

"1Q26 realised net profit rose 11% yoy to RM109m – within estimates"

Share price performance



	1M	6M	12M
Absolute (%)	10.3	13.3	34.0
Rel KLCl (%)	5.9	5.6	21.2

	BUY	HOLD	SELL
Consensus	4	11	1

Source: Bloomberg

Stock Data

Sector	REIT
Issued shares (m)	3,424.8
MCap (RMm/US\$m)	8,768/2,229
Avg daily vol (m)	10.9
52-wk range (RM)	1.9-2.7
Est free float	49.7%
Stock Beta	0.41
Net cash/(debt)	(3,836.63)
ROE (CY26E)	7.2
Shariah Compliant	No
FTSE4Good	No
Constituent	

Key Shareholders

Sunway Bhd	40.9%
Employees Provident	16.2%
Kumpulan Wang	5.6%

Source: Bloomberg, Affin Hwang, Bursa Malaysia

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Sunway REIT (SREIT MK)

HOLD (maintain)

Up/Downside: -3%

Price Target: RM2.48

Previous Target (Rating): RM2.41 (Hold)

1Q26 realised EPU rose 11% yoy – within estimates

- SREIT's 1Q26 realised net profit grew 11% yoy to RM109m on stronger revenue across its retail segment (+10% yoy) and multiple cost savings from lower opex and interest expenses (down 5-10% yoy) – within estimates
- While 2026E-28E core EPU are expected to grow by 3-6% yoy, the improved earnings outlook is unlikely to translate into meaningful near-term DPU upside due to a high-base effect following the one-off DPU uplift from the disposal of Sun U in 2025, with DPU normalising to 12.7–13.5sen over 2026E-28E
- Maintain HOLD on SREIT with a revised DDM-derived TP of RM2.48

1Q26 realised net profit grew a robust 11% yoy to RM109m – within estimates

SREIT reported a decent set of results - 1Q26 realised net profit rose 10.6% yoy to RM109m on improved NPI (+4.6% yoy) as its retail segment benefited from resilient consumer spending during the Chinese New Year and Hari Raya festive periods, although it was partially offset by the hotel segment's lower contribution as the ongoing Middle East conflict has led to weaker travel sentiment and MICE activities. Cost savings were evident yoy, including (i) lower operating expenses (-5% yoy) following reduced utilities costs under the new electricity tariff rates effective Jul-25, and (ii) a lower 1Q26 interest expense (-9.9% yoy) as the average cost of debt fell by 0.3ppts yoy. Sequentially, 1Q26 realised net profit declined 3.1% qoq due to the lower revenue (-2% qoq) and higher operating and interest expenses (up 5.5-5.7% qoq).

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

SREIT's 1Q26 results were within our and consensus forecasts, with core net profit representing 24-25% of consensus and our full-year forecasts. 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 on 8 May 2025, and (ii) sustained higher rental rates from the refurbished Oasis section at Sunway Pyramid. That said, the positive earnings momentum would be partly offset by a high base effect, following the one-off DPU uplift from disposal of Sun U in 2025. As a result, we do not expect the improved earnings profile to translate into meaningful near-term DPU upside, with DPU normalising to 12.7–13.5sen over 2026E-28E.

Maintain HOLD on SREIT with a revised 12-month target price of RM2.48

We maintain our HOLD rating on SREIT with a higher DDM-derived 12-month target price of RM2.48 (from RM2.41) as we rolled forward our valuation horizon to CY27E. While SREIT remains attractive for its diversified asset base and strong Sunway branding, we think near-term upside is limited as current valuations have largely priced in the earnings growth. Upside/downside risks to our view: (i) delays/acceleration in acquisition execution, and (iii) lower/steeper-than-expected increases in OPR.

Earnings and Valuation Summary

FYE 31 Dec (RMm)	2024	2025	2026E	2027E	2028E
Revenue	756.9	894.3	915.4	932.7	952.0
Net property income	569.7	658.0	679.0	697.2	711.1
Reported net profit	504.3	520.8	433.3	450.5	463.5
EPU (sen)	15.0	15.2	12.7	13.2	13.5
Distributable profit	343.8	410.2	433.3	450.6	463.6
Realised net profit	343.8	410.2	433.3	450.5	463.5
Realised EPU (sen)	10.0	12.0	12.7	13.2	13.5
Realised EPU chg (%)	7.7	19.3	5.6	4.0	2.9
Realised PER (x)	25.5	21.4	20.2	19.5	18.9
DPU (sen)	10.0	14.5	12.7	13.2	13.5
Distribution Yield (%)	3.9	5.7	4.9	5.1	5.3
P/RNAV (x)	1.6	1.6	1.6	1.6	1.6

Chg in distr. EPU (%)

Affin/Consensus (x)

Source: Company, Bloomberg, Affin Hwang forecasts

-
1.0 1.0 0.9

Fig 1: Results Comparison

FYE Dec (RMm)	1Q25	4Q25	1Q26	QoQ % chg	YoY % chg	Comments
Revenue	218.9	227.6	223.0	-2.0	1.9	Improved 1Q26 revenue yoy as the retail segment benefited from resilient consumer spending during Chinese New Year and Hari Raya festive periods. Nonetheless, it was partially offset by the hotel segment's lower contribution as the ongoing Middle East conflict has led to weaker travel sentiment and MICE activities Lower 1Q26 revenue qoq due to weaker revenue across hotel segment (-57% qoq)
Op expenses	-61.7	-62.7	-58.6	-6.5	-5.0	Lower 1Q26 operating expenses qoq and yoy due to lower utilities costs under the new electricity tariff rates effective Jul-25
Net Property Income	157.2	165.0	164.4	-0.3	4.6	
<i>NPI margin (%)</i>	71.8	72.5	73.7	1.3	1.9	
Revaluation surplus / others	3.1	67.1	3.5	-94.8	11.6	
Net Invest. Income	160.3	232.1	167.9	-27.7	4.7	
Int expense	-42.5	-36.2	-38.3	5.7	-9.9	Lower 1Q26 interest expense yoy as average cost of debt fell to 3.63% (1Q25: 3.92%)
REIT's expenses	-13.5	-14.0	-14.8	5.5	10.0	1Q26 REIT expenses increased qoq and yoy as other trust expenses rose to RM1.7m (1Q25: RM0.5m)
Pretax Profit	104.3	181.8	114.8	-36.9	10.0	
Net profit	98.6	172.2	109.1	-36.6	10.6	
Realised net profit	98.6	112.6	109.0	-3.1	10.6	
Distributable income	98.6	112.6	109.0	-3.1	10.6	
EPU (sen)	2.88	5.03	3.19	-36.6	10.6	
Realised EPU (sen)	2.88	3.29	3.18	-3.2	10.6	
DPU (sen)	0.00	8.80	0.00	n.m.	n.m.	

Source: Affin Hwang, Company

Fig 2: Segmental breakdown

FYE 31 Dec (RMm)	3Q CY24	4Q CY24	1Q CY25	2Q CY25	3Q CY25	4Q CY25	1Q CY26	QoQ % chg	YoY % chg
Revenue*									
Retail	130.6	149.0	168.4	160.0	167.2	173.1	185.0	6.9%	9.9%
Hotel	29.2	27.9	16.1	16.7	35.0	29.9	13.0	-56.6%	-19.4%
Office	20.5	20.5	20.4	20.4	20.1	19.9	20.3	1.6%	-0.8%
Industrial	2.3	3.5	4.2	4.5	4.4	4.7	4.8	2.0%	14.6%
Services	9.6	9.7	9.8	9.8	9.7	0.0	0.0	n.m.	n.m.
NPI*									
Retail	91.8	103.5	116.8	114.1	121.9	121.2	136.3	12.5%	16.7%
Hotel	28.1	26.8	15.0	15.6	33.9	28.7	11.8	-58.8%	-20.9%
Office	12.9	12.4	12.4	12.2	11.8	11.5	12.4	7.3%	-0.1%
Industrial	1.9	2.9	3.2	3.2	3.6	3.5	3.9	10.7%	20.9%
Services	9.6	9.7	9.8	9.8	9.7	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 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