

Malaysia

May 13, 2026 - 7:28 PM

HOLD (no change)

Consensus ratings*: Buy 4 Hold 11 Sell 1

Current price:	RM2.56
Target price:	RM2.45
Previous target:	RM2.45
Up/downside:	-4.3%
CGSI / Consensus:	-0.4%
Reuters:	SUNW.KL
Bloomberg:	SREIT MK
Market cap:	US\$2,229m
	RM8,768m
Average daily turnover:	US\$1.98m
	RM7.80m
Current shares o/s	3,425m
Free float:	38.4%

*Source: Bloomberg

Key financial forecasts

	Dec-26F	Dec-27F	Dec-28F
Net Profit (RMm)	440.9	479.5	513.9
FD Normalised P/E (x)			
Recurring ROE	8.20%	8.91%	9.54%
P/BV (x)	1.63	1.63	1.63
DPS (RM)	0.13	0.14	0.15
Dividend Yield	4.98%	5.41%	5.80%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	10.3	-3.8	34.0
Relative (%)	6.4	-4.2	23.6

Major shareholders	% held
Sunway Bhd	40.9
EPF	14.9
KWAP	5.8

Analyst(s)

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Sunway REIT

1Q in line; retail strength to offset temporary hospitality weakness

- 1QFY26 core net profit of RM109m was in line with expectations, making up 24-25% of our and Bloomberg consensus FY26F estimates.
- Retail assets continued to anchor 1QFY26 earnings while FY26F reversion guidance remains intact, despite a softer hospitality outlook.
- Reiterate Hold and DDM-based TP of RM2.45.

1QFY26 earnings in line

- Sunway REIT reported 1QFY26 core net profit of RM109.3m (flat qoq, +11% yoy) on the back of revenue of RM223.0m (-2% qoq, +2% yoy).
- We deem 1QFY26 core net profit in line with expectations, making up 24-25% of our and Bloomberg consensus FY26F estimates.
- We attribute the yoy improvement in 1QFY26 earnings to higher earnings from Sunway Pyramid Mall and Sunway Carnival Mall, which more than offset the absence of Sunway University & College campus (disposed in Sep 2025).
- Meanwhile, seasonally stronger earnings from retail assets in 1QFY26 more than mitigated the lower hotel contributions in the quarter, in our view.

Retail assets remain stable; cautious on hospitality segment

- Operationally, the retail portfolio remained the key performance driver in 1QFY26, underpinned by resilient tenant sales and footfall, with occupancy improving to 98% (4QFY25: 97%) alongside healthy sales psf growth of 6% yoy.
- Management maintained its FY26F rental reversion guidance of high single-digit levels, supported by sustained consumer spending across its malls despite lingering macro headwinds arising from the Middle East conflict.
- That said, management remains cautious on the hospitality segment (c.14% of FY25 NPI), given the softer-than-expected tourism outlook in Malaysia, which may derail the earnings uplift we initially anticipated from the Visit Malaysia 2026 campaign.
- Meanwhile, the development of Sunway Pier and the new Sunway Hotel Seberang Jaya remains on track for completion in 2HFY28F and 2HFY27F, respectively, which should further underpin its FY27F-28F DPU growth path.
- We believe further potential upside to FY26F-28F DPU growth may stem from additional yield-accretive acquisitions, in line with its Transcend 2027 target to grow total property value to RM14bn-15bn by 2027F (from RM10.2bn as of end-FY25).
- Gearing stood at 40% as of 1QFY26 (4QFY25: 39%), which is still manageable but leaves limited room for sizeable acquisitions. Therefore, we do not rule out the possibility of further fund-raising exercises should management pursue large-scale acquisitions going forward.

Reiterate Hold and TP

- We reiterate Hold with an unchanged DDM-based TP of RM2.45 (cost of equity: 8.8%, terminal growth: 3.0%, discount: 4.2%) on Sunway REIT, as we see limited re-rating catalysts in FY26F-28F, with its FY26F dividend yield of 5.0% remaining lukewarm against the sector average of 5.5%, thereby limiting share price upside.
- Downside risks are lower occupancy rate and rental reversions as well as unexpected increase in interest rates which may weigh on earnings.
- Upside risks are additional yield-accretive asset acquisitions and higher-than-expected rental reversions within its retail portfolio.

Figure 1: 1QFY26 core net profit of RM109m was in line with expectations, making up 24-25% of our and Bloomberg consensus FY26F estimates

FYE Dec (RM m)	1QFY26	1QFY25	YoY	4QFY25	QoQ
Revenue	223.0	218.9	1.9%	227.6	-2.0%
Property operating expenses	(58.6)	(61.7)	-5.0%	(62.7)	-6.5%
Net property income	164.4	157.2	4.6%	165.0	-0.3%
- NPI margin	73.7%	71.8%		72.5%	
Interest income	3.4	3.0	12.1%	3.7	-8.1%
Other income	0.1	0.1	-7.2%	0.1	40.0%
FV change & disposal gains	-	-	-	63.3	-
Net investment income	167.9	160.3	4.7%	232.1	-27.7%
Managers' fees	(12.9)	(12.7)	1.1%	(13.0)	-1.1%
Trustee's fees	(0.2)	(0.3)	-18.3%	(0.1)	92.7%
Other trust expenses	(1.7)	(0.5)	248.3%	(0.9)	88.0%
Finance costs	(38.3)	(42.5)	-9.9%	(36.2)	5.7%
Profit before tax	114.8	104.3	10.0%	181.8	-36.9%
Tax expenses	-	-	-	(3.8)	-
Profit after tax	114.8	104.3	10.0%	178.0	-35.5%
Unrealised income	(0.0)	(0.1)	-19.6%	(59.6)	-99.9%
Profit attributable to perpetual note holders	(5.7)	(5.7)	0.0%	(5.8)	-2.2%
Realised income attributable to unitholder:	109.0	98.6	10.6%	112.6	-3.1%
Core net profit	109.3	98.6	10.8%	109.5	-0.2%
EPU (sen)	3.18	2.88	10.4%	3.29	-3.3%
DPU (sen)	-	-	-	8.80	-

SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 2: Peers comparison

Company	Ticker	FYE	Rec	TP (RM)	Last Price (RM)	Upside (%)	Mkt Cap (US\$)	P/E (x)		3Y EPS	EPS Growth (%)		P/BV (x)		ROE (%)		DY (%)	
								CY26F	CY27F	CAGR (%)	CY26F	CY27F	CY26F	CY27F	CY26F	CY27F	CY26F	CY27F
Axis REIT	AXRB MK	Dec	Add	2.15	2.01	7.0	1,035	19.2	18.7	9.2	3.9	2.4	1.2	1.2	6.2	6.3	5.2	5.3
Capitaland Malaysia Trust	CLMT MK	Dec	Add	0.78	0.63	23.8	539	11.9	11.7	5.2	4.4	1.9	0.7	0.7	5.5	5.6	8.2	8.3
IGB REIT	IGBREIT MK	Dec	Hold	2.72	2.98	(8.7)	3,279	22.7	22.5	9.1	14.5	1.0	2.1	2.1	9.1	9.3	4.6	4.7
KLCC Stapled Group	KLCCSS MK	Dec	Hold	8.75	9.23	(5.2)	4,236	18.9	18.5	4.4	8.1	2.2	1.2	1.2	3.1	3.2	5.0	5.1
Pavilion REIT	PREIT MK	Dec	Hold	1.87	1.89	(1.1)	1,887	18.4	17.7	8.0	8.3	4.3	1.3	1.3	7.3	7.6	5.3	5.6
Sunway REIT	SREIT MK	Dec	Hold	2.45	2.56	(4.3)	2,229	19.9	18.3	11.0	4.5	8.8	1.5	1.5	7.9	8.5	5.0	5.4
Malaysia average								18.5	17.9	7.8	7.3	3.4	1.3	1.3	6.5	6.8	5.5	5.7

SHARE PRICES AS AT 13 MAY 2026

SOURCES: CGSI RESEARCH ESTIMATES, BLOOMBERG

BY THE NUMBERS

Profit & Loss

(RMm)	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Rental Revenues	894.3	938.6	985.7	1,032.8
Other Revenues				
Gross Property Revenue	894.3	938.6	985.7	1,032.8
Total Property Expenses	(236.4)	(272.6)	(281.9)	(290.4)
Net Property Income	658.0	665.9	703.8	742.4
General And Admin. Expenses				
Management Fees	(52.7)	(50.8)	(52.3)	(53.8)
Trustee's Fees	(0.8)	(0.8)	(0.8)	(0.8)
Other Operating Expenses	(2.9)	(3.6)	(3.6)	(3.6)
EBITDA	601.6	610.7	647.1	684.2
Depreciation And Amortisation				
EBIT	601.6	610.7	647.1	684.2
Net Interest Income	(148.3)	(138.2)	(136.1)	(138.8)
Associates' Profit				
Other Income/(Expenses)	94.4	0.0	0.0	0.0
Exceptional Items				
Pre-tax Profit	547.7	472.4	511.0	545.4
Taxation	(8.4)	(8.4)	(8.4)	(8.4)
Minority Interests				
Preferred Dividends	(23.1)	(23.1)	(23.1)	(23.1)
Net Profit	516.2	440.9	479.5	513.9
Distributable Profit	451.2	440.9	479.5	513.9

Balance Sheet

(RMm)	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Total Investments	10,186	10,288	10,391	10,495
Intangible Assets	0	0	0	0
Other Long-term Assets	18	18	18	19
Total Non-current Assets	10,203	10,306	10,409	10,513
Total Cash And Equivalents	361	321	401	380
Inventories				
Trade Debtors	39	47	49	51
Other Current Assets	60	60	60	60
Total Current Assets	460	428	510	490
Trade Creditors	391	456	476	495
Short-term Debt	2,598	2,520	2,616	2,652
Other Current Liabilities	48	48	48	48
Total Current Liabilities	3,037	3,024	3,140	3,195
Long-term Borrowings	1,600	1,680	1,744	1,768
Other Long-term Liabilities	152	152	152	152
Total Non-current Liabilities	1,752	1,832	1,896	1,920
Shareholders' Equity	5,374	5,379	5,384	5,389
Minority Interests				
Preferred Shareholders Funds	500	500	500	500
Total Equity	5,874	5,879	5,883	5,889

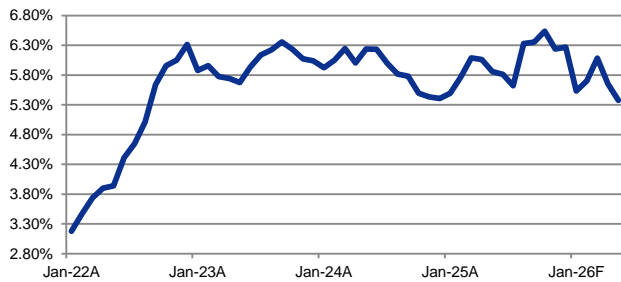
Cash Flow

(RMm)	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Pre-tax Profit	548	472	511	545
Depreciation And Non-cash Adj.	148	138	136	139
Change In Working Capital	66	56	18	17
Tax Paid	-8	-8	-8	-8
Others	-32	4	5	5
Cashflow From Operations	721	663	662	698
Capex	-185	-107	-108	-109
Net Investments And Sale Of FA	476	0	0	0
Other Investing Cashflow	-101	16	15	17
Cash Flow From Investing	190	-91	-93	-92
Debt Raised/(repaid)	-235	2	160	60
Equity Raised/(Repaid)	0	0	0	0
Dividends Paid	-509	-436	-475	-509
Cash Interest And Others	-179	-161	-159	-162
Cash Flow From Financing	-924	-596	-474	-611
Total Cash Generated	-12	-24	95	-5
Free Cashflow To Firm	928	587	584	622
Free Cashflow To Equity	520	436	593	527

Key Ratios

	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Gross Property Revenue Growth	16.6%	4.9%	5.0%	4.8%
NPI Growth	15.5%	1.2%	5.7%	5.5%
Net Property Income Margin	73.6%	71.0%	71.4%	71.9%
DPS Growth	44.8%	(12.0%)	8.8%	7.2%
Gross Interest Cover	3.65	3.97	4.28	4.40
Effective Tax Rate	1.53%	1.77%	1.64%	1.53%
Net Dividend Payout Ratio	96.1%	99.0%	99.0%	99.0%
Current Ratio	0.15	0.14	0.16	0.15
Quick Ratio	0.15	0.14	0.16	0.15
Cash Ratio	0.12	0.11	0.13	0.12
Return On Average Assets	4.81%	4.12%	4.43%	4.69%

Rolling Dividend Yield - Sunway REIT



Key Drivers

	Dec-25A	Dec-26F	Dec-27F	Dec-28F
NPI margin (%)	73.6%	71.0%	71.4%	71.9%

SOURCES: CGSI RESEARCH, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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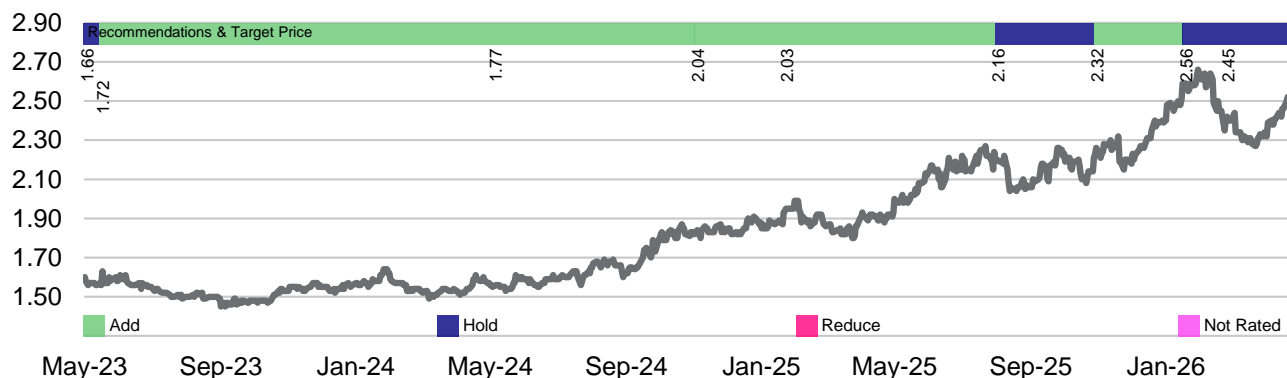
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2026		
502 companies under coverage for quarter ended on 31 March 2026		
	Rating Distribution (%)	Investment Banking clients (%)
Add	72.5%	1.8%
Hold	20.1%	0.6%
Reduce	7.4%	0.2%

Spitzer Chart for stock being researched (2 year data)

Sunway REIT (SREIT MK)

— Price Close



Recommendation Framework	
Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.