

HLIB Research

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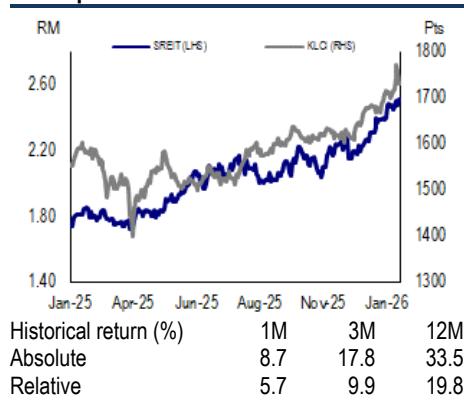
HOLD (from Buy)

Target Price:	RM2.52
Previously:	RM2.31
Current Price:	RM2.51

Capital upside	0.4%
Dividend yield	4.9%
Expected total return	5.3%

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

Stock information

Bloomberg ticker	SREIT MK
Bursa code	5176
Issued shares (m)	3,425
Market capitalisation (RM m)	8,596
3-mth average volume ('000)	5,543
SC Shariah compliant	No
F4GBM Index member	No
ESG rating	★★★

Major shareholders

Sunway Bhd	40.9%
EPF	14.9%
KWAP	5.8%

Earnings summary

FYE (Dec)	FY25	FY26F	FY27F
PAT – core (RM m)	453.6	435.9	447.5
EPU – core (sen)	13.24	12.73	13.07
P/E (x)	20.0	19.7	19.2

Sunway REIT

Finishing inline

Sunway REIT's 4Q25 core net profit of RM118.5m (-7.8% QoQ, +19.4% YoY) lifted FY25 earnings to RM453.6m (+28.0% YoY), in line with ours but beating consensus estimates at 103% and 108% of full-year forecasts, respectively. FY26 earnings growth should be supported by full-year contributions from the reopening of Sunway Carnival Mall and the injection of AEON Mall Seri Manjung, partially offset by the absence of contribution from Sunway University following its disposal in 3Q25. Meanwhile, strong retail and hotel performance is expected to carry into FY26, underpinned by the Visit Malaysia 2026 campaign. We make no changes to our forecasts. Following the recent unit price rally, we downgrade Sunway REIT to HOLD with an unchanged TP of RM2.52 based on a targeted yield of 5.0%.

Results inline. Sunway REIT reported 4Q25 core net profit of RM118.5m (-7.8% QoQ, +19.4% YoY), lifting FY25 earnings to RM453.6m (+28.0% YoY). The results were in line with our expectations but beat consensus at 103% and 108% of full-year forecasts, respectively.

Dividend. Sunway REIT declared a dividend of 8.80 sen/unit (7.93 sen/unit taxable; 0.87 sen/unit non-taxable), comprising of 3.98 sen/unit "out-of-cycle dividend", which was paid on 24 Dec 2025 and a final income distribution of 4.82 sen/unit for 4Q25 (ex-date: 16 Feb). This brings FY25 dividend to 14.48 sen/unit (SPLY: 10.00 sen/unit). The proposed DPU exceeded the realised profit / distributable income of 13.18 sen due to crystallisation of prior years unrealised fair value gains upon the disposal of Sunway University that was completed in Sep 2025.

QoQ. Revenue dipped 3.7%, mainly due to the absence of service segment income following the disposal of Sunway University. NPI and core profit declined by 8.8% and 7.8%, respectively, dragged by higher opex (+12.9%) from increased maintenance expenses and festive decorations for Deepavali and Christmas.

YoY. Turnover rose 8.1% driven by strong retail performance (+16.2%) from Sunway Pyramid (+6.4%), Sunway Carnival Mall (+38.7%) and the injection of AEON Mall Seri Manjung in Jul 2025, partially offset by the absence of rental income from Sunway University. Meanwhile, core profit improved 19.4%, supported by lower financing costs (-20.3%).

YTD. Top line and NPI climbed 18.2% and 17.6%, respectively, driven by strong retail growth (+26.3%) from the same factors mentioned above, but partially offset by the absence of rental income from Sunway University. Meanwhile, lower financing costs (-1.1%) lifted core profit by 28.0%.

Occupancy and gearing. Retail occupancy remained stable at 97%. Meanwhile, office and industrial occupancies improved to 82% (3Q25: 81%) and 87% (3Q25: 85%), respectively, while hotel occupancy declined to 65% (3Q25: 76%). On the balance sheet, gearing improved to 39% (3Q25: 41%).

Outlook. We expect FY26 top line to be largely flat, as stronger contributions from the retail segment are expected to be broadly offset by the absence of income from Sunway University following its disposal in Sep 2025. We expect stronger retail earnings to be supported by positive rental uplifts, full-year contribution from the reopening of Sunway Carnival Mall following its refurbishment in May 2025 and the injection of AEON Mall Seri Manjung in Jul 2025 – while its prime asset, particularly Sunway Pyramid, should continue to sustain strong footfall. Meanwhile, hospitality occupancy is expected to recover from 4Q25 onwards, supported by improving travel demand under the Visit Malaysia 2026 campaign.

Forecast. Unchanged.

Downgrade to HOLD (from Buy) with an unchanged TP of RM2.52, anchored on FY26 DPU and a targeted yield of 5.0%, derived from the 5-year mean yield spread between Sunway REIT and MAGY10YR. While its well-diversified portfolio across four asset classes and visible pipeline of high-quality asset injections continue to underpin earnings stability and portfolio resilience, the recent unit price rally has limited the upside potential.

Figure #1 Financial forecast summary

FYE Dec (RM m)	FY23	FY24	FY25	FY26f	FY27f
Total revenue	704.5	756.9	894.3	895.0	919.3
Core profit	339.1	354.2	453.6	435.9	447.5
Core EPU (sen)	9.90	10.34	13.24	12.73	13.07
P/E (x)	24.9	23.9	20.0	19.7	19.2
DPU (sen)	9.62	9.34	14.48	12.60	12.94
Dividend yield	3.9%	3.8%	5.8%	5.0%	5.2%
BVPU (RM)	1.5	1.6	1.7	1.6	1.6
P/B (x)	1.6	1.6	1.5	1.6	1.6
NPI margin	73.2%	73.9%	73.6%	71.3%	70.8%
NII margin	74.7%	75.7%	75.4%	73.3%	72.7%
PBT margin	48.1%	46.8%	50.7%	48.7%	48.7%
Net margin	48.1%	46.8%	50.7%	48.7%	48.7%
Return on equity	6.5%	6.6%	7.7%	8.1%	8.3%
Return on assets	3.6%	3.3%	4.3%	3.8%	3.9%
Gearing ratio	38.1%	41.4%	39.4%	39.1%	39.1%
Net gearing ratio	33.7%	38.7%	36.0%	30.2%	31.1%
NPI yield	5.8%	5.4%	6.5%	6.3%	6.3%
NII yield	5.9%	5.5%	6.6%	6.5%	6.5%
Net yield	3.8%	3.4%	4.5%	4.3%	4.3%

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Figure #2 Quarterly results comparison

FYE Dec (RM m)	4Q24	3Q25	4Q25	QoQ (%)	YoY (%)	FY24	FY25	YoY(%)
Realised gross revenue	205.5	233.0	217.8	-6.5%	6.0%	736.2	868.9	18.0%
Other operating income	5.1	3.5	9.8	N.M	N.M	20.6	25.4	23.1%
Gross revenue	210.6	236.4	227.6	-3.7%	8.1%	756.9	894.3	18.2%
Quit rent, assessment and insurance	-4.7	-5.6	-5.7	1.8%	21.0%	-17.2	-22.1	28.7%
Other property operating expenses	-50.6	-49.9	-57.0	14.1%	12.6%	-180.3	-214.3	18.9%
Property operating expenses	-55.3	-55.5	-62.7	12.9%	13.4%	-197.4	-236.4	19.7%
Net property income	155.3	180.9	165.0	-8.8%	6.2%	559.4	658.0	17.6%
Finance income	3.2	4.6	3.7	-20.4%	16.4%	13.1	16.5	26.1%
Other income	0.2	0.1	0.1	-14.1%	-71.4%	0.3	0.3	-17.7%
Net investment income	158.6	185.6	168.7	-9.1%	6.3%	572.8	674.7	17.8%
Manager's fee	-12.8	-14.0	-13.0	-7.0%	1.7%	-47.2	-52.7	11.6%
Trustee's fee	-0.2	-0.2	-0.1	N.M	N.M	-0.8	-0.8	N.M
Other trust expenses	-1.0	-0.7	-0.9	N.M	N.M	-4.0	-2.9	N.M
Finance cost	-45.5	-42.3	-36.2	-14.3%	-20.3%	-166.6	-164.9	-1.1%
Non-operating expenses	-59.4	-57.2	-50.3	-12.1%	-15.5%	-218.6	-221.2	1.2%
Profit before tax	99.2	128.4	118.5	-7.8%	19.4%	354.2	453.6	28.0%
Taxation	0.0	0.0	0.0	N.M	N.M	0.0	0.0	N.M
Core profit	99.2	128.4	118.5	-7.8%	19.4%	354.2	453.6	28.0%
Extraordinary items	104.4	-0.7	59.5	N.M	-42.9%	170.5	85.8	-49.7%
Reported profit	293.9	121.9	178.0	39.4%	-12.6%	858.5	539.4	2.8%
Core EPU (sen)	2.90	3.58	3.29	-8.1%	13.5%	10.34	12.57	21.5%
DPU (sen)	5.34	0.00	8.80	N.M	65.8%	10.00	14.48	44.8%

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Figure #3 Quarterly segmental revenue and NPI comparison

FYE Dec (RM m)	4Q24	3Q25	4Q25	QoQ (%)	YoY (%)	FY24	FY25	YoY(%)
Gross revenue	210.6	236.4	227.6	-3.7%	8.1%	756.9	894.3	18.2%
Retail Segment	149.0	167.2	173.1	3.5%	16.2%	529.6	668.8	26.3%
Hotel Segment	27.9	35.0	29.9	-14.6%	7.2%	95.5	97.8	2.4%
Office Segment	20.5	20.1	19.9	-0.9%	-3.0%	83.1	80.8	-2.8%
Services Segment	9.7	9.7	0.0	-100.0%	-100.0%	38.4	29.3	-23.7%
Industrial and Others Segment	3.5	4.4	4.7	7.2%	34.9%	10.3	17.7	72.6%
Net property income	155.3	180.9	165.0	-8.8%	6.2%	559.4	658.0	17.6%
Retail Segment	103.5	121.9	121.2	-0.6%	17.0%	368.4	474.0	28.7%
Hotel Segment	26.8	33.9	28.7	-15.2%	7.3%	91.5	93.2	1.8%
Office Segment	12.4	11.8	11.5	-2.7%	-6.8%	52.2	47.9	-8.1%
Services Segment	9.7	9.7	0.0	-100.0%	-100.0%	38.4	29.3	-23.7%
Industrial and Others Segment	2.9	3.6	3.5	-1.1%	20.1%	8.9	13.5	52.1%

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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.

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