revenue	**704.5**	**756.9**	**884.7**	**895.0**	**919.3**
Operating expenses	(188.8)	(197.4)	(243.7)	(257.0)	(268.4)
Net property income	**515.8**	**559.4**	**641.1**	**638.0**	**650.9**
Other income	10.3	13.4	17.6	17.6	17.6
Net investment income	**526.0**	**572.8**	**658.7**	**655.6**	**668.5**
Non opex and trust exp	(187.0)	(218.6)	(218.6)	(219.8)	(221.0)
Profit before tax	339.1	354.2	440.1	435.9	447.5
Taxation	-	-	-	-	-
Core profit	**339.1**	**354.2**	**440.1**	**435.9**	**447.5**
Extraordinary item	1.9	170.5	-	-	-
Reported profit	340.9	524.8	440.1	435.9	447.5
Consensus			400.7	412.0	426.7
HLIB/Consensus			110%	106%	105%

Cash Flow Statement

FYE Dec	FY23	FY24	FY25f	FY26f	FY27f
Profit before taxation	339.1	354.2	440.1	435.9	447.5
Depreciation	3.9	3.9	3.8	4.4	4.8
Taxation	-	-	-	-	-
Others	102.7	185.7	111.0	162.5	156.8
CFO	**445.6**	**543.8**	**554.9**	**602.7**	**609.2**
Capex	(205.6)	(1,212.9)	(211.6)	(159.6)	(134.2)
Others	341.0	3.1	600.5	17.5	17.5
CFI	**135.4**	**(1,209.8)**	**388.8**	**(142.1)**	**(116.8)**
Debt raised/ (repaid)	79.0	79.0	-	-	-
Distribution to unitholders	(329.5)	(319.9)	(420.3)	(431.5)	(443.0)
Others	(156.4)	771.4	(160.8)	(160.8)	(160.8)
CFF	**(406.9)**	**530.5**	**(581.1)**	**(592.3)**	**(603.8)**
Net cash flow	**174.1**	**(135.5)**	**362.6**	**(131.7)**	**(111.4)**
Beginning cash	251.2	425.3	289.4	652.1	520.4
Ending cash	425.3	289.4	652.1	520.4	408.9

Valuation & Ratios

FYE Dec	FY23	FY24	FY25f	FY26f	FY27f
Core EPU (sen)	9.9	10.3	12.9	12.7	13.1
P/E (x)	21.6	20.7	16.7	16.8	16.4
DPU (sen)	9.6	9.3	12.3	12.6	12.9
Dividend yield	4.5%	4.4%	5.7%	5.9%	6.0%
BVPU (RM)	1.5	1.6	1.6	1.6	1.6
P/B (x)	1.4	1.4	1.4	1.4	1.4
NPI margin	73.2%	73.9%	72.5%	71.3%	70.8%
NII margin	74.7%	75.7%	74.4%	73.3%	72.7%
PBT margin	48.1%	46.8%	49.7%	48.7%	48.7%
Net margin	48.1%	46.8%	49.7%	48.7%	48.7%
Return on equity	6.5%	6.6%	8.2%	8.1%	8.3%
Return on assets	3.6%	3.3%	4.0%	4.0%	4.1%
Gearing ratio	38%	41%	41%	41%	41%
Net gearing ratio	34%	39%	35%	36%	37%
Gross yield	7.9%	7.3%	8.8%	8.8%	8.9%
NPI yield	5.8%	5.4%	6.4%	6.3%	6.3%
NII yield	5.9%	5.5%	6.6%	6.5%	6.5%
Net yield	3.8%	3.4%	4.4%	4.3%	4.3%

Figure #1 **Quarterly results comparison**

FYE Dec (RM m)	3Q24	2Q25	3Q25	QoQ (%)	YoY (%)	9M24	9M25	YoY(%)
Realised gross revenue	186.1	205.1	233.0	13.6%	25.2%	530.7	651.1	22.7%
Other operating income	6.0	6.3	3.5	-44.7%	-42.6%	15.6	15.6	0.0%
Gross revenue	**192.1**	**211.4**	**236.4**	**11.8%**	**23.1%**	**546.3**	**666.7**	**22.0%**
Quit rent, assessment and insurance	-4.5	-5.4	-5.6	3.3%	25.8%	-12.4	-16.4	31.6%
Other property operating expenses	-43.4	-51.1	-49.9	-2.2%	15.1%	-129.7	-157.3	21.3%
Property operating 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%**
Finance income	1.6	5.1	4.6	-9.6%	199.3%	9.9	12.8	29.2%
Other income	0.0	0.1	0.1	18.5%	42.2%	0.1	0.2	68.9%
Net investment income	**145.9**	**160.1**	**185.6**	**15.9%**	**27.2%**	**414.2**	**506.0**	**22.2%**
Manager's fee	-11.9	-13.0	-14.0	7.6%	17.2%	-34.4	-39.7	15.2%
Trustee's fee	-0.2	-0.2	-0.2	2.0%	3.0%	-0.6	-0.7	12.4%
Other trust expenses	-1.1	-0.7	-0.7	-1.9%	N.M	-3.0	-2.0	-34.1%
Finance cost	-43.5	-43.8	-42.3	-3.5%	-2.8%	-121.2	-128.6	6.2%
Non operating expenses	**-56.8**	**-57.7**	**-57.2**	**-1.0%**	**0.7%**	**-159.2**	**-170.9**	**7.4%**
Profit before tax	**89.1**	**102.4**	**128.4**	**25.5%**	**44.1%**	**255.0**	**335.1**	**31.4%**
Taxation	0.0	0.0	0.0	N.M	N.M	0.0	0.0	N.M
Core profit	**89.1**	**102.4**	**128.4**	**25.5%**	**44.1%**	**255.0**	**335.1**	**31.4%**
Extraordinary items	0.0	27.0	-0.7	N.M	N.M	66.2	26.3	-60.3%
Reported profit	89.1	129.4	127.7	**-1.3%**	**43.2%**	321.2	361.4	12.5%
Core EPU (sen)	**2.6**	**3.0**	**3.7**	**25.5%**	**44.1%**	**7.4**	**9.8**	**31.4%**
Core DPU (sen)	**0.0**	**5.7**	**0.0**	**N.M**	**N.M**	**4.7**	**5.7**	**21.9%**

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Figure #2 **Quarterly segmental revenue and NPI comparison**

FYE Dec (RM m)	3Q24	2Q25	3Q25	QoQ (%)	YoY (%)	9M24	9M25	YoY(%)
Gross revenue	**192.1**	**211.4**	**236.4**	**11.8%**	**23.1%**	**546.3**	**666.7**	**22.0%**
Retail Segment	130.6	160.0	167.2	4.5%	28.1%	380.6	495.6	30.2%
Hotel Segment	29.2	16.7	35.0	109.1%	19.7%	67.6	67.9	0.4%
Office Segment	20.5	20.4	20.1	-1.2%	-1.9%	62.6	60.9	-2.7%
Services Segment	9.6	9.8	9.7	-1.1%	1.2%	28.7	29.3	1.9%
Industrial and Others Segment	2.3	4.5	4.4	-2.4%	93.4%	6.8	13.0	91.8%
Net property income	**144.3**	**154.9**	**180.9**	**16.8%**	**25.3%**	**404.2**	**493.0**	**22.0%**
Retail Segment	91.8	114.1	121.9	6.8%	32.8%	264.9	352.8	33.2%
Hotel Segment	28.1	15.6	33.9	117.5%	20.6%	64.7	64.4	-0.5%
Office Segment	12.9	12.2	11.8	-3.2%	-8.5%	39.8	36.4	-8.5%
Services Segment	9.6	9.8	9.7	-1.1%	1.2%	28.7	29.3	1.9%
Industrial and Others Segment	1.9	3.2	3.6	12.3%	86.3%	6.0	10.0	67.9%

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Stock rating guide

BUY	Expected absolute return of +10% or more over the next 12 months.
HOLD	Expected absolute return of -10% to +10% over the next 12 months.
SELL	Expected absolute return of -10% or less over the next 12 months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
NOT RATED	Stock is not or no longer within regular coverage.

Sector rating guide

OVERWEIGHT	Sector expected to outperform the market over the next 12 months.
NEUTRAL	Sector expected to perform in-line with the market over the next 12 months.
UNDERWEIGHT	Sector expected to underperform the market over the next 12 months.

The stock rating guide as stipulated above serves as a guiding principle to stock ratings. However, apart from the abovementioned quantitative definitions, other qualitative measures and situational aspects will also be considered when arriving at the final stock rating. Stock rating may also be affected by the market capitalisation of the individual stock under review.