Sunway REIT

(5176 | SREIT MK) Main | REIT

ESG 3 Stars

Corporate Update

Maintain **BUY**

Unchanged Target Price **RM2.10**

1QFY25 Results Review
Retail Division Remains Solid

Maintain BUY with an unchanged TP of RM2.10. Sunway REIT 1QFY25 core net income came in within expectations. Earnings were stronger on sequential basis (+8.3%qoq) mainly due to seasonally stronger earnings contribution from retail segment. On yearly basis, earnings were higher (+19.9%) due to solid performance of retail division which mainly underpinned by higher contribution from Sunway Pyramid post opening of Oasis wing. Earnings outlook remains positive mainly attributed to retail division. Net distribution yield is estimated at 4.8%.

1QFY25 earnings within expectations. Sunway REIT 1QFY25 core net income of RM104.3m came in within our and consensus expectations, making up 27.2% and 26.6% of our and consensus full year estimates respectively. No distribution per unit was announced due to its bi-annual distribution policy.

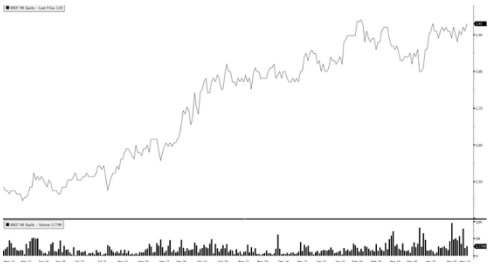
Earnings driven by retail division. On a sequential basis, 1QFY25 core net income increased to RM104.3m (+8.3%qoq) mainly driven by higher contribution from retail division which offset weaker contribution from hotel division. Net property income (NPI) of retail division climbed +12.8%qoq due to higher rental income from Sunway Pyramid Mall after re-opening of Oasis wing in Sunway Pyramid Mall as well as seasonally higher shopper footfall in 1QFY25. Besides, contribution from newly acquired Sunway 163 Mall and Sunway Kluang Mall also helped earnings growth of retail division. On the other hand, hotel division recorded lower NPI (-44.2%qoq) in 1QFY25 as earnings in 4QFY24 was lifted by year-end holiday season while hotel division was typically softer during Ramadan season in 1QFY25.

Solid earnings in 1QFY25. On a yearly basis, 1QFY25 core net income was higher (+19.9%yoy), in line with higher topline (+22.6%yoy). The solid earnings were driven by better performance of retail segment which offset the lower contribution from hotel and office segments. Retail division recorded higher NPI (+34.4%yoy) due to higher contribution from Sunway Pyramid Mall and Sunway Carnival Mall as well as contribution from newly acquired assets. Meanwhile, hotel division was weaker due to lower MICE activities during Ramadan month in March.

Target price maintained at RM2.10. We make no changes to our earnings forecast for FY25/26/27F. We continue to see good earnings outlook for Sunway REIT mainly due to better performance of retail division on the back of higher contribution from Sunway Pyramid Mall and Sunway Carnival Mall. Our TP is maintained at RM2.10, based on dividend-discount model. Meanwhile, net distribution yield is estimated at 4.8%.

RETURN STATISTICS	
Price @ 14 May 2025 (RM)	1.93
Expected share price return (%)	+8.8
Expected dividend yield (%)	+4.8
Expected total return (%)	+13.6

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	1.6	-5.0
3months	6.0	-2.5
12 months	22.9	24.7

INVESTMENT STATISTICS

FYE Dec	2025E	2026F	2027F
Revenue	803	823	843
Net Rental Income	615	629	643
Net Investment Income	621	635	648
Core Net Income	383	402	428
Core EPU (sen)	11.18	11.73	12.48
Net DPU (sen)	9.18	9.45	11.01
Dividend Yield	4.8%	4.9%	5.7%

KEY STATISTICS

FBM KLCI	1,583.51
Issue shares (m)	3,424
Estimated free float (%)	50.15
Market Capitalisation (RM'm)	6,609.88
52-wk price range	RM1.52 – RM2.01
3-mth average daily volume (m)	3.01
3-mth average daily value (RM'm)	5.65
Top Shareholders (%)	
Sunway Berhad	40.89
EPF	15.77
Kumpulan Wang Persaraan	5.99

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Sunway REIT: 1QFY25 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY25	%YoY	%QoQ	FY25	%YoY
Gross Revenue	218.9	22.6%	-0.9%	218.9	22.6%
Net Rental Income (NRI)	157.2	20.4%	-5.1%	157.2	20.4%
Net Investment Income	160.3	17.1%	-39.7%	160.3	17.1%
Net Income	104.3	19.9%	-48.8%	104.3	19.9%
Core Net Income (CNI)	104.3	19.9%	8.3%	104.3	19.9%
Realised EPU (sen)	3.0	19.9%	-48.8%	3.0	19.9%
Core EPU (sen)	3.0	19.9%	8.3%	3.0	19.9%
Gross DPU (sen)	0.0	0%	-100.0%	0.0	0%

Source: Company, MIDFR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F
Gross Revenue	716	767	803	823	843
Net Rental Income	527	570	615	629	643
Net Investment Income	527	746	621	635	648
Net Income	338	525	378	402	428
Core Net Income	338	351	383	402	428
Core EPU (sen)	9.9	10.3	11.2	11.7	12.5
Core PER (x)	19.5	18.8	17.3	16.5	15.5
NAV/unit (RM)	1.61	1.71	1.73	1.74	1.75
P/NAV (x)	1.20	1.13	1.11	1.11	1.11

Balance Sheet (RM'm)	2023A	2024A	2025E	2026F	2027F
Investment Properties	8,912	10,385	10,395	10,405	10,415
Total non-current assets	8,990	10,472	10,409	10,419	10,429
Cash	425	290	280	198	283
Other Assets	123	41	131	267	195
Total Assets	**9,539**	**10,803**	**10,820**	**10,883**	**10,907**
LT Borrowings	2,000	2,730	2,800	2,762	2,717
ST Borrowings	1,637	1,737	1,789	1,843	1,898
Other Liability	386	464	302	308	313
Total Liability	4,023	4,931	4,891	4,912	4,928
Unitholders' capital	3,434	3,434	3,434	3,434	3,434
Other Equity	2,082	2,438	2,495	2,537	2,546
Total Equity	5,516	5,872	5,929	5,971	5,979
Equity + Liability	**9,539**	**10,803**	**10,820**	**10,883**	**10,907**

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
Cash flows from operating activities					
Cash Receipt from Customers	727	771	811	831	851
Net cash from operating activities	446	544	630	651	672
Cash flows from investing activities					
Subsequent Expenditure of Inv Properties	-200	-313	-170	-157	-10
Net cash used in investing activities	135	-1210	-164	-148	3
Cash flows from financing activities					
Net cash from/(used in) financing activities	-407	530	-475	-586	-589
Net increase/(decrease) in cash and cash equivalents	174	-136	-9	-83	85
Cash and cash equivalent at 1 January	251	425	290	280	198
Cash and cash equivalent at 1 December	425	290	280	198	283

Profitability Margin	2023A	2024A	2025E	2026F	2027F
Profitability Margins	73.6%	97.3%	77.3%	77.1%	76.9%
Net Investment Income margin	47.3%	45.8%	47.7%	48.8%	50.7%
Core net income margin	6.6%	6.8%	7.2%	7.4%	7.8%
ROE	3.6%	3.5%	3.5%	3.7%	3.9%

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MIDF AMANAH 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