

**HLIB Research**

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**HOLD** (Maintain)

**Target Price:** **RM2.48**
**Previously:** **RM2.40**
**Current Price:** **RM2.56**

Capital upside	-3.2%
Dividend yield	5.1%
Expected total return	2.0%

**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**


Historical return (%)	1M	3M	12M
Absolute	8.2	-5.6	31.4
Relative	6.2	-4.1	21.5

**Stock information**

Bloomberg ticker	SREIT MK
Bursa code	5176
Issued shares (m)	3,425
Market capitalisation (RM m)	6,610
3-mth average volume ('000)	3,008
SC Shariah compliant	No
F4GBM Index member	Yes
ESG rating	★ ★ ★ ★

**Major shareholders**

Sunway Bhd	40.9%
EPF	16.2%
KWAP	6.0%

**Earnings summary**

FYE (Dec)	FY25	FY26f	FY27f
PAT – core (RM m)	453.6	468.6	476.6
EPU – core (sen)	13.2	13.7	13.9
P/E (x)	19.3	18.7	18.4

# Sunway REIT

## Hospitality drags, retail delivers

Sunway REIT's 1Q26 core profit of RM114.8m (-3.1% QoQ, +10.6% YoY) came in line with estimates. FY26 earnings are expected to remain flat, weighed by hospitality weakness but cushioned by stronger retail performance and first full-year contributions from Sunway Carnival and AEON Mall Seri Manjung. Growth will be organic driven given gearing at ~40%, with FY28 as the key inflection point via the new Seberang Jaya hotel and Sunway Pier. We raise FY26/FY27 forecast by +8%/+7% and introduce FY28 estimates. Maintain **HOLD**, TP **RM2.48** (from **RM2.40**) based on an unchanged target yield of 5.30%.

**In-line.** Sunway REIT reported 1Q26 core profit of RM114.8m (-3.1% QoQ, +10.6% YoY), in line with our estimate and consensus at 26% and 25% of full-year forecasts respectively.

**Dividend.** None as dividends are usually declared semi-annually.

**QoQ.** Revenue eased (-2.0%), dragged by a lower contribution from the Hotel segment, which saw occupancy rates decline to 56% (FY25: 65%) due to (i) seasonality impact from the Ramadan month which typically records lower occupancy rates; and (ii) delay in certain MICE events as a result of geopolitical tensions. NPI only dipped marginally (-0.3%) as the quarter recorded lower opex (-6.5%), driven by a one-off utility rebate where malls with a Power Distribution License were entitled to a refund for overpaid utilities backdated to July 2025. Core net profit fell by -3.1% as finance cost was higher by +5.7%.

**YoY.** Topline inched up by 1.9%, driven by the retail and industrial segments, with NPI increasing by 16.7% and 20.9% respectively, partially offset by the softer performance from Hotel (-20.9%). The improvement in retail was underpinned by the fully reopened Sunway Carnival since May 2025 (+36.9%) and the post-completion of AEON Mall Seri Manjung in July FY25. The weaker hotel performance was due to lower MICE events as explained in QoQ analysis above. In turn, core profit grew by 10%, supported by lower financing costs (-9.9%).

**Occupancy and gearing.** Retail, Office, and Industrial segments saw improvements in occupancy rates at 98%, 83%, and 91% respectively (FY25: 97%, 82%, and 87%), while Hotel occupancy declined to 56% (FY25: 65%). Gearing inched up to 40.2% (FY25: 39.4%).

**Outlook.** While FY26 should benefit from the first full-year FY26 contributions from Sunway Carnival (post-reopening in May 2025) and AEON Mall Seri Manjung, we think it may only record a slight improvement on a YoY basis, reflecting a soft year on the hospitality front. With gearing already at the upper side at 40.2%, we expect FY26 growth to be driven mainly by organic means, with capex focused on AEI and ongoing development projects. These are expected to contribute more meaningfully from FY28 onwards, particularly from the new Seberang Jaya hotel and Sunway Pier Mall.

**Forecast.** Following housekeeping adjustments, we raise our FY26 and FY27 core profit forecasts by +8% and +7% respectively, and introduce our FY28 estimate at RM507.3m (4% YoY).

**Maintain HOLD with a higher TP of RM2.48 (from RM2.40)**, based on an unchanged target yield of 5.30%, derived from +0.5SD above the 5-year average yield spread between Sunway REIT and the 10-year MGS, anchored to FY26 DPU. While we like Sunway REIT's well-diversified asset base, we believe the current valuation is fair following the recent recovery in its share price.

## Financial Forecast

All items in (RM m) unless otherwise stated

### Balance Sheet

FYE Dec	FY24	FY25	FY26F	FY27F	FY28F
Cash	289.8	260.9	258.2	372.3	407.6
Receivables	40.8	38.6	37.8	42.0	43.9
Investment properties	10,384.9	10,185.9	10,339.3	10,467.1	10,467.1
Property, plant & equipment	16.6	16.9	19.4	21.6	23.6
Others	70.6	160.6	160.6	100.6	100.6
<b>Assets</b>	<b>10,802.6</b>	<b>10,663.0</b>	<b>10,815.2</b>	<b>11,003.6</b>	<b>11,042.8</b>
Payables	327.3	391.0	371.1	412.6	431.5
Debt	4,466.7	4,197.6	4,350.9	4,478.7	4,478.7
Others	136.6	200.2	200.2	200.2	200.2
<b>Liabilities</b>	<b>4,930.6</b>	<b>4,788.8</b>	<b>4,922.3</b>	<b>5,091.6</b>	<b>5,110.5</b>
Unitholders' capital	3,433.9	3,433.9	3,433.9	3,433.9	3,433.9
Undistributed profit	1,938.4	1,940.6	1,959.4	1,978.4	1,998.7
Perpetual note holders' funds	499.7	499.7	499.7	499.7	499.7
<b>Equity</b>	<b>5,872.0</b>	<b>5,874.2</b>	<b>5,893.0</b>	<b>5,912.0</b>	<b>5,932.3</b>

### Income Statement

FYE Dec	FY24	FY25	FY26F	FY27F	FY28F
<b>Total revenue</b>	<b>767.1</b>	<b>894.3</b>	<b>923.4</b>	<b>969.8</b>	<b>1,011.8</b>
Operating Expenses	(197.4)	(236.4)	(247.0)	(273.8)	(286.4)
<b>Net Property Income</b>	<b>569.7</b>	<b>658.0</b>	<b>676.4</b>	<b>696.0</b>	<b>725.4</b>
Other Income	13.4	16.8	14.9	14.7	21.2
<b>Net Investment Income</b>	<b>583.1</b>	<b>674.7</b>	<b>691.3</b>	<b>710.7</b>	<b>746.6</b>
Trust Expense	(218.6)	(221.2)	(222.7)	(234.1)	(239.3)
<b>Profit before tax</b>	<b>364.5</b>	<b>453.6</b>	<b>468.6</b>	<b>476.6</b>	<b>507.3</b>
Taxation	-	-	-	-	-
<b>Core profit</b>	<b>364.5</b>	<b>453.6</b>	<b>468.6</b>	<b>476.6</b>	<b>507.3</b>
Extraordinary item	160.2	85.8	-	-	-
Reported profit	524.8	539.4	468.6	476.6	507.3
Consensus			454.1	474.0	495.0
HLIB/Consensus			103%	101%	102%

### Cash Flow Statement

FYE Dec	FY24	FY25	FY26F	FY27F	FY28F
Profit Before Taxation	364.5	453.6	468.6	476.6	507.3
Depreciation	4.0	4.0	4.0	4.6	5.1
Taxation	-	-	-	-	-
Others	175.3	263.6	129.0	190.3	166.0
<b>CFO</b>	<b>543.8</b>	<b>721.1</b>	<b>601.6</b>	<b>671.5</b>	<b>678.4</b>
Capex	(1,224.0)	(950.8)	(159.8)	(134.6)	(7.1)
Others	14.2	1,141.1	14.9	74.7	21.2
<b>CFI</b>	<b>(1,209.8)</b>	<b>190.4</b>	<b>(144.9)</b>	<b>(59.9)</b>	<b>14.1</b>
Debt raised/(repaid)	1,020.4	(235.2)	153.3	127.8	-
Distribution to Unitholders	(319.9)	(509.2)	(449.9)	(457.6)	(487.0)
Others	(170.0)	(195.9)	(162.8)	(167.8)	(170.2)
<b>CCF</b>	<b>530.5</b>	<b>(940.3)</b>	<b>(459.4)</b>	<b>(497.5)</b>	<b>(657.2)</b>
<b>Net Cash Flow</b>	<b>(135.5)</b>	<b>(28.8)</b>	<b>(2.7)</b>	<b>114.1</b>	<b>35.3</b>
Beginning Cash	425.3	289.8	260.9	258.2	372.3
<b>Ending Cash</b>	<b>289.8</b>	<b>260.9</b>	<b>258.2</b>	<b>372.3</b>	<b>407.6</b>

### Valuation & Ratios

FYE Dec	FY24	FY25	FY26F	FY27F	FY28F
Core EPU (sen)	10.64	13.24	13.68	13.92	14.81
P/E (x)	24.05	19.33	18.71	18.40	17.28
DPU (sen)	9.3	14.9	13.1	13.4	14.2
Dividend yield	3.6%	5.8%	5.1%	5.2%	5.6%
BVPU (RM)	1.57	1.57	1.57	1.58	1.59
P/B (x)	1.6	1.6	1.6	1.6	1.6
NPI margin	74.3%	73.6%	73.3%	71.8%	71.7%
NII margin	76.0%	75.4%	74.9%	73.3%	73.8%
PBT margin	47.5%	50.7%	50.8%	49.1%	50.1%
Net margin	47.5%	50.7%	50.8%	49.1%	50.1%
Return on equity	6.8%	8.4%	8.7%	8.8%	9.3%
Return on assets	3.4%	4.3%	4.3%	4.3%	4.6%
Gearing ratio	41.3%	39.4%	40.2%	40.7%	40.6%
Net gearing ratio	38.7%	36.9%	37.8%	37.3%	36.9%
Gross yield	7.4%	8.8%	8.9%	9.3%	9.7%
NPI yield	5.5%	6.5%	6.5%	6.6%	6.9%
NII yield	5.6%	6.6%	6.7%	6.8%	7.1%
Net yield	3.5%	4.5%	4.5%	4.6%	4.8%
Number of Units	3424.8	3424.8	3424.8	3424.8	3424.8

**Figure #1** Quarterly results comparison

FYE Dec (RM m)	1QFY25	4QFY25	1QFY26	QoQ (%)	YoY (%)
Realised gross revenue	213.0	217.8	215.7	-2.0%	1.9%
Other operating income	5.8	9.8	7.3	-0.9%	1.3%
<b>Gross revenue</b>	<b>218.9</b>	<b>227.6</b>	<b>223.0</b>	<b>-26.1%</b>	<b>24.7%</b>
Quit rent, assessment and insurance	-5.3	-5.7	-5.8	1.6%	8.1%
Other property operating expenses	-56.3	-60.0	-52.8	-7.3%	-6.2%
<b>Property operating expenses</b>	<b>-61.7</b>	<b>-62.7</b>	<b>-58.6</b>	<b>-6.5%</b>	<b>-5.0%</b>
<b>Net property income</b>	<b>157.2</b>	<b>165.0</b>	<b>164.4</b>	<b>-0.3%</b>	<b>4.6%</b>
Finance income	3.0	3.7	3.4	-8.1%	12.1%
Other income	0.8	0.6	0.8	40.0%	-7.2%
<b>Net investment income</b>	<b>160.3</b>	<b>168.7</b>	<b>167.9</b>	<b>-0.5%</b>	<b>4.7%</b>
Manager's fee	-12.7	-13.0	-12.9	-1.1%	1.1%
Trustee's fee	-0.3	-0.1	-0.2	92.7%	-18.3%
Other trust expenses	-0.5	-0.9	-1.7	88.0%	248.3%
Finance cost	-42.5	-36.3	-38.3	5.7%	-9.9%
<b>Non operating expenses</b>	<b>-60.0</b>	<b>-50.3</b>	<b>-53.1</b>	<b>5.7%</b>	<b>-5.1%</b>
<b>Profit before tax</b>	<b>104.3</b>	<b>118.5</b>	<b>114.8</b>	<b>-3.1%</b>	<b>10.0%</b>
Taxation	0.0	0.0	0.0	0.0%	0.0%
<b>Core profit</b>	<b>104.3</b>	<b>118.5</b>	<b>114.8</b>	<b>-3.1%</b>	<b>10.0%</b>
Extraordinary items	0	59.6	0	-100.0%	N.M
Reported profit	104.3	178.0	114.8	-35.5%	10.0%
<b>Core EPU (sen)</b>	<b>3.05</b>	<b>3.46</b>	<b>3.35</b>	<b>-3.1%</b>	<b>10.0%</b>
<b>Core DPU (sen)</b>	<b>0.00</b>	<b>8.80</b>	<b>0.00</b>	<b>N.M.</b>	<b>N.M</b>

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**Figure #2** Quarterly segmental revenue and NPI comparison

FYE Dec (RM m)	1QFY25	4QFY25	1QFY26	QoQ (%)	YoY (%)
<b>Gross revenue</b>	<b>218.9</b>	<b>227.6</b>	<b>223.0</b>	<b>-2.0%</b>	<b>1.9%</b>
Retail Segment	168.4	173.1	185.0	6.9%	9.9%
Hotel Segment	16.1	29.9	13.0	-56.6%	-19.4%
Office Segment	20.4	19.9	20.2	1.6%	-0.8%
Services Segment	9.8	0	0	N.M	-100.0%
Industrial and Others Segment	4.2	4.7	4.8	2.0%	14.6%
<b>Net property income</b>	<b>157.2</b>	<b>165.0</b>	<b>164.4</b>	<b>-0.3%</b>	<b>4.6%</b>
Retail Segment	116.8	121.2	136.3	12.5%	16.7%
Hotel Segment	15.0	28.7	11.8	-58.8%	-20.9%
Office Segment	12.4	11.5	12.4	7.3%	-0.1%
Services Segment	9.8	0	0	N.M	-100.0
Industrial and Others Segment	3.2	3.5	3.9	10.7%	20.9%

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<b>BUY</b>	Expected absolute return of +10% or more over the next 12 months.
<b>HOLD</b>	Expected absolute return of -10% to +10% over the next 12 months.
<b>SELL</b>	Expected absolute return of -10% or less over the next 12 months.
<b>UNDER REVIEW</b>	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
<b>NOT RATED</b>	Stock is not or no longer within regular coverage.

### Sector rating guide

<b>OVERWEIGHT</b>	Sector expected to outperform the market over the next 12 months.
<b>NEUTRAL</b>	Sector expected to perform in-line with the market over the next 12 months.
<b>UNDERWEIGHT</b>	Sector expected to underperform the market over the next 12 months.

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