"6M26 realised net profit rose 11% yoy to RM216m – above estimates"

Share price performance

	1M	3M	12M
Absolute (%)	-3.2	-16.7	0.0
Rel KLCI (%)	-5.9	-16.2	-10.0

	BUY	HOLD	SELL
Consensus	6	10	-

Stock Data

Sector	REIT
Issued shares (m)	3,424.8
Mkt cap (RMm)/(US$m)	7363.3/1801.5
Avg daily vol - 6mth (m)	3.9
52-wk range (RM)	2.02-2.67
Est free float	52.3%
Stock Beta	0.70
Net cash/(debt) (RMm)	(3,953.4)
ROE (CY26E)	7.4%
Derivatives	No
Shariah Compliant	No
FTSE4Good Constituent	Yes
FBM EMAS (Top 200)	
ESG Rank	Top 25%
ESG Risk Rating	12.5 (4.2 yoy)

Key Shareholders

Sunway Berhad	40.9%
EPF	14.6%
Tan Gaik Hoon	4.5%
PNB	3.6%

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

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Sunway REIT (SREIT MK)

BUY (upgrade)
Up/Downside: +15.8%

Price Target: RM2.49
Previous Target (Rating): RM2.48 (HOLD)

6M26 DPU grew by 10.6% yoy – a tad above estimates

- **SREIT's 6M26 realised net profit grew a robust 11% yoy to RM298m on higher rental income from its active asset acquisitions and refurbishments**
- **Following the recent share price correction, SREIT's valuation is now attractive with >10% upside to our TP and 6-7% DPU yields over 2026E-28E**
- **Upgrade SREIT to BUY (from Hold) with a revised DDM-derived TP of RM2.49.**

6M26 realised net profit grew 11% yoy to RM216m – a tad above estimates

SREIT reported a strong set of results – 6M26 realised net profit rose 10.5% yoy to RM215.5m on improved NPI (+4.9% yoy) mainly driven by rental growth across its retail portfolio due to full-year contributions from (i) completed refurbishment of Sunway Carnival in May-25 and (ii) completed acquisition of AEON Mall Seri Manjung in Jul-25. Besides, it also benefited from lower opex (-1.9% yoy) as utility expenses decreased following the conversion to bulk-meter electricity tariffs across its retail portfolio. Interest expenses also declined 11.8% yoy on lower borrowings and improved financing rates. Sequentially, 2Q26 realised net profit marginally declined 2.3% qoq due to flattish NPI as 1Q26 benefitted from seasonal festive spendings during Lunar New Year and Hari Raya Aidilfitri, alongside higher non-property expenses (+2.6% qoq).

SREIT's 2026E-28E DPU are expected to normalize from a high base

SREIT's 6M26 results were above our but within consensus estimates, with core net profit representing 48-50% of consensus and our full-year forecasts. The earnings beat was due to higher-than-expected contribution from Sunway Carnival Mall. Looking ahead, earnings growth is expected to be supported by (i) a full-year contribution from the completion of Sunway Carnival's Old Wing reconfiguration, (ii) sustained higher rental rates from the refurbished Oasis section at Sunway Pyramid and (iii) lower financing cost, underpinned by reduced borrowings.

Upgrade to BUY with a revised 12-month TP of RM2.49

We upgrade SREIT to BUY (from Hold) with a revised DDM-derived 12-month target price of RM2.49 (from RM2.48) as we raise our 2026E-28E core EPU by 2-3% to reflect the higher rental contribution from Sunway Carnival Mall. Following the recent share price correction, SREIT's valuation has become attractive with >10% upside to our TP and 6-7% DPU yields over 2026E-28E. While 2026E DPU is expected to decline yoy due to the high base from one-off special distribution in 2025, we see continued growth in underlying earnings with an improved core EPU of 3-9% yoy over 2026E-28E. We also turn positive on SREIT given the management's proactive approach towards corporate exercises like the (i) ongoing development of Sunway Pier and (ii) redevelopment of Sunway Seberang Jaya Hotel, both of which are expected to complete by 2H27-2028. Downside risks to our view: (i) delays in acquisition execution, and (iii) steeper-than-expected increases in OPR.

Earnings & Valuation Summary

FYE 31 Dec (RMm)	2023	2024	2026E	2027E	2028E
Revenue	756.9	894.3	937.0	950.5	976.1
Net property income	569.7	658.0	692.1	708.0	725.7
Reported net profit	504.3	520.8	446.0	461.1	477.8
EPU (sen)	15.0	15.2	13.0	13.5	14.0
Distributable profit	343.8	410.2	446.0	461.1	477.8
Realised net profit	343.8	410.2	446.0	461.1	477.8
Realised EPU (sen)	10.0	12.0	13.0	13.5	14.0
Realised EPU chg (%)	7.7	19.3	8.7	3.4	3.6
Realised PER (x)	21.4	17.9	16.5	16.0	15.4
DPU (sen)	10.0	14.5	13.0	13.5	14.0
Distribution Yield (%)	4.7	6.7	6.1	6.3	6.5
P/RNAV (x)	1.4	1.3	1.3	1.3	1.3
Chg in distr. EPU (%)			+2.9	+2.3	+3.1
Affin/Consensus (x)			1.0	1.0	1.0

Source: Company, Bloomberg, Affin Hwang forecasts

Fig 1: Results Comparison

FYE Dec (RMm)	2Q25	1Q26	2Q26	QoQ % chg	YoY % chg	6M25	6M26	YoY % chg	Comments
Revenue	**211.4**	**223.0**	**220.3**	**-1.2**	**4.2**	**430.3**	**443.4**	**3.0**	Stronger 6M26 revenue yoy on higher rental income mainly from retail segment due to full-year contributions from (i) refurbishment of Sunway Carnival and (ii) AEON Mall Seri Manjung which was completely acquired in Jul-25
Op expenses	-56.5	-58.6	-57.4	-2.1	1.6	-118.2	-116.0	-1.9	Conversion to bulk-meter electricity tariffs has lower utility expenses across its retail portfolio, resulting in lower 6M26 opex yoy
Net Property Income	**154.9**	**164.4**	**163.0**	**-0.9**	**5.2**	**312.1**	**327.4**	**4.9**	Stronger 6M26 NPI yoy, led by the improved revenue across all segments and lower opex
NPI margin (%)	*73.3*	*73.7*	*74.0*	*0.2*	*0.7*	*72.5*	*73.8*	*1.3*	
Revaluation surplus / others	32.2	3.5	2.4	-31.5	-92.6	35.3	5.9	-83.4	
Net Invest. Income	**187.1**	**167.9**	**165.4**	**-1.5**	**-11.6**	**347.4**	**333.3**	**-4.1**	
Int expense	-43.8	-38.3	-37.9	-1.1	-13.6	-86.3	-76.2	-11.8	Lower 6M26 interest expense yoy as average cost of debt reduced to 3.62% (2Q26: 3.88%) amid lower OPR, while borrowings were reduced through repayment using proceeds from disposal of Sunway University and College Campus
REIT's expenses	-13.9	-14.8	-15.2	2.6	9.1	-27.4	-30.0	9.5	
Pretax Profit	**129.4**	**114.8**	**112.3**	**-2.2**	**-13.2**	**233.7**	**227.1**	**-2.8**	
Net profit	**123.6**	**109.1**	**106.5**	**-2.3**	**-13.8**	**222.2**	**215.6**	**-3.0**	
Realised net profit	**96.5**	**109.0**	**106.5**	**-2.3**	**10.3**	**195.1**	**215.5**	**10.5**	
Distributable income	**96.5**	**109.0**	**106.5**	**-2.3**	**10.3**	**195.1**	**215.5**	**10.5**	
EPU (sen)	3.61	3.19	3.11	-2.3	-13.8	6.49	6.30	-3.0	
Realised EPU (sen)	2.82	3.18	3.11	-2.3	10.3	5.70	6.29	10.5	
DPU (sen)	5.68	0.00	6.28	n.m.	10.6	5.68	6.28	10.6	

Source: Affin Hwang, Company

Fig 2: Segmental breakdown

FYE 31 Dec (RMm)	4Q CY24	1Q CY25	2Q CY25	3Q CY25	4Q CY25	1Q CY26	2Q CY26	QoQ % chg	YoY % chg
Revenue*									
Retail	149.0	168.4	160.0	167.2	173.1	185.0	177.1	-4.2%	10.7%
Hotel	27.9	16.1	16.7	35.0	29.9	13.0	18.1	39.3%	8.0%
Office	20.5	20.4	20.4	20.1	19.9	20.3	20.4	0.8%	0.3%
Industrial	3.5	4.2	4.5	4.4	4.7	4.8	4.7	-1.5%	5.0%
Services	9.7	9.8	9.8	9.7	0.0	0.0	0.0	n.m.	n.m.
NPI*									
Retail	103.5	116.8	114.1	121.9	121.2	136.3	130.4	-4.3%	14.2%
Hotel	26.8	15.0	15.6	33.9	28.7	11.8	17.0	43.4%	8.9%
Office	12.4	12.4	12.2	11.8	11.5	12.4	12.1	-2.3%	-1.2%
Industrial	2.9	3.2	3.2	3.6	3.5	3.9	3.6	-9.3%	11.5%
Services	9.7	9.8	9.8	9.7	0.0	0.0	0.0	n.m.	n.m.

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

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For "Ownership of Securities" information, please visit BlueMatrix disclosure Link at https://daiwa3.bluematrix.com/sellside/Disclosures.action.

Investment Banking Relationships

For "Investment Banking Relationship", please visit BlueMatrix disclosure Link at https://daiwa3.bluematrix.com/sellside/Disclosures.action.

Relevant Relationships

Affin Hwang may from time to time have an individual employed by or associated with it serves as an officer of any of the companies under its research coverage.

Affin Hwang market making

Affin Hwang may from time to time make a market in securities covered by this research.

Additional information may be available upon request.

Japan - Notification items pursuant to Article 37 of the Financial Instruments and Exchange Law

(This Notification is only applicable to where report is distributed by Daiwa Securities Co. Ltd.)

If you decide to enter into a business arrangement with our company based on the information described in this report, we ask you to pay close attention to the following items.

- In addition to the purchase price of a financial instrument, our company will collect a trading commission* for each transaction as agreed beforehand with you. Since commissions may be included in the purchase price or may not be charged for certain transactions, we recommend that you confirm the commission for each transaction. In some cases, our company also may charge a maximum of ¥2 million per year as a standing proxy fee for our deposit of your securities, if you are a non-resident.
- For derivative and margin transactions etc., our company may require collateral or margin requirements in accordance with an agreement made beforehand with you. Ordinarily in such cases, the amount of the transaction will be in excess of the required collateral or margin requirements**.
- There is a risk that you will incur losses on your transactions due to changes in the market price of financial instruments based on fluctuations in interest rates, exchange rates, stock prices, real estate prices, commodity prices, and others. In addition, depending on the content of the transaction, the loss could exceed the amount of the collateral or margin requirements.
- There may be a difference between bid price etc. and ask price etc. of OTC derivatives handled by our company.
- Before engaging in any trading, please thoroughly confirm accounting and tax treatments regarding your trading in financial instruments with such experts as certified public accountants.

* The amount of the trading commission cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

** The ratio of margin requirements etc. to the amount of the transaction cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

When making an actual transaction, please be sure to carefully read the materials presented to you prior to the execution of agreement, and to take responsibility for your own decisions regarding the signing of the agreement with our company.

Corporate Name:	Daiwa Securities Co. Ltd.
Registered:	Financial Instruments Business Operator, Chief of Kanto Local Finance Bureau (Kin-sho) No.108
Memberships:	Japan Securities Dealers Association, The Financial Futures Association of Japan, Investment Management Association of Japan, Type II Financial Instruments Firms Association, Japan Security Token Offering Association