

Sunway REIT

Retail NPI, lower interest costs lift 1Q26 profit

- SunREIT's 1Q26 results exceeded our projections but met consensus expectations.
- 1Q26 core net profit grew 10.6% YoY on stronger retail segment NPI performance, earnings contributions from new assets, and lower borrowing costs.
- We have raised our FY26F–27F earnings forecasts by 11–12% to reflect lower borrowing costs and stronger rental reversions at Sunway Carnival Mall. We maintain our Hold call with a higher DDM-based target price of RM2.68.

1Q26 CNP up 10.6% YoY; above our forecast but in line with consensus

Sunway REIT's 1QFY26 core net profit (CNP) came in at RM109.0m (+10.6% YoY, -3.1% QoQ), exceeding our expectations while broadly matching consensus, accounting for 28% and 25% of our and the street's full-year forecasts, respectively. The positive variance was mainly driven by stronger-than-expected earnings contribution from the retail segment. No distribution was declared for the quarter, in line with the REIT's semi-annual payout policy. The YoY growth in CNP was underpinned by stronger contribution from the retail segment, coupled with a 9.9% YoY decline in borrowing costs, attributable to a lower average borrowing base and reduced average interest rates (1QFY26: 3.63% vs. 1QFY25: 3.92%). However, the stronger retail performance was partly offset by weaker hotel segment contributions, with hotel segment net property income (NPI) declining 15.3% YoY to RM15.6m (1QFY25: RM18.4m). The softness was mainly due to lower MICE activity during the Ramadan period, alongside external headwinds from ongoing Middle East tensions, which caused flight disruptions and elevated fuel costs.

Revenue rose 1.9% YoY to RM223.0m in 1QFY26, driven mainly by stronger retail segment performance during the festive season and contributions from newly acquired assets, namely AEON Mall Seri Manjung (from 25 Jul 2025). These helped offset the rental income loss from the disposal of Sunway University and College (completed on 30 Sep 2025), as well as softer rental contributions from the hotel segment. NPI increased 4.6% YoY to RM164.4m in 1QFY26, supported by lower property operating expenses, particularly utilities costs following the conversion of TNB meters to bulk meter tariffs. This lifted NPI margin to 73.7% in 1QFY26 vs. 71.8% in 1QFY25.

Key takeaways from results briefing

Sunway REIT expects its retail segment to remain resilient, supported by encouraging footfall, higher sales per square foot, and mid-single-digit rental reversions, while potential savings from lower electricity tariffs at malls with power distribution licences could provide upside from 2Q26 onwards. The Sunway Pier project remains on track for opening in 2H28 following its reconfiguration, while asset enhancement initiatives and refurbishment works at selected malls (including 163 Mall) are expected to support longer-term asset enhancement and tenant retention. The group also expects hotel performance to recover in the coming quarters, supported by improving domestic occupancy and stronger events activity. In addition, Sunway REIT continues to explore potential acquisitions of sponsor-owned assets, including Sunway Velocity Mall, alongside other M&A opportunities.

Maintain Hold with higher target price of RM2.68.

We have raised our FY26–27F earnings forecasts by 11–12% to reflect lower borrowing costs, stronger rental reversions at Sunway Carnival Mall, and additional rental contribution from the newly acquired AEON Mall Seri Manjung asset. We anticipate earnings to soften QoQ in 2QFY26 owing to weaker retail variable rental income, as variable rental linked to tenant sales accounted for around 10% of retail NPI in 1Q26 and could be affected by weaker consumer sentiment amid the ongoing US-Iran war, as well as the absence of festive celebrations that had supported 1Q26 performance. The impact is expected to be partly mitigated by lower financing costs following the recent refinancing exercise. We raised our target price to RM2.68 (from RM2.14) after updating our DDM model and incorporating the higher earnings forecasts. We maintain our Hold call as the current share price remains supported by a DPU yield of 5.0% and potential earnings accretion from future M&A opportunities or the injection of sponsor-owned assets.

HOLD (no change)

 Share price: **RM2.56** Target price: **RM2.68** ▲

Buy:4 Hold:11 Reduce:1

Consensus: Buy:4 Hold:11 Reduce:1

Stock information

Bloomberg ticker	SREIT MK
Refinitiv ticker	SUNW.KL
Share price (RM)	2.56
Market cap (US\$m/RMm)	2,230/8,768
ADTV (RMm)	11.2
Free float (%)	49.7
Upside/(downside) (%)	4.7
CIMB/consensus TP (%)	7.2

Diversified REIT spanning retail, hotel, office and industrial assets

Earnings forecast

	Dec-25A	Dec-26F	Dec-27F
Core net profit (RMm)	422.4	434.1	447.9
Core EPS (sen)	12.3	12.7	13.1
Core EPS growth (%)	20.2	2.8	3.2
FD core P/E (x)	20.8	20.2	19.6
Recurring ROE (%)	7.9	8.1	8.3
P/BV (x)	1.6	1.6	1.6
DPS (sen)	14.5	12.7	13.1
Dividend yield (%)	5.7	5.0	5.1

Source: CIMB Securities

Price performance

	1M	3M	12M
Absolute (%)	10.3	(3.8)	34.0
Relative (%)	6.2	(4.1)	21.5

Source: Bloomberg, CIMB Securities

Research analyst(s)


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Figure 1: Result comparison

FYE Dec (RM m)	1Q	1Q	YoY %	4Q	QoQ %	Prev.
	FY26	FY25	chg	FY25	chg	FY26F
Revenue	223.0	218.9	1.9	227.6	(2.0)	847.8
Property operating expense	(58.6)	(61.7)	(5.0)	(62.7)	(6.5)	(206.4)
Net property income	164.4	157.2	4.6	165.0	(0.3)	641.4
<i>NPI margin (%)</i>	<i>73.7</i>	<i>71.8</i>	<i>2.7</i>	<i>72.5</i>	<i>1.7</i>	<i>75.6</i>
Fair value gain/(loss) on invt. properties	-	-	nm	63.3	nm	-
Interest income	3.4	3.0	12.1	3.7	(8.1)	13.0
Others	0.1	0.1	(7.2)	0.1	40.0	(24.7)
Net investment income	167.9	160.3	4.7	232.1	(27.7)	629.7
Non-property operating expenses	(14.8)	(13.5)	10.0	(14.0)	5.5	(44.0)
Interest expense	(38.3)	(42.5)	(9.9)	(36.2)	5.7	(173.1)
Pretax profit	114.8	104.3	10.0	181.8	(36.9)	412.6
Tax	-	-	nm	(3.8)	nm	-
Tax rate (%)	-	-	nm	0.3	nm	-
Net profit	114.8	104.3	10.0	178.0	(35.5)	389.5
Realised profit*	114.7	104.3	10.0	118.4	(3.1)	412.6
Unitholders	109.0	98.6	10.6	112.6	(3.1)	389.5
Perpetual note holders	5.7	5.7	(0.0)	5.8	(2.2)	23.2
Distributable income	109.0	98.6	10.6	112.6	(3.1)	389.5
DPU (sen)	-	-	nm	8.8	nm	11.0

*Note: Core net profit

Source: CIMB Securities, Company

Figure 2: Segmental revenue breakdown by asset

FYE Dec (RM m)	1Q	1Q	YoY %	4Q	QoQ %
	FY26	FY25	chg	FY25	chg
Total revenue	223.0	218.9	1.9	227.6	(2.0)
Retail	185.0	168.4	9.9	173.1	6.9
Sunway Pyramid Mall	109.6	106.3	3.1	102.9	6.5
Sunway Carnival Mall	31.1	22.7	36.9	27.7	12.1
Sunway Putra Mall	14.6	13.1	11.8	13.3	9.4
Sunway 163 Mall	8.5	8.4	1.2	8.3	2.1
Sunway Kluang Mall	6.5	6.1	7.1	6.3	3.9
Sunway Pier	-	-	nm	-	nm
SunCity Ipoh Hypermarket	1.0	0.9	2.9	1.0	0.3
Sunway REIT Hypermarket - Kinrara	2.7	2.7	-	2.7	0.0
Sunway REIT Hypermarket - Putra Heights	1.5	1.5	-	1.5	(0.2)
Sunway REIT Hypermarket - USJ	1.8	2.0	(10.5)	2.1	(13.1)
Sunway REIT Hypermarket - Klang	1.3	1.1	9.9	1.2	8.7
Sunway REIT Hypermarket - Ulu Kelang	1.1	1.0	10.0	1.0	8.4
Sunway REIT Hypermarket - Plentong	2.8	2.6	9.9	2.6	8.4
AEON Mall Seri Manjung	2.6	-	nm	2.6	0.0
Hotel	13.0	16.1	(19.4)	29.9	(56.6)
Sunway Resort Hotel	3.8	6.2	(38.5)	12.7	(70.0)
Sunway Pyramid Hotel	3.8	4.4	(15.0)	7.2	(47.9)
Sunway Lagoon Hotel	1.9	2.4	(22.0)	3.0	(36.7)
Sunway Putra Hotel	1.8	1.3	35.4	4.5	(59.3)
Sunway Hotel Seberang Jaya	0.7	0.5	60.6	1.2	(35.3)
Sunway Hotel Georgetown	1.0	1.3	(23.8)	1.4	(29.4)
Office	20.3	20.4	(0.8)	19.9	1.6
Menara Sunway	4.4	4.5	(3.3)	4.3	1.2
Sunway Tower	1.1	1.2	(2.7)	1.2	(2.2)
Sunway Putra Tower	2.7	2.6	6.2	2.6	3.9
Wisma Sunway	1.5	1.8	(15.3)	1.4	7.3
Sunway Pinnacle	10.5	10.4	1.2	10.4	0.9
Services	-	9.8	nm	-	nm
Sunway University & College*	-	9.8	nm	-	nm
Industrial & Others	4.8	4.2	14.6	4.7	2.0
Sunway Industrial SA 1	1.9	1.9	-	1.8	6.5
Sunway Industrial PJ 1	1.3	0.7	77.7	1.3	(1.2)
Sunway Industrial Prai	1.6	1.6	1.9	1.6	(0.3)

*Sunway University & College campus was disposed on 30 Sep 2025

Source: CIMB Securities, Company reports

Figure 3: Segmental NPI breakdown by asset

FYE Dec (RM m)	1Q	1Q	YoY %	4Q	QoQ %
	FY26	FY25	chg	FY26	chg
Total NPI	164.4	157.2	4.6	165.0	(0.3)
Retail	136.3	116.8	16.7	121.2	12.5
Sunway Pyramid Mall	83.6	77.2	8.3	76.0	9.9
Sunway Carnival Mall	20.8	13.8	50.4	17.1	22.1
Sunway Putra Mall	9.0	6.6	36.4	6.3	43.2
Sunway 163 Mall	5.2	5.3	(2.0)	5.0	4.8
Sunway Kluang Mall	3.5	2.2	56.3	2.7	29.9
Sunway Pier	(0.1)	(0.1)	(2.5)	(0.1)	11.4
SunCity Ipoh Hypermarket	0.9	0.9	2.7	0.9	0.1
Sunway REIT Hypermarket - Kinrara	2.7	2.7	-	2.7	0.0
Sunway REIT Hypermarket - Putra Heights	1.5	1.5	-	1.5	(0.3)
Sunway REIT Hypermarket - USJ	1.8	2.0	(10.5)	2.1	(13.1)
Sunway REIT Hypermarket - Klang	1.3	1.1	9.9	1.2	8.7
Sunway REIT Hypermarket - Ulu Kelang	1.1	1.0	10.0	1.0	8.4
Sunway REIT Hypermarket - Plentong	2.8	2.6	9.9	2.6	8.4
AEON Mall Seri Manjung	2.3	-	nm	2.3	(2.6)
Hotel	11.8	15.0	(20.9)	28.7	(58.8)
Sunway Resort Hotel	3.4	5.8	(41.3)	12.3	(72.2)
Sunway Pyramid Hotel	3.5	4.2	(16.0)	7.0	(49.5)
Sunway Lagoon Hotel	1.8	2.3	(22.9)	2.9	(37.9)
Sunway Putra Hotel	1.5	1.0	49.4	4.2	(64.1)
Sunway Hotel Seberang Jaya	0.7	0.4	74.6	1.1	(37.7)
Sunway Hotel Georgetown	0.9	1.2	(25.0)	1.3	(30.7)
Office	12.4	12.4	(0.1)	11.5	7.3
Menara Sunway	2.8	2.8	0.1	2.4	17.8
Sunway Tower	(0.4)	(0.3)	24.4	(0.3)	34.3
Sunway Putra Tower	1.5	1.3	15.5	1.2	25.6
Wisma Sunway	0.7	0.9	(27.8)	0.7	(2.2)
Sunway Pinnacle	7.9	7.7	1.6	7.6	3.2
Services	-	9.8	nm	-	nm
Sunway University & College*	-	9.8	nm	-	nm
Industrial & Others	3.9	3.2	20.9	3.5	10.7
Sunway Industrial SA 1	1.9	1.9	-	1.7	6.5
Sunway Industrial PJ 1	0.9	0.2	> 100	0.6	36.3
Sunway Industrial Prai	-	-	nm	-	nm

*Sunway University & College campus was disposed on 30 Sep 2025

Source: CIMB Securities, Company reports

Financial Information

Figure 4: Profit and Loss

(RMm)	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Rental revenues	767	894	902	928	955
Other revenues	nm	nm	nm	nm	nm
Gross property revenue	767	894	902	928	955
Total property expenses	(194)	(232)	(237)	(244)	(252)
Net property income	574	662	665	684	703
General and admin. expenses	nm	nm	nm	nm	nm
Management fees	(47)	(53)	(52)	(53)	(54)
Trustee's fees	(1)	(1)	(1)	(1)	(1)
Other operating expenses	159	92	(3)	(3)	(3)
EBITDA	685	700	609	627	646
Depreciation and amortisation	(4)	(4)	(4)	(4)	(4)
EBIT	681	696	606	623	642
Net interest income	(154)	(148)	(149)	(152)	(156)
Associates' profit	nm	nm	nm	nm	nm
Other income/(expenses)	nm	nm	nm	nm	nm
Exceptional items	163	94	0	0	0
Pre-tax profit	528	548	457	471	485
Taxation	(3)	(8)	0	0	0
Minority interests	nm	nm	nm	nm	nm
Preferred dividends	(10)	(23)	(23)	(23)	(23)
Net profit	515	516	434	448	462
Distributable profit	344	451	434	448	462

Source: CIMB Securities, Company

Figure 5: Cash Flow

(RMm)	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Pre-tax profit	528	548	457	471	485
Depreciation and non-cash Adj.	4	4	4	4	4
Change in working capital	125	66	(30)	3	20
Tax paid	nm	nm	nm	nm	nm
Others	(266)	(45)	52	53	54
Cash flow from operations	544	721	631	683	720
Capex	(313)	(181)	(200)	(200)	(200)
Net investments and sale of FA	nm	nm	nm	nm	nm
Other investing cash flow	0	(89)	100	0	0
Cash flow from investing	(1,224)	174	(100)	(200)	(200)
Debt raised/(repaid)	1,020	(235)	100	100	100
Equity raised/(repaid)	0	0	0	0	0
Dividends paid	(320)	(509)	(434)	(448)	(462)
Cash interest and others	nm	nm	nm	nm	nm
Cash flow from financing	537	(916)	(506)	(523)	(542)
Total cash generated	(143)	(21)	25	(41)	(22)
Free cash flow to firm	(847)	730	370	317	350
Free cash flow to equity	340	660	631	583	620

Source: CIMB Securities, Company

Financial Information

Figure 6: Balance Sheet

(RMm)	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Total investments	10,455	10,186	10,386	10,586	10,786
Intangible assets	0	0	0	0	0
Other long-term assets	1	1	1	1	1
Total non-current assets	10,472	10,203	10,400	10,596	10,792
Total cash and equivalents	290	361	294	201	125
Inventories	nm	nm	nm	nm	nm
Trade debtors	24	21	37	33	31
Other current assets	17	77	42	43	49
Total current assets	331	460	373	276	204
Trade creditors	6	7	5	6	6
Short-term debt	1,737	2,598	2,598	2,598	2,598
Other current liabilities	336	433	444	443	467
Total current liabilities	2,078	3,037	3,047	3,046	3,071
Long-term borrowings	2,730	1,600	1,700	1,800	1,900
Other long-term liabilities	106	132	132	132	132
Total non-current liabilities	2,852	1,752	1,852	1,952	2,052
Shareholders' equity	5,372	5,374	5,374	5,374	5,374
Minority interests	nm	nm	nm	nm	nm
Preferred shareholders funds	500	500	500	500	500
Total equity	5,872	5,874	5,874	5,874	5,874

Source: CIMB Securities, Company

Figure 7: Key Ratios

	Dec-24A	Dec-25A	Dec-26F	Dec-27F	Dec-28F
Gross property revenue growth (%)	7.2	16.6	0.9	2.9	2.9
NPI growth (%)	8.1	15.4	0.5	2.8	2.8
Net property income margin (%)	74.8	74.0	73.7	73.7	73.6
DPS growth (%)	7.5	44.8	(12.5)	3.2	3.2
Gross interest cover	4.1	4.2	3.7	3.8	3.8
Effective tax rate (%)	0.5	1.5	0	0	0
Net dividend payout ratio (%)	99.6	109.9	100.0	100.0	100.0
Current ratio	0.2	0.2	0.1	0.1	0.1
Quick ratio	0.2	0.2	0.1	0.1	0.1
Cash ratio	0.1	0.1	0.1	0.1	0.0
Return on average assets (%)	3.5	3.9	4.0	4.1	4.2

Source: CIMB Securities, Company

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<i>Hold</i>	<i>The stock's total return is expected to be between 0% and positive 10% over the next twelve (12) months.</i>
<i>Reduce</i>	<i>The stock's total return is expected to fall below 0% or more over the next twelve (12) months.</i>
	<i>Note: The total expected return of a stock is defined as the sum of: the percentage difference between the target price and the current price; and the forward net dividend yields of the stock. Stock price targets have an investment horizon of twelve (12) months.</i>
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<i>Overweight</i>	<i>An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.</i>
<i>Neutral</i>	<i>A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.</i>
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