MBSB RESEARCH

Thursday 13th. August 2026

Corporate Update

Sunway REIT

(5176 | SREIT MK) Main | REIT

ESG 3 Stars

Maintain **BUY**

Unchanged Target Price **RM2.39**

2QFY26 Results Review

Retail-Led Earnings Growth

1HFY26 earnings within expectations. Sunway REIT 1HFY26 core net earnings of RM227.1m came in within expectations, making up 48% and 50% of our and consensus full year estimates respectively. Sunway REIT announced distribution per unit (DPU) or 6.28sen for 1HFY26.

Flattish sequential earnings. On a sequential basis, 2QFY26 earnings were marginally lower at RM112.3m (-2.2%qoq) as the stronger contribution from the hotel division was offset by weaker retail earnings. Net property income of hotel division saw improvement of +43%qoq supported by a recovery in hotel business following the quieter 1QFY26 due to Ramadan. Besides, hotel division was also supported by the improved travel demand. On the other hand, retail segment posted a decline of -4.3%qoq in 2QFY26 NPI as earnings normalised from the higher earnings in 1QFY26 which was boosted by Chinese New Year and Ramadan festivities.

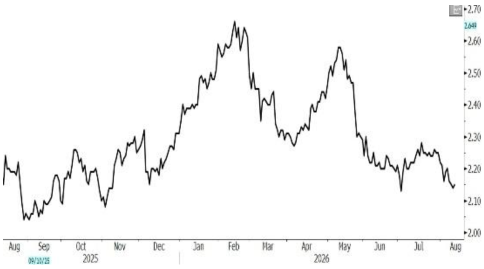
Retail segment remains resilient. On a yearly basis, 2QFY26 core net income was higher at RM112.3m (+9.7%yoy), bringing total earnings in 1HFY26 higher at RM227.1m (+9.9%yoy). The earnings growth in 1HFY26 was mainly driven by retail division which saw higher NPI growth of +15.5%yoy, supported by higher contribution from Sunway Pyramid Mall, Sunway Carnival Mall and maiden contribution from AEON Mall Seri Manjung which was acquired in July 2025. On the other hand, hotel division recorded slight dip of -5.7%yoy in NPI, mainly due to weaker hotel demand amid the ongoing geopolitical tensions in the Middle East. Nevertheless, the hotel division's outlook for 3QFY26 is more positive, supported by higher booking rates following the resumption of some flights, which should boost tourist arrivals.

Maintain BUY with an unchanged TP of RM2.39. We maintain our earnings forecast for FY26/27/28. We also maintain our **TP** for Sunway REIT at **RM2.39**, based on dividend discount model. We see stable earnings outlook for the retail division, as its shopper base is largely domestic. This should make the division less affected by ongoing geopolitical tensions and its impact on tourist arrivals. Besides, retail segment should remain supported by the positive rental reversion. On the other hand, the less robust outlook for tourist arrivals is expected to be offset by stronger domestic travel demand, which should provide some support to the hotel segment. Meanwhile, gross distribution yield is attractive at 6.2%. Hence, we maintain our **BUY** call on Sunway REIT.

RETURN STATISTICS

Price @ 12th Aug 2026 (RM)	2.15
Expected share price return (%)	+11.2
Expected dividend yield (%)	+6.2
Expected total return (%)	+17.4

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-3.2	-5.9
3months	-2.7	-16.2
12 months	0.0	-10.0

INVESTMENT STATISTICS

FYE Dec	2026E	2027F	2028F
Revenue	902	926	954
Net Rental Income	702	720	740
Net Investment Income	707	725	746
Core Net Income	470	498.8	517.5
Core EPU (sen)	13.74	14.56	15.11
Gross DPU (sen)	13.32	13.98	14.50
Gross Yield	6.2%	6.5%	6.8%

KEY STATISTICS

FBM KLCI	1,741.61
Issue shares (m)	3,424
Estimated free float (%)	52.25
Market Capitalisation (RM'm)	7,363
52-wk price range	RM2.02– RM2.67
3-mth average daily volume (m)	4.16
3-mth average daily value (RM'm)	9.41
Top Shareholders (%)	
Sunway Berhad	40.89
EPF	14.56

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Sunway REIT: 2QFY26 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative Results	
	2QFY26	%YoY	%QoQ	FY26	%YoY
Gross Revenue	220.3	4.2%	-1.2%	443.4	3.0%
Net Rental Income (NRI)	163.0	5.2%	-0.9%	327.4	4.9%
Net Investment Income	165.4	-11.6%	-1.5%	333.3	-4.1%
Net Income	112.3	-13.2%	-2.2%	227.1	-2.8%
Core Net Income (CNI)	112.3	9.7%	-2.2%	227.1	9.9%
Realised EPU (sen)	3.3	-13.2%	-2.2%	6.6	-2.8%
Core EPU (sen)	3.3	9.7%	-2.2%	6.6	9.9%
Gross DPU (sen)	6.3	10.6%	N/A	6.3	10.6%

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026E	2027F	2028F
Gross Revenue	767	894	902	926	954
Net Rental Income	570	658	702	720	740
Net Investment Income	746	769	707	725	746
Net Income	525	539	470	499	517
Core Net Income	351	445	470	499	517
Core EPU (sen)	10.3	13.0	13.7	14.6	15.1
Core PER (x)	21.0	16.5	15.7	14.8	14.2
NAV/unit (RM)	1.71	1.72	1.74	1.74	1.75
P/NAV (x)	1.25	1.25	1.24	1.23	1.23

Balance Sheet (RM'm)	2024A	2025A	2026E	2027F	2028F
Investment Properties	10,385	10,186	10,196	10,206	10,216
Total non-current assets	10,472	10,203	10,210	10,220	10,230
Cash	290	361	258	428	622
Other Assets	41	99	42	111	214
Total Assets	**10,803**	**10,663**	**10,509**	**10,758**	**11,065**
LT Borrowings	2,730	1,600	1,562	1,517	1,472
ST Borrowings	1,737	2,598	2,676	2,943	3,267
Other Liability	464	591	329	336	343
Total Liability	4,931	4,789	4,567	4,796	5,082
Unitholders' capital	3,434	3,434	3,434	3,434	3,434
Other Equity	2,438	2,440	2,509	2,529	2,550
Total Equity	5,872	5,874	5,943	5,963	5,983
Equity + Liability	**10,803**	**10,663**	**10,509**	**10,758**	**11,065**

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
Cash flows from operating activities					
Cash Receipt from Customers	771	1041	911	935	963
Net cash from operating activities	544	721	731	756	784
Cash flows from investing activities					
Subsequent Expenditure of Inv Properties	-313	-181	-157	-10	-10
Net cash used in investing activities	-1210	190	-148	3	6
Cash flows from financing activities					
Net cash from/(used in) financing activities	530	-940	-586	-589	-597
Net increase/(decrease) in cash and cash equivalents	-136	-29	-3	170	194
Cash and cash equivalent at 1 January	425	290	261	258	428
Cash and cash equivalent at 1 December	290	261	258	428	622

Profitability Margin	2024A	2025A	2026E	2027F	2028F
Profitability Margins	97.3%	86.0%	78.5%	78.3%	78.2%
Net Investment Income margin	45.8%	49.8%	52.2%	53.9%	54.3%
Core net income margin	6.8%	8.4%	8.7%	9.1%	9.5%
ROE	3.5%	4.1%	4.4%	4.7%	4.7%

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MBSB INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology