

Sunway REIT

(5176 | SREIT MK) Main | REIT


Downgrade to **NEUTRAL**

(from BUY)

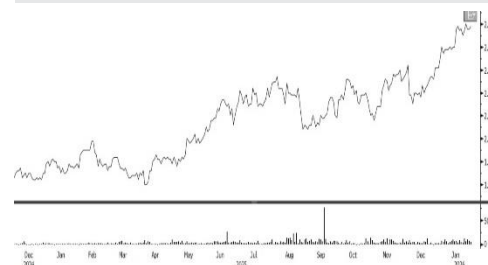
Revised Target Price **RM2.48**

(from RM2.34)

RETURN STATISTICS

Price @ 29 Jan 2026 (RM)	2.51
Expected share price return (%)	-1.2
Expected dividend yield (%)	+5.4
Expected total return (%)	+4.2

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	8.2	5.0
3months	8.2	7.1
12 months	33.0	19.1

INVESTMENT STATISTICS

FYE Dec	2026E	2027F	2028F
Revenue	909	931	959
Net Rental Income	709	725	746
Net Investment Income	715	731	751
Core Net Income	477	504.0	523.3
Core EPU (sen)	13.94	14.72	15.28
Gross DPU (sen)	13.52	14.13	14.67
Gross Yield	5.4%	5.6%	5.8%

KEY STATISTICS

FBM KLCI	1,730.89
Issue shares (m)	3,424
Estimated free float (%)	50.15
Market Capitalisation (RM'm)	8,562
52-wk price range	RM1.65– RM2.54
3-mth average daily volume (m)	5.61
3-mth average daily value (RM'm)	12.84
Top Shareholders (%)	
Sunway Berhad	40.89
EPF	14.92
KWAP	5.84

4QFY25 Results Review Limited Upside

FY25 earnings within expectations. Sunway REIT FY25 core net income of RM445.2m came in within our expectation but slightly above consensus expectation, making up 99% and 106% of our and consensus full year estimates respectively. Distribution per unit (DPU) of 8.8sen was announced for 4QFY25, bringing total DPU to 14.48sen in FY25 and translating into gross yield of 5.8%.

Lower sequential earnings. On a sequential basis, 4QFY25 core net income declined to RM114.7m (-7.4%qoq), in tandem with the lower topline (-3.7%qoq). The lower sequential earnings were mainly due to lower contribution from hotel division and loss of income from Sunway university & college campus. Note that disposal of Sunway university & college campus was completed in 3QFY25. Net property income of hotel division was lower (-15%qoq) due to high base in 3QFY25. Recall that 3QFY25 earnings of hotel division was boosted by strong demand meetings, incentives, conferences, and exhibitions (MICE) which lifted hotel occupancy and F&B revenue. Meanwhile, NPI of retail division and office segment was stable.

Resilient retail segment. On a yearly basis, 4QFY25 core net income was higher at RM114.7m (+19.1%yoy) while revenue expanded by +3.1%yoy. The higher earnings were due to better contribution from retail division particularly Sunway Pyramid Mall and Sunway Carnival Mall. Besides, the contribution from newly acquired malls namely Sunway Kluang Mall and AEON Mall Seri Manjung lifted earnings. Furthermore, earnings growth was helped by lower finance cost (-20%yoy). That has more than enough to offset the loss of income from Sunway university & college campus. Cumulatively, FY25 core net income was higher at RM445.2m (+26.7%yoy), mainly due to the strong performance of retail division.

Downgrade to NEUTRAL from BUY with a revised TP of RM2.48. We fine tune FY26/27 earnings forecast by +0.4%/+0.3% post release of FY25 full year earnings. We also introduce our earnings forecast for FY28. We revise our TP for Sunway REIT to **RM2.48** from RM2.34 as we rollover our valuation to FY27. Our TP is based on dividend discount model. We see outlook for Sunway REIT will continue to drive by the resilient performance of retail segment. Nevertheless, we opine that the recent rally in share price has priced in the positives. Hence, we downgrade Sunway REIT to **NEUTRAL** from BUY.

Analyst

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Sunway REIT: 4QFY25 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative Results	
	4QFY25	%YoY	%QoQ	FY25	%YoY
Gross Revenue	227.6	3.1%	-3.7%	894.3	16.6%
Net Rental Income (NRI)	165.0	-0.4%	-8.8%	658.0	15.5%
Net Investment Income	232.1	-12.7%	22.5%	768.9	3.0%
Net Income	178.0	-12.6%	39.4%	539.4	2.8%
Core Net Income (CNI)	114.7	19.1%	-7.4%	445.2	26.7%
Realised EPU (sen)	5.2	-12.6%	39.4%	15.7	2.8%
Core EPU (sen)	3.3	19.1%	-7.4%	13.0	26.7%
Gross DPU (sen)	8.8	64.8%	N/A	14.5	44.8%

Source: Company, MBSBR

Profit or Loss (RM'm)	2024A	2025A	2026E	2027F	2028F	Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
Gross Revenue	767	894	909	931	959	Cash flows from operating activities					
Net Rental Income	570	658	709	725	746	Cash Receipt from Customers	771	1041	918	941	969
Net Investment Income	746	769	715	731	751	Net cash from operating activities	544	721	738	761	790
Net Income	525	539	477	504	523						
Core Net Income	351	445	477	504	523	Cash flows from investing activities					
Core EPU (sen)	10.3	13.0	13.9	14.7	15.3	Subsequent Expenditure of Inv Properties	-313	-181	-157	-10	-10
Core PER (x)	24.5	19.3	18.0	17.1	16.4	Net cash used in investing activities	-1210	190	-148	3	6
NAV/unit (RM)	1.71	1.72	1.74	1.74	1.75						
P/NAV (x)	1.46	1.46	1.45	1.44	1.44	Cash flows from financing activities					
						Net cash from/(used in) financing activities	530	-940	-586	-589	-597
Balance Sheet (RM'm)	2024A	2025A	2026E	2027F	2028F	Net increase/(decrease) in cash and cash equivalents	-136	-29	5	175	199
Investment Properties	10,385	10,186	10,196	10,206	10,216	Cash and cash equivalent at 1 January	425	290	261	266	441
Total non-current assets	10,472	10,203	10,210	10,220	10,230	Cash and cash equivalent at 1 December	290	261	266	441	640
Cash	290	361	266	441	640						
Other Assets	41	99	36	100	198	Profitability Margin	2024A	2025A	2026E	2027F	2028F
Total Assets	10,803	10,663	10,511	10,760	11,067	Profitability Margins	97.3%	86.0%	78.6%	78.5%	78.3%
LT Borrowings	2,730	1,600	1,562	1,517	1,472	Net Investment Income margin	45.8%	49.8%	52.5%	54.1%	54.5%
ST Borrowings	1,737	2,598	2,676	2,943	3,267	Core net income margin	6.8%	8.4%	8.8%	9.2%	9.6%
Other Liability	464	591	331	337	345	ROE	3.5%	4.1%	4.5%	4.7%	4.8%
Total Liability	4,931	4,789	4,568	4,797	5,083						
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	5,984						
Equity + Liability	10,803	10,663	10,511	10,760	11,067						

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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