AFFIN HWANG INVESTMENT BANK

Results Note | **RM2.03 @ 10 Nov 2026**

"9M26 realised net profit rose 11% yoy to RM332m – within estimates"

Share price performance



	1M	6M	12M
Absolute (%)	(2.9)	(20.1)	(5.1)
Rel KLCI (%)	(3.4)	(13.6)	(4.5)

	BUY	HOLD	SELL
Consensus	11	5	0

Source: Bloomberg

Stock Data

Sector	REIT
Issued shares (m)	3,424.8
MCap (RMm/US$m)	6,952/1,713
Avg daily vol (m)	8.4
52-wk range (RM)	2.0-2.7
Est free float	52.3%
Stock Beta	0.41
Net cash/(debt)	(3,983.48)
ROE (CY26E)	7.4
Shariah Compliant	No
FTSE4Good Constituent	Yes
FBM EMAS (Top ESG Rank	Top 25%
ESG Risk Rating*	12.5 (0.0 yoy)

Key Shareholders

Sunway Bhd	40.9%
EPF	13.1%
KWAP	5.3%

Source: Bloomberg, Affin Hwang, Bursa Malaysia, ESG Risk Rating Powered by Sustainalytics

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Sunway REIT (SREIT MK)

BUY (maintain)
Up/Downside: +15%

Price Target: RM2.34
Previous Target (Rating): RM2.49 (Hold)

9M26 realised net profit grew 11% yoy – within estimates

- **SREIT's 9M26 realised net profit rose by 11% yoy to RM332m on higher rental income from its active asset acquisitions and refurbishments**
- **We lift SREIT's cost of equity to 7.8% (from 7.4%) to reflect the less favourable interest rate environment, characterised by higher MGS yields and lingering inflationary pressures**
- **Maintain our BUY rating on SREIT with a lower DDM-derived TP of RM2.34**

9M26 core net profit improved by 11% yoy to RM332m – within estimates

SREIT reported a strong set of results – 9M26 realised net profit rose 11.4% yoy to RM331.7m on improved NPI (+1.7% yoy) mainly driven by rental growth across its retail portfolio due to full-year contributions from (i) completed refurbishment of Sunway Carnival in May-25 and (ii) completed acquisition of AEON Mall Seri Manjung in Jul-25. Besides, it also benefited from lower finance costs (-8.5% yoy) on lower borrowings and improved financing rates. Sequentially, 3Q26 realised net profit increased 9.0% qoq, supported by stronger NPI (+6.6% qoq), which was largely driven by a sharp recovery in hotel NPI (+71% qoq). The improvement was attributable to seasonally stronger tourist arrivals and higher business visitor traffic, which lifted hotel occupancy and RevPAR. This helped offset higher finance costs (+9.5% qoq) arising from the drawdown of borrowings to fund ongoing redevelopment works at Sunway Pier and Sunway Hotel Seberang Jaya.

Earnings remain intact but valuation could be tempered by higher MGS yield

Sunway REIT's 9M26 results were in line with expectations, with core net profit representing 73-74% of consensus and our full-year forecasts, respectively. We expect earnings momentum to remain supported by the full-year earnings contribution from Sunway Carnival's Old Wing reconfiguration, sustained rental uplift at the refurbished Oasis section of Sunway Pyramid, and lower financing costs due to reduced borrowings. That said, we raise our cost of equity assumption to 7.8% (from 7.4%) to reflect the less favourable interest rate environment, characterised by higher MGS yields and lingering inflationary pressures.

Maintain BUY with a lower DDM-derived TP of RM2.34

Following our cost of equity revisions, we maintain our BUY rating on SREIT with a lower DDM-derived 12-month TP of RM2.34 (from RM2.49). While 2026E DPU is expected to normalize yoy due to a high base from the one-off special distribution in 2025, we see continued growth in underlying earnings with an improved core EPU of 3-9% yoy over 2026E-28E. We also remain positive on SREIT given the management's proactive approach towards corporate exercises like the (i) ongoing development of Sunway Pier and (ii) redevelopment of Sunway Seberang Jaya Hotel, both of which are expected to complete by 2H27-2028. Downside risks to our view: (i) delays in acquisition execution, and (ii) steeper-than expected increases in OPR.

Earnings and Valuation Summary

FYE 31 Dec (RMm)	2024	2025	2026E	2027E	2028E
Revenue	756.9	894.3	937.5	950.9	976.3
Net property income	569.7	658.0	692.5	708.3	725.9
Reported net profit	504.3	520.8	446.0	461.1	477.7
EPU (sen)	15.0	15.2	13.0	13.5	13.9
Distributable profit	343.8	410.2	446.1	461.1	477.7
Realised net profit	343.8	410.2	446.0	461.1	477.7
Realised EPU (sen)	10.0	12.0	13.0	13.5	13.9
Realised EPU chg (%)	7.7	19.3	8.7	3.4	3.6
Realised PER (x)	20.2	16.9	15.6	15.1	14.6
DPU (sen)	10.0	14.5	13.0	13.5	13.9
Distribution Yield (%)	4.9	7.1	6.4	6.6	6.9
P/RNAV (x)	1.3	1.3	1.3	1.3	1.3
Chg in distr. EPU (%)			-	-	-
Affin/Consensus (x)			1.0	1.0	1.0

Source: Company, Bloomberg, Affin Hwang forecasts

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Fig 1: Results Comparison

FYE Dec (RMm)	3Q25	2Q26	3Q26	QoQ % chg	YoY % chg	9M25	9M26	YoY % chg	Comments
Revenue	**236.4**	**220.3**	**232.3**	**5.4**	**-1.7**	**666.7**	**675.7**	**1.3**	Stronger 9M26 revenue yoy on higher rental income mainly from retail segment due to full-year contributions from (i) refurbishment of Sunway Carnival and (ii) AEON Mall Seri Manjung
Op expenses	-55.5	-57.4	-58.5	2.0	5.4	-173.7	-174.5	0.5	Conversion to bulk-meter electricity tariffs has lower utility expenses across its retail portfolio, resulting in a stable 9M26 opex yoy despite the utility cost inflation
Net Property Income	**180.9**	**163.0**	**173.8**	**6.6**	**-3.9**	**493.0**	**501.2**	**1.7**	Higher 9M26 NPI yoy, led by the improved revenue across all segments and stable opex
NPI margin (%)	*76.5*	*74.0*	*74.8*	*0.8*	*-1.7*	*73.9*	*74.2*	*0.2*	
Revaluation surplus / others	8.5	2.4	5.6	n.m.	-33.9	43.8	11.5	-73.8	
Net Invest. Income	**189.4**	**165.4**	**179.4**	**8.5**	**-5.3**	**536.8**	**512.7**	**-4.5**	
Int expense	-42.3	-37.9	-41.5	9.5	-1.9	-128.6	-117.6	-8.5	Lower 9M26 interest expense yoy as average cost of debt reduced to 3.62% (3Q25: 3.88%) while borrowings were reduced through repayment using proceeds from disposal of Sunway University and College Campus Higher finance costs qoq arising from the drawdown of borrowings to fund redevelopment works at Sunway Pier and Sunway Hotel Seberang Jaya
REIT's expenses	-14.9	-15.2	-15.9	5.0	7.0	-42.3	-45.9	8.6	
Pretax Profit	**132.3**	**112.3**	**122.0**	**8.6**	**-7.7**	**365.9**	**349.1**	**-4.6**	
Net profit	**121.9**	**106.5**	**116.2**	**9.0**	**-4.7**	**348.6**	**331.8**	**-4.8**	
Realised net profit	**102.6**	**106.5**	**116.1**	**9.0**	**13.2**	**297.7**	**331.7**	**11.4**	
Distributable income	**143.6**	**106.5**	**157.1**	**47.5**	**9.4**	**338.7**	**372.7**	**10.0**	
EPU (sen)	3.56	3.11	3.39	9.0	-4.7	10.18	9.69	-4.8	
Realised EPU (sen)	2.99	3.11	3.39	9.0	13.2	8.69	9.68	11.4	
DPU (sen)	0.00	6.28	0.00	n.m.	n.m.	5.68	6.28	10.6	

Source: Affin Hwang, Company



Fig 2: Segmental breakdown

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FYE 31 Dec (RMm)	1Q CY25	2Q CY25	3Q CY25	4Q CY25	1Q CY26	2Q CY26	3Q CY26	QoQ % chg	YoY % chg
Revenue*									
Retail	168.4	160.0	167.2	173.1	185.0	177.1	176.6	-0.3%	5.6%
Hotel	16.1	16.7	35.0	29.9	13.0	18.1	30.2	67.1%	-13.7%
Office	20.4	20.4	20.1	19.9	20.3	20.4	20.7	1.5%	3.1%
Industrial	4.2	4.5	4.4	4.7	4.8	4.7	4.8	1.8%	9.5%
Services	9.8	9.8	9.7	0.0	0.0	0.0	0.0	n.m.	n.m.
NPI*									
Retail	116.8	114.1	121.9	121.2	136.3	130.4	128.3	-1.6%	5.3%
Hotel	15.0	15.6	33.9	28.7	11.8	17.0	29.0	71.1%	-14.4%
Office	12.4	12.2	11.8	11.5	12.4	12.1	12.5	3.8%	5.9%
Industrial	3.2	3.2	3.6	3.5	3.9	3.6	3.9	10.0%	9.3%
Services	9.8	9.8	9.7	0.0	0.0	0.0	0.0	n.m.	n.m.

Source: Company, Affin Hwang
**Excluded unrealised rental income (in relation to unbilled lease income receivable)*



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Important Disclosures and Disclaimer

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.

OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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