

# Sunway REIT

(5176 | SREIT MK) Main | REIT



Maintain **NEUTRAL**

Unchanged Target Price **RM2.39**

Corporate Update

## 1QFY26 Results Review Robust Retail Segment

**1QFY26 earnings within expectations.** Sunway REIT 1QFY26 core net income of RM114.85m came in within expectations, making up 24% and 25% of our and consensus full year estimates respectively.

**Flattish sequential earnings.** On a sequential basis, 1QFY26 core net income was flattish at RM114.8m (+0.1%qoq), as the higher contribution from retail division cushioned the lower contribution from hotel division. Net property income of retail division climbed to RM136.3m (+12.5%qoq) as retail business remained robust, supported by Chinese New Year and Ramadan festivities. The higher contribution from retail division was mainly led by Sunway Pyramid Mall, Sunway Carnival Mall and Sunway Putra Mall. On the other hand, net property income of hotel division was lower at RM11.8m (-59%qoq) as hotel business eased during Ramadan month. We hold a cautious stance on the hotel segment outlook as the geopolitical tensions in the Middle East is expected to weigh on travel demand.

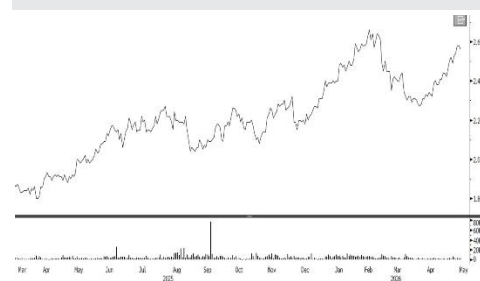
**Earnings growth driven by retail segment.** On a yearly basis, 1QFY26 core net income was higher at RM114.8m (+10%yoy) while topline was flattish (+1.9%yoy). The improved earnings were due to better contribution from retail division which offset the lower contribution from hotel segment and loss of income from Sunway university & college campus. Besides, the higher earnings were also driven by contribution from AEON Mall Seri Manjung following acquisition of the mall in July 2025. In addition, the lower finance costs (-9.9%yoy) also aided earnings growth.

**Maintain NEUTRAL with an unchanged TP of RM2.39.** We maintain our earnings forecast for FY26/27/28. We also maintain our **TP** for Sunway REIT at **RM2.39**, based on dividend discount model. We see stable earnings outlook for retail division despite the Middle East conflict as footfall of its malls are largely domestic shoppers. Nevertheless, hotel division may see slight impact from the less robust outlook for tourist arrivals. Overall, we maintain our **NEUTRAL** call on Sunway REIT. Gross distribution yield is estimated at 5.2% while net yields range from 3.6%-4.7% (tax rate of 10%-30%).

### RETURN STATISTICS

Price @ 13 <sup>th</sup> May 2026 (RM)	2.56
Expected share price return (%)	-6.6
Expected dividend yield (%)	+5.2
Expected total return (%)	-1.4

### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	10.3	6.3
3 months	10.8	-4.0
12 months	34.0	21.6

### INVESTMENT STATISTICS

FYE Dec	2026E	2027F	2028F
Revenue	902	926	954
Net Rental Income	702	720	740
Net Investment Income	707	725	746
Core Net Income	470	498.8	517.5
Core EPU (sen)	13.74	14.56	15.11
Gross DPU (sen)	13.32	13.98	14.50
Gross Yield	5.2%	5.5%	5.7%

### KEY STATISTICS

FBM KLCI	1,746.31
Issue shares (m)	3,424
Estimated free float (%)	49.66
Market Capitalisation (RM'm)	8,767
52-wk price range	RM1.9– RM2.67
3-mth average daily volume (m)	3.53
3-mth average daily value (RM'm)	8.62
<b>Top Shareholders (%)</b>	
Sunway Berhad	40.89
EPF	16.18
KWAP	5.56

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**Sunway REIT: 1QFY26 RESULTS SUMMARY**

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative Results	
	1QFY26	%YoY	%QoQ	FY26	%YoY
Gross Revenue	223.0	1.9%	-2.0%	223.0	1.9%
Net Rental Income (NRI)	164.4	4.6%	-0.3%	164.4	4.6%
Net Investment Income	167.9	4.7%	-27.7%	167.9	4.7%
Net Income	114.8	10.0%	-35.5%	114.8	10.0%
Core Net Income (CNI)	114.8	10.0%	0.1%	114.8	10.0%
Realised EPU (sen)	3.4	10.0%	-35.5%	3.4	10.0%
Core EPU (sen)	3.4	10.0%	0.1%	3.4	10.0%
Gross DPU (sen)	0.0	0%	-100.0%	0.0	0%

Source: Company, MBSBR

**FINANCIAL SUMMARY**

<b>Profit or Loss (RM'm)</b>	<b>2024A</b>	<b>2025A</b>	<b>2026E</b>	<b>2027F</b>	<b>2028F</b>	<b>Cash Flow (RM'm)</b>	<b>2024A</b>	<b>2025A</b>	<b>2026E</b>	<b>2027F</b>	<b>2028F</b>
Gross Revenue	767	894	902	926	954	Cash flows from operating activities					
Net Rental Income	570	658	702	720	740	Cash Receipt from Customers	771	1041	911	935	963
Net Investment Income	746	769	707	725	746	Net cash from operating activities	544	721	731	756	784
Net Income	525	539	470	499	517						
Core Net Income	351	445	470	499	517	Cash flows from investing activities					
Core EPU (sen)	10.3	13.0	13.7	14.6	15.1	Subsequent Expenditure of Inv Properties	-313	-181	-157	-10	-10
Core PER (x)	25.0	19.7	18.6	17.6	16.9	Net cash used in investing activities	-1210	190	-148	3	6
NAV/unit (RM)	1.71	1.72	1.74	1.74	1.75						
P/NAV (x)	1.49	1.49	1.48	1.47	1.47	Cash flows from financing activities					
						Net cash from/(used in) financing activities	530	-940	-586	-589	-597
						Net increase/(decrease) in cash and cash equivalents	-136	-29	-3	170	194
<b>Balance Sheet (RM'm)</b>	<b>2024A</b>	<b>2025A</b>	<b>2026E</b>	<b>2027F</b>	<b>2028F</b>						
Investment Properties	10,385	10,186	10,196	10,206	10,216	Cash and cash equivalent at 1 January	425	290	261	258	428
Total non-current assets	10,472	10,203	10,210	10,220	10,230	Cash and cash equivalent at 1 December	290	261	258	428	622
Cash	290	361	258	428	622						
Other Assets	41	99	42	111	214	<b>Profitability Margin</b>	<b>2024A</b>	<b>2025A</b>	<b>2026E</b>	<b>2027F</b>	<b>2028F</b>
<b>Total Assets</b>	<b>10,803</b>	<b>10,663</b>	<b>10,509</b>	<b>10,758</b>	<b>11,065</b>	Profitability Margins	97.3%	86.0%	78.5%	78.3%	78.2%
LT Borrowings	2,730	1,600	1,562	1,517	1,472	Net Investment Income margin	45.8%	49.8%	52.2%	53.9%	54.3%
ST Borrowings	1,737	2,598	2,676	2,943	3,267	Core net income margin	6.8%	8.4%	8.7%	9.1%	9.5%
Other Liability	464	591	329	336	343	ROE	3.5%	4.1%	4.4%	4.7%	4.7%
Total Liability	4,931	4,789	4,567	4,796	5,082						
Unitholders' capital	3,434	3,434	3,434	3,434	3,434						
Other Equity	2,438	2,440	2,509	2,529	2,550						
Total Equity	5,872	5,874	5,943	5,963	5,983						
<b>Equity + Liability</b>	<b>10,803</b>	<b>10,663</b>	<b>10,509</b>	<b>10,758</b>	<b>11,065</b>						

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## MBSB INVESTMENT BANK (formerly known MIDF INVESTMENT BANK): GUIDE TO RECOMMENDATIONS

### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

### ESG RECOMMENDATIONS\* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

\* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology