



### SUNWAY REIT

**Neutral**

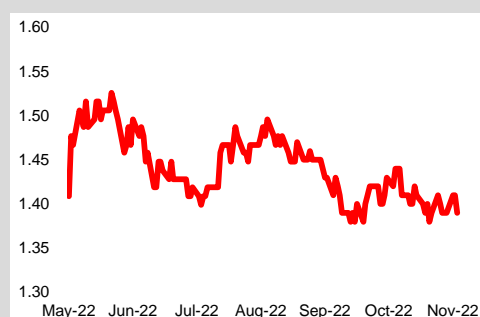
#### DESCRIPTION

Sunway REIT owns diversified assets such as retail, office and hotels

12-Month Target Price RM1.55  
Current Price RM1.40  
Expected Return +11%

Market Main  
Sector REIT  
Bursa Code 2176  
Bloomberg Ticker SREIT MK  
Shariah-Compliant No

#### SHARE PRICE CHART



52 Week Range (RM) 1.32 – 1.58  
3-Month Average Vol ('000) 939.9

#### SHARE PRICE PERFORMANCE

	1M	3M	12M
Absolute Returns	-2.8	-5.9	-2.7
Relative Returns	-6.3	-4.8	-0.9

#### KEY STOCK DATA (post-deal completion)

Market Capitalisation (RMm)	4,794.7
No. of Shares (m)	3,424.8

#### MAJOR SHAREHOLDERS (post-deal completion)

	%
Sunway Berhad	40.9
EPF	15.2
Kumpulan Wang Persaraan	6.2

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## Better Performance

Sunway REIT's (SREIT) 3QFY22 realised net profit came in higher than expected at RM86.9m (no comparative quarter due to change of FY) which was above our and consensus expectations at 79.9% and 82.5% of respective full year profit forecasts. Group profits beat expectations mainly due to the sharp rebound in the retail and hotel segments due to the resumption of leisure activities and reopening of international borders. In addition, group earnings were also lifted by the opening of Sunway Carnival Mall's new wing and phased reopening of Sunway Resort Hotel. We adjust our FY22/23/24 upwards by average of 3% after revising the margin assumptions to reflect better asset performance. Maintain **Neutral** with TP unchanged at RM1.55 as we believe the stock is fairly valued now given narrowing spreads due to expectation of more rate hikes.

§ **Retail revenue rose 70% YoY** to RM110.3m in 3QFY22 underpinned by encouraging retail sales, improved retail footfall and new income contribution from the new wing of Sunway Carnival Mall which was launched on 24 June 2022. As such, NPI for the retail segment jumped 120% YoY to RM80.5m during the quarter and the quantum is higher mainly due to recovery of doubtful debts as a result of improvement in rental collection in the current quarter. We understand that the Group is expecting a slight positive rental reversion for FY22.

§ **Hotel segment's occupancy at c.50% Ytd.** We understand that hotel occupancy improved YoY from 45% to 50% for the similar period YTD with the segment registering RM18.4m in 3QFY22 (from RM6.2m in 5QFP21). We expect the segment's recovery to continue especially in 4Q, as we are entering year-end holiday season. Elsewhere, group hotel earnings were also supported by contribution from the phase 1 reopening of Sunway Resort Hotel with 200 rooms out of total 460 rooms operational.

§ **Office segment's occupancy remains steady.** Group office segment revenue rose 6% YoY to RM20.0m in 3QFY22 while NPI for the Office segment was unchanged compared YoY at RM12.8m. The offices in the Group's portfolio recorded a stable occupancy rate of 84% YTD, supported by the commencement of new tenants in Sunway Putra Tower and The Pinnacle Sunway, offset by the termination of tenants in Menara Sunway and Sunway Tower.

#### KEY FORECAST TABLE

FYE Dec (RM m)	2020A*	2021A#	2022F	2023F	2024F	CAGR
Revenue	556.9	675.6	632.4	645.3	657.6	4.2%
Pre-tax Profit	207.1	194.7	309.6	326.0	331.1	12.4%
Reported Net Profit	208.0	195.5	309.6	326.0	331.1	12.3%
Realised Net Profit	228.4	221.9	309.6	326.0	331.1	9.7%
Realised EPS (Sen)	7.8	7.0	9.0	9.5	9.7	5.7%
P/E (x)	18.1	20.1	15.5	14.7	14.5	
DPS (Sen)	7.3	6.1	8.6	9.0	9.2	
Dividend Yield (%)	5.2	4.4	6.1	6.5	6.6	

Source: Company, PublicInvest Research estimates, \*FYJune, #18-month FY Dec



Table 1: Results Review

<b>FYE Dec (MYRm)</b>	<b>3Q FY22</b>	<b>Jul to Sep 2021</b>	<b>YoY chg (%)</b>	<b>2Q FY22</b>	<b>QoQ chg (%)</b>	<b>YTD FY22</b>	<b>YTD Jan to Sep 21</b>	<b>YoY chg (%)</b>
Gross rental income	166.2	106.9	55.5	144.5	15.0	464.7	314.6	47.7
Net property income	128.2	70.5	81.9	106.9	20.0	354.0	199.9	77.1
Interest income	1.2	1.9	-36.2	1.0	16.4	3.6	5.9	-39.6
Revaluation gain/others	0.0	0.0	nm	0.0	nm	18.3	0.0	nm
Finance costs	-26.1	-21.5	21.8	-22.8	14.8	-69.8	-65.6	nm
Profit before tax	91.9	41.1	123.8	74.5	23.4	272.7	111.4	144.8
Taxation	0.0	0.0	nm	0.0	nm	0.0	0.0	nm
Net profit	91.9	40.1	129.4	74.5	23.3	272.7	110.4	147.0
Realised Net Profit	86.9	36.0	141.1	69.5	24.9	239.5	96.4	148.3

Source: Company

## KEY FINANCIAL DATA

### INCOME STATEMENT DATA

FYE Dec (RM m)	2020A*	2021A#	2022F	2023F	2024F
Revenue	556.9	675.6	632.4	645.3	657.6
Total Expenses	-40.5	-25.7	-45.5	-46.3	-47.1
Pre-tax Profit	207.1	194.7	309.6	326.0	331.1
Income Tax	-0.9	-0.8	0.0	0.0	0.0
Effective Tax Rate (%)	0.4	0.4	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0
Reported Net Profit	208.0	195.5	309.6	326.0	331.1
Realised Net Profit	228.4	221.9	309.6	326.0	331.1

#### Growth

Revenue	-4%	21%	-6%	2%	2%
Pre-tax Profit	-47%	-6%	59%	5%	2%
Reported Net Profit	-46%	-6%	58%	5%	2%
Realised Net Profit	-19%	-3%	40%	5%	2%

Source: Company (actual), PublicInvest Research estimates (forecast), \*FYJune, #18-month FY Dec

### BALANCE SHEET DATA

FYE Dec (RM m)	2020A*	2021A#	2022F	2023F	2024F
Property, Plant & Equipment	8,050.1	8,750.7	8,757.7	8,849.8	8,982.6
Cash and Cash Equivalents	281.5	340.5	489.4	518.1	295.9
Receivables, deposits and prepayment	128.7	59.3	49.7	50.7	51.7
Other Assets	0.0	0.0	0.0	0.0	0.0
<b>Total Assets</b>	<b>8,460.2</b>	<b>9,150.5</b>	<b>9,296.8</b>	<b>9,418.6</b>	<b>9,330.2</b>
Payables	152.6	208.9	256.7	262.0	267.0
Borrowings	3,445.4	3,435.4	3,435.4	3,435.4	3,195.4
Deferred tax	0.0	0.0	0.0	1.0	2.0
Other Liabilities	92.5	41.0	41.0	40.0	39.0
<b>Total Liabilities</b>	<b>3,690.5</b>	<b>3,685.3</b>	<b>3,733.1</b>	<b>3,738.3</b>	<b>3,503.4</b>
Shareholders' Equity	4,769.8	5,465.2	5,563.7	5,680.3	5,826.8
<b>Total Equity and Liabilities</b>	<b>8,460.2</b>	<b>9,150.5</b>	<b>9,296.8</b>	<b>9,418.6</b>	<b>9,330.2</b>

Source: Company (actual), PublicInvest Research estimates (forecast), \*FYJune, #18-month FY Dec

### PER SHARE DATA & RATIOS

FYE Dec	2020A*	2021A#	2022F	2023F	2024F
Book Value Per Share	1.6	1.7	1.6	1.7	1.7
NTA Per Share	1.6	1.7	1.6	1.7	1.7
EPS (Sen)	7.8	7.0	9.0	9.5	9.7
DPS (Sen)	7.3	6.1	8.6	9.0	9.2
Payout Ratio (%)	94.5	87.6	95.0	95.0	95.0
ROA (%)	2.5	2.1	3.3	3.5	3.5
ROE (%)	4.4	3.6	5.6	5.7	5.7

Source: Company (actual), PublicInvest Research estimates (forecast), \*FYJune, #18-month FY Dec

## RATING CLASSIFICATION

### STOCKS

<b>OUTPERFORM</b>	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
<b>NEUTRAL</b>	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
<b>UNDERPERFORM</b>	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
<b>TRADING BUY</b>	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
<b>TRADING SELL</b>	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
<b>NOT RATED</b>	The stock is not within regular research coverage.

### SECTOR

<b>OVERWEIGHT</b>	The sector is expected to outperform a relevant benchmark over the next 12 months.
<b>NEUTRAL</b>	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
<b>UNDERWEIGHT</b>	The sector is expected to underperform a relevant benchmark over the next 12 months.

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