Corporate Update

Sunway REIT

(5176 | SREIT MK) Main | REIT

3 Stars

Maintain **NEUTRAL**

Unchanged Target Price **RM2.10**

2QFY25 Results Review
Earnings Lifted by Retail Division

1HFY25 earnings within expectations. Sunway REIT 1HFY25 core net income of RM206.7m came in within expectations, making up 54% and 52% of our and consensus full year estimates respectively. Distribution per unit of 5.68sen is announced for 1HFY25.

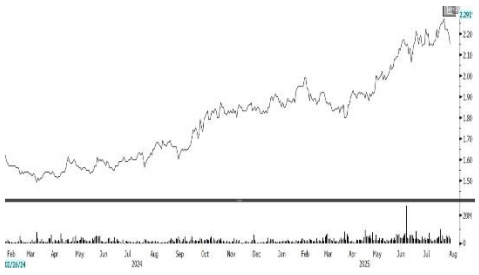
Lower sequential earnings due to high base effect. On a sequential basis, 2QFY25 core net income eased marginally to RM102.4m (-1.9%qoq), in line with lower topline (-3.4%qoq). The slight drop in earnings were mainly due to lower contribution from retail division which cushioned by the marginally higher contribution from hotel division. Net property income (NPI) of retail division eased by -2.3%qoq mainly due to lower income from Sunway Pyramid Mall as retail business normalised from high base in 1QFY25. Note that retail industry was boosted by festive season in 1QFY25. Meanwhile, hotel division saw recovery in NPI (+4.1%qoq) as earnings in 1QFY25 were softer during Ramadan month.

Earnings lifted by retail division. On a yearly basis, 2QFY25 earnings jumped to RM102.4m (+29.7%yoy). That brought cumulative earnings in 1HFY25 higher at RM206.7m (+24.6%yoy) which was in line with higher topline (+21.5%yoy). The decent earnings growth was spurred by higher contribution from retail division which offset the weaker contribution from hotel and office divisions. NPI of retail division saw decent growth of 33.4%yoy mainly due to higher rental from Sunway Pyramid Mall and contribution from newly acquired assets. Notably, rental income of Sunway Pyramid Mall was supported by positive rental reversion and reconfiguration of Oasis wing which lifted rental rate. On the other hand, NPI of hotel division was weaker (-16.6%yoy) mainly due to softer leisure demand which led to decline in average occupancy rate from 62% to 60%.

Maintain Neutral with an unchanged target price of RM2.10. We make no changes to our earnings forecast for FY25/26/27F. We also maintain our TP for Sunway REIT at RM2.10, based on dividend discount model. While we remain positive on earnings outlook for Sunway REIT which will be mainly underpinned by solid contribution from retail division. Nevertheless, upside is limited following recent increase in share price. Hence, we maintain our **NEUTRAL** call on Sunway REIT. Distribution yield is estimated at 4.7%.

RETURN STATISTICS	
Price @ 12 Aug 2025 (RM)	2.15
Expected share price return (%)	-2.3
Expected dividend yield (%)	+4.7
Expected total return (%)	+2.4

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.0	-2.0
3months	2.4	10.5
12 months	31.9	35.2

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)	10.17	10.44	10.89
Dividend Yield	4.7%	4.9%	5.0%

KEY STATISTICS

FBM KLCI	1,567.90
Issue shares (m)	3,424
Estimated free float (%)	50.15
Market Capitalisation (RM'm)	7,363
52-wk price range	RM1.59 – RM2.32
3-mth average daily volume (m)	4.14
3-mth average daily value (RM'm)	8.84
Top Shareholders (%)	
Sunway Berhad	40.89
EPF	15.64
Kumpulan Wang Persaraan	5.96

Analyst

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Sunway REIT: 2QFY25 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative Results	
	2QFY25	%YoY	%QoQ	1HFY25	%YoY
Gross Revenue	211.4	20.4%	-3.4%	430.3	21.5%
Net Rental Income (NRI)	154.9	19.8%	-1.5%	312.1	20.1%
Net Investment Income	187.1	-5.3%	16.7%	347.4	3.9%
Net Income	129.4	-10.8%	24.0%	233.7	0.7%
Core Net Income (CNI)	102.4	29.7%	-1.9%	206.7	24.6%
Realised EPU (sen)	3.8	-10.8%	24.0%	6.8	0.7%
Core EPU (sen)	3.0	29.7%	-1.9%	6.0	24.6%
Gross DPU (sen)	5.7	21.9%	N/A	5.7	21.9%

Source: Company, MBSBR

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)	21.8	21.0	19.2	18.3	17.2
NAV/unit (RM)	1.61	1.71	1.73	1.74	1.75
P/NAV (x)	1.33	1.25	1.24	1.23	1.23

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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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