Sunway REIT

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13 August 2026
Results Review: 2QFY26

On solid footing

Sunway REIT reported 2QFY26 core PATMI of RM112.3m (-2.2% QoQ, +9.7% YoY), taking 1HFY26's tally to RM227.1m (+9.9% YoY). Results came in within expectations at 48.5%/50.2% of our/consensus full-year estimates. The positive 2Q performance was driven by sustained retail outperformance (+10.7% YoY), hotel segment recovery (+8.0% YoY), and lower finance costs (-13.6% YoY). 2H26 earnings should be anchored by achievable mid-single digit retail reversions across key malls and a leisure-led hotel recovery coinciding with October's Formula 1 event and China's Golden Week. Reiterate BUY with an unchanged TP of RM2.48 based on an unchanged target yield of 5.3%.

Within expectations. Sunway REIT recorded 2QFY26 core PATMI of RM112.3m (-2.2% QoQ, +9.7% YoY), bringing 1HFY26's tally to RM227.1m (+9.9%, YoY). This came in within expectations, forming 48.5%/50.2% of our/consensus full-year estimates.

Dividend. Declared dividend of 6.28 sen/unit (2QFY25: 5.68 sen/unit), ex-date on 27 August.

QoQ. Revenue slipped 1.2% to RM220.3m, dragged by lower retail segment revenue (-4.2% to RM177.1m) and industrial revenue (-1.5% to RM4.7m), partially cushioned by a strong rebound in hotel revenue (+39.3% to RM18.1m). Total property operating expenses contracted 2.1% to RM57.4m, driven by lower quit rent, assessment, and insurance (-0.9%) as well as other property expenses (-2.2%). Consequently, NPI dropped 0.9% to RM163.0m, while core PATMI fell 2.2% to RM112.3m.

YoY. Topline expanded 4.2% to RM220.3m, driven by stronger retail (+10.7% to RM177.1m), hotel (+8.0% to RM18.1m), and industrial (+5.0% to RM4.7m) segment contributions. Operating expenses increased 1.6% to RM57.4m, driven by higher quit rent, assessment, and insurance (+5.9%) and other property expenses (+1.1%). As a result, NPI grew 5.2% to RM163.0m, while core PATMI rose 9.7% to RM112.3m, further supported by lower finance costs (-13.6% to RM37.9m).

FYTD. Revenue expanded 3.0% to RM443.4m, led by retail (+10.3% to RM362.1m) and industrial (+9.6% to RM9.5m) segment outperformance, which more than offset lower contributions from the hotel (-5.4% to RM31.1m), office (-0.3% to RM40.7m) as well as the absence of contribution from education segment following the Sunway University campus disposal on 30th September 2025. Total operating expenses contracted 1.9% to RM116.0m driven by lower other property expenses (-2.8%). Consequently, NPI rose 4.9% to RM327.4m, while core PATMI expanded 9.9% to RM227.1m, boosted by lower finance costs (-11.8% to RM76.2m).

Occupancy and gearing. Retail, office, and industrial portfolio occupancies stood unchanged at 98%, 83%, and 91% respectively relative to 1QFY26, whereas hotel room occupancy improved to 60% (1QFY26: 56%), driven by group bookings from China and India at Sunway Putra Hotel alongside medical tourism demand at Sunway Hotel Seberang Jaya from the adjacent Sunway Medical Centre Penang. Meanwhile, gearing increased slightly to 40.6% (1QFY26: 40.2%).

Outlook. For 2H26, management is guiding mid-single digit rental reversion on its upcoming retail lease expirations across key assets, primarily Sunway Pyramid, Sunway Carnival, and Sunway Putra Mall, which we deem achievable. Concurrently, Sunway REIT's hotels are well-positioned to capture a leisure-driven rebound. This is supported by strong transient leisure demand, which should accelerate in 4Q26 as October's Formula 1 event overlaps with China's Golden Week. Encouraging inquiries allow management to

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BUY (Maintain)

Target price (TP):	**RM2.48**
Previous TP:	RM2.48
Current price:	**RM2.15**

Capital upside	15.3%
Dividend yield	6.1%
Total expected return	21.4%

Sector classification

REIT

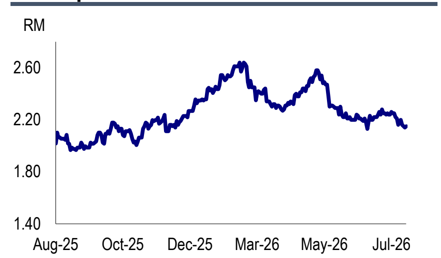
Company description

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.

Major shareholders

Sunway Bhd	40.9%
EPF	14.6%
KWAP	4.5%

Share price chart



Stock information

Bloomberg ticker	SREIT MK
Bursa code	5176
Issued shares (m)	3,425
Market capitalisation (RM m)	7,363
3-mth average volume ('000)	4,155
SC Shariah compliant	No

Core earnings summary

FYE Dec	FY25	FY26f	FY27f
PATMI (RM m)	453.6	466.3	468.1
EPS (sen)	13.2	13.6	13.7
P/E (x)	16.2	15.8	15.7

raise room rates, with positive spillover expected surrounding the event, in our view. Meanwhile, office and industrial segments should serve as a stable earnings bedrock, supported by gradual occupancy improvements across office assets as Wisma Sunway reaches full occupancy by 4Q26.

Forecast. We tweak our FY27/FY28 core PATMI forecast by -1%/-1% respectively.

Maintain BUY with an unchanged TP of RM2.48. Our TP is based on an unchanged target yield of 5.3% (0.5SD above its 5-year historical mean spread against the 10-year MGS), pegged to our FY26 DPU forecast.

Financial forecast table

Balance Sheet

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash	289.8	260.9	132.2	237.7	267.7
Receivables	40.8	38.6	138.4	145.4	151.9
Investment properties	10,384.9	10,185.9	10,339.3	10,467.1	10,467.1
Property, plant & equipm	16.6	16.9	19.3	21.4	23.3
Others	70.6	160.6	160.6	100.6	100.6
Assets	**10,802.6**	**10,663.0**	**10,789.7**	**10,972.1**	**11,010.4**
Payables	327.3	391.0	345.7	381.6	400.0
Debt	4,466.7	4,197.6	4,350.9	4,478.7	4,478.7
Others	136.6	200.2	200.2	200.2	200.2
Liabilities	**4,930.6**	**4,788.8**	**4,896.9**	**5,060.6**	**5,078.9**
Unitholders' capital	3,433.9	3,433.9	3,433.9	3,433.9	3,433.9
Undistributed profit	1,938.4	1,940.6	1,959.3	1,978.0	1,997.9
Perpetual note holders' fu	499.7	499.7	499.7	499.7	499.7
Equity	**5,872.0**	**5,874.2**	**5,892.9**	**5,911.6**	**5,931.5**

Income Statement

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Total revenue	**767.1**	**894.3**	**904.3**	**947.9**	**989.8**
Operating Expenses	(197.4)	(236.4)	(230.1)	(253.3)	(265.4)
Net Property Incom	**569.7**	**658.0**	**674.2**	**694.7**	**724.4**
Other Income	13.4	16.8	14.9	7.5	13.5
Net Investment Inc	**583.1**	**674.7**	**689.1**	**702.2**	**737.9**
Trust Expense	(218.6)	(221.2)	(222.8)	(234.2)	(239.4)
Profit before tax	**364.5**	**453.6**	**466.3**	**468.1**	**498.5**
Taxation	-	-	-	-	-
Core profit	**364.5**	**453.6**	**466.3**	**468.1**	**498.5**
Extraordinary item	160.2	85.8	-	-	-
Reported profit	524.8	539.4	466.3	468.1	498.5
Consensus			452.5	474.8	496.9
HLIB/Consensus			103%	99%	100%

Cash Flow Statement

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Profit Before Taxation	364.5	453.6	466.3	468.1	498.5
Depreciation	4.0	4.0	4.0	4.5	5.0
Taxation	-	-	-	-	-
Others	175.3	263.6	3.0	189.1	168.6
CFO	**543.8**	**721.1**	**473.3**	**661.7**	**672.1**
Capex	(1,224.0)	(950.8)	(159.7)	(134.4)	(6.9)
Others	14.2	1,141.1	14.9	67.5	13.5
CFI	**(1,209.8)**	**190.4**	**(144.8)**	**(66.9)**	**6.6**
Debt raised/(repaid)	1,020.4	(235.2)	153.3	127.8	-
Distribution to Unitholder	(319.9)	(509.2)	(447.7)	(449.3)	(478.6)
Others	(170.0)	(195.9)	(162.8)	(167.8)	(170.2)
CFF	**530.5**	**(940.3)**	**(457.2)**	**(489.3)**	**(648.8)**
Net Cash Flow	**(135.5)**	**(28.8)**	**(128.7)**	**105.5**	**30.0**
Beginning Cash	425.3	289.8	260.9	132.2	237.7
Ending Cash	**289.8**	**260.9**	**132.2**	**237.7**	**267.7**

Valuation & Ratios

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Core EPU (sen)	10.6	13.2	13.6	13.7	14.6
P/E (x)	20.2	16.2	15.8	15.7	14.8
DPU (sen)	9.3	14.9	13.1	13.1	14.0
Dividend yield (%)	4.3	6.9	6.1	6.1	6.5
BVPU (RM)	1.6	1.6	1.6	1.6	1.6
P/B (x)	1.4	1.4	1.4	1.4	1.4
NPI margin (%)	74.3	73.6	74.6	73.3	73.2
NII margin (%)	76.0	75.4	76.2	74.1	74.6
PBT margin (%)	47.5	50.7	51.6	49.4	50.4
Net margin (%)	47.5	50.7	51.6	49.4	50.4
Return on equity (%)	6.8	8.4	8.6	8.6	9.2
Return on assets (%	3.4	4.3	4.3	4.3	4.5
Gearing ratio (%)	41.3	39.4	40.3	40.8	40.7
Net gearing ratio (%)	38.7	36.9	39.1	38.7	38.2
Gross yield (%)	7.4	8.8	8.7	9.1	9.5
NPI yield (%)	5.5	6.5	6.5	6.6	6.9
NII yield (%)	5.6	6.6	6.7	6.7	7.0
Net yield (%)	3.5	4.5	4.5	4.5	4.8
Number of Units	3424.8	3424.8	3424.8	3424.8	3424.8

Results table

FYE Dec (RM m)	2QFY25	1QFY26	2QFY26	% QoQ	% YoY	1HFY25	1HFY26	% YoY
Revenue	211.4	223.0	220.3	*-1.2*	*4.2*	430.3	443.4	*3.0*
NPI	154.9	164.4	163.0	*-0.9*	*5.2*	312.1	327.4	*4.9*
NII	160.1	167.9	165.4	*-1.5*	*3.3*	320.4	333.3	*4.0*
PBT	102.4	114.8	112.3	*-2.2*	*9.7*	206.7	227.1	*9.9*
Core PATMI	102.4	114.8	112.3	*-2.2*	*9.7*	206.7	227.1	*9.9*
Core PATMI after preferred dividend	96.6	109.1	106.5	*-2.3*	*10.3*	195.2	215.6	*10.5*
Reporetd PATMI	129.4	114.8	112.3	*-2.2*	*-13.2*	233.7	227.1	*-2.8*
Core EPU (sen)	3.0	3.4	3.3	*-2.2*	*9.7*	6.0	6.6	*9.9*
DPU declared (sen)	5.7	-	6.3	*N.M*	*10.6*	5.7	6.3	*10.6*
NPI margin (%)	73.3	73.7	74.0	*0.2*	*0.7*	72.5	73.8	*1.3*
NII margin (%)	75.7	75.3	75.0	*-0.2*	*-0.7*	74.5	75.2	*0.7*
Core PATMI margin (%)	48.4	51.5	51.0	*-0.5*	*2.6*	54.3	51.2	*-3.1*

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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.
NON-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.

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