

14 May 2026

Sunway REIT

Sunway Carnival Growth Cushioned Weak Hotel Segment

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SUNREIT's 1QFY26 results were within expectation. Stronger performance from Sunway Carnival largely cushioned the loss of income following the disposal of Sunway University and college campus on Sep 2025. Its net profit grew by 11% mainly contributed by lower utility costs arising from a one-off electricity cost rebate, bank borrowings and interest costs. Its hotel segment reported weaker YoY results likely due to trip cancellations following elevated air ticket prices stemming from the Middle-East conflict since late Feb 2026. We give valuation benefit to SUNREIT in the anticipation of the planned asset injection of Sunway Velocity Mall by its sponsor which is expected to materialize in CY27. This is done via narrowing our yield spread from 2.25% to 1.60%, which raises our TP from RM2.17 to RM2.45, resulting in an upgrade in our call from UNDERPERFORM to MARKET PERFORM.

Within expectations. SUNREIT's 1QFY26 net profit of RM109.1m made up 25% of our full-year forecast and 24% of consensus full-year estimate, respectively. No dividend was declared as the group typically make bi-annual distributions.

YoY, SUNREIT's 1QFY26 revenue increased by 2% as the growth in Sunway Carnival mall after major refurbishment was largely offset by the loss of income from the disposal of Sunway University and college campus on Sep 2025. Still, net profit grew by a sharper 11%, mainly attributed by lower utility cost arising from a one-off electricity cost rebate by TNB, lower bank borrowings and interest cost. According to the group, retail segment rental reversion remained intact at mid-single digit supported by positive growth in overall tenant sales. However, its hotel segment's NPI was 20% lower YoY partly due to the cancellation of trips arising from elevated air ticket prices. It is noteworthy that the group is seeing gradual recovery in its forward hotel room bookings for 2QFY26.

QoQ, its revenue dipped 2% primarily led by the weaker performance from its hotel segment as compared to a seasonally stronger 4QFY25 due to year-end travels. Meanwhile, its bottom-line was flatish thanks to the lower utilities cost as aforementioned.

Outlook. While SUNREIT scouts for a replacement asset for the disposed Sunway University and college campus, we expect the lower income contribution could be partially cushioned by its growing retail segment.

The group had on Oct 2025 announced the disposal of Sunway Hotel Seberang Perai for RM60m with the proceeds earmarked to be used for the planned development of a new hotel atop Sunway Carnival Mall. We have been positive on this deal as the Sunway Hotel Seberang Perai is the lowest income contributor among its six hotels and was sold at low cap rate of 5.3%, reflecting an above-market price. On that note, we believe the new hotel stands to benefit from spillover from Sunway Carnival Mall, which has evolved into a regional hub for its vibrant retail offerings.

We are cautious on the group's hotel segment as the anticipated spillover from Visit Malaysia Year 2026 may be partially impacted by the elevated flight ticket prices stemming from the conflict in the Middle East. That said, the hotel segment is expected to make up only <15% of the group's NPI, with the lion's share still being contributed by retail operations (c.51%).

MARKET PERFORM ↑

Price: **RM2.56** ↑
Target Price: **RM2.45** ↑

Share Price Performance



KLCI	1,746.31
YTD KLCI chg	3.9%
YTD stock price chg	10.8%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	SREIT MK Equity
Market Cap (RM m)	8,767.5
Shares Outstanding	3,424.8
52-week range (H)	2.66
52-week range (L)	1.91
3-mth avg. daily vol.	3,530,057
Free Float	50%
Beta	0.71

Major Shareholders

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

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Turnover	894.3	905.0	945.2
EBIT	658.0	668.2	693.7
PBT	547.7	460.1	483.0
Net Profit (NP)	539.4	456.9	479.7
Core Net Profit	426.6	433.9	456.7
Consensus (NP)	-	454.1	474.0
Earnings Revision (%)	-1.7	0.0	0.0
Core EPS (sen)	12.5	12.7	13.3
Core EPS Growth (%)	21.4	1.7	5.3
GDPU (sen)	14.5	12.5	13.6
BVPS (RM)	1.57	1.58	1.58
Core PER (x)	20.6	20.2	19.2
Price/BV (x)	1.6	1.6	1.6
Net Asset Gearing (x)	0.36	0.36	0.35
Net Div. Yield (%)	5.1	4.4	4.8

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Meanwhile, looking at the asset injection pipeline from its sponsor (SUNWAY), there is Sunway Velocity Mall, of which we believe will likely crystallize from CY27 onwards upon the maturity of the assets. As we are coming close to mid of CY26, we opt to ascribe potential benefits to this asset injection pipeline.

Forecasts. Unchanged.

Valuations. We are giving some valuation upsides to SUNREIT in the anticipation of the planned asset injection of Sunway Velocity Mall by its sponsor which is expected to materialize in CY27. Hence, we narrow our yield spread from 2.25% to 1.60%, raise our TP from RM2.17 to RM2.45 based on FY26F GDPU of 12.5 sen. The basis of our TP is on a revised target yield of 5.1% (derived from a 1.60% yield spread above our 10-year MGS assumption of 3.50%), The relatively lower yield spread against what we had applied to its peers reflects SUNWAY's diversified asset portfolio in key urban regions and a visible asset injection pipeline from its sponsor. We reckon that the group's brand equity also benefits greatly from its affiliation to the Sunway conglomerate. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us. **We upgrade to MARKET PERFORM call.**

Risks to our call include: (i) higher/lower-than-expected bond yield, and (ii) lower/higher-than-expected occupancy rates.

Results Highlights

	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
FYE Dec (RM m)	FY26	FY25	Chg	FY25	Chg	FY26	FY25	Chg
Rental and lease income	215.7	217.8	-0.9%	213.0	1.3%	215.7	213.0	1.3%
Other operating income	7.3	9.8	-26.1%	5.8	24.7%	7.3	5.8	24.7%
Gross Revenue	223.0	227.6	-2.0%	218.9	1.9%	223.0	218.9	1.9%
Property Operating Expenses	-58.6	-62.7	-6.5%	-61.7	-5.0%	-58.6	-61.7	-5.0%
Net Property Income	164.4	165.0	-0.3%	157.2	4.6%	164.4	157.2	4.6%
Investment Income	3.5	67.1	-94.8%	3.1	11.6%	3.5	3.1	11.6%
Other Non-operating Expenses	-14.8	-14.0	5.5%	-13.5	10.0%	-14.8	-13.5	10.0%
Finance Cost	-38.3	-36.2	5.7%	-42.5	-9.9%	-38.3	-42.5	-9.9%
Profit Before Tax	114.8	181.8	-36.9%	104.3	10.0%	114.8	104.3	10.0%
Taxation	0.0	-3.8	-100.0%	0.0	N.M.	0.0	0.0	N.M.
Minority Interest	0.0	0.0	N.M.	0.0	N.M.	0.0	0.0	N.M.
Net Profit	114.8	178.0	-35.5%	104.3	10.0%	114.8	104.3	10.0%
Distributable Income	129.0	321.4	-59.9%	143.2	-9.9%	129.0	143.2	-9.9%
Core Net Profit	109.1	108.8	0.2%	98.6	10.6%	109.1	98.6	10.6%
Core Earnings Per Unit (sen)	4.29	3.29	30.4%	2.88	49.0%	4.29	2.88	49.0%
Gross Distribution Per Unit (sen)	0.00	8.80		0.00		0.00	0.00	
Key Operating Metrics:								
Net property income margin	73.7%	72.5%		71.8%		73.7%	71.8%	
Pretax margin	51.5%	79.9%		47.7%		51.5%	47.7%	

Source: Company, Kenanga Research

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Segmental Breakdown

	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
FYE Dec (RM m)	FY26	FY25	Chg	FY25	Chg	FY26	FY25	Chg
Retail	185.0	173.1	6.9%	168.4	9.9%	185.0	168.4	9.9%
Hotel	13.0	29.9	-56.6%	16.1	-19.4%	13.0	16.1	-19.4%
Office	20.3	19.9	1.6%	20.4	-0.8%	20.3	20.4	-0.8%
Services	0.0	0.0	N.M	9.8	-100.0%	0.0	9.8	-100.0%
Industrial & Others	4.8	4.7	2.0%	4.2	14.6%	4.8	4.2	14.6%
Total Revenue	223.0	227.6	-2.0%	218.9	1.9%	223.0	218.9	1.9%
Retail	136.3	121.2	12.5%	116.8	16.7%	136.3	116.8	16.7%
Hotel	11.8	28.7	-58.8%	15.0	-20.9%	11.8	15.0	-20.9%
Office	12.4	11.5	7.3%	12.4	-0.1%	12.4	12.4	-0.1%
Services	0.0	0.0	N.M	9.8	-100.0%	0.0	9.8	-100.0%
Industrial & Others	3.9	3.5	10.7%	3.2	20.9%	3.9	3.2	20.9%
Net property income	164.4	165.0	-0.3%	157.2	4.6%	164.4	157.2	4.6%

Source: Company, Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
AL-AQAR REIT	MP	1.23	1.25	1.6%	1,032.7	Y	12/2026	8.1	8.3	5.8%	2.4%	15.2	14.9	1.0	6.4%	8.0	6.5%
AME REIT	MP	1.63	1.58	-3.1%	867.2	Y	03/2027	8.1	8.5	8.3%	5.5%	20.0	19.2	1.3	6.5%	9.0	5.5%
AXIS REIT	MP	2.01	1.93	-4.0%	4,070.0	Y	12/2026	10.6	11.1	6.2%	5.1%	19.0	18.1	1.2	6.3%	10.1	5.0%
CAPITALAND MALAYSIA TRUST	MP	0.630	0.650	3.2%	2,120.0	N	12/2026	5.2	5.4	10.1%	4.2%	12.1	11.6	0.7	5.4%	4.8	7.7%
IGB REIT	MP	2.98	2.81	-6%	12,899.6	N	12/2026	10.1	14.0	18.1%	38.6%	29.6	21.4	2.8	12.6%	10.0	3.4%
KLCCP STAPLED GROUP	MP	9.23	9.22	-0.1%	16,663.2	Y	12/2026	47.8	49.2	5.8%	2.9%	19.3	18.8	1.3	6.1%	46.9	5.1%
PAVILION REIT	MP	1.89	1.80	-5%	7,423.8	N	12/2026	10.5	11.0	15.1%	4.1%	17.9	17.2	1.5	7.6%	11.3	6.0%
SUNWAY REIT	MP	2.56	2.45	-4.3%	8,767.5	N	12/2026	12.7	13.3	1.7%	5.3%	20.2	19.2	1.7	7.8%	12.5	4.9%
SECTOR AGGREGATE					53,844.1					8.7%	9.8%	20.9	19.0	1.4	7.3%		5.5%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★	★	
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	☆		
SPECIFIC	Effluent/Waste Management	★	★	★		
	Water Management	★	★	★		
	Energy Efficiency	★	★	★		
	Green Buildings	★	★	★		
	Tenant Management	★	★	★		
	Supply Chain Management	★	★	★		
OVERALL		★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

***Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.

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