Corporate Update

# Sunway REIT

(5176 | SREIT MK) Main | REIT

ESG 3 Stars

Downgrade to **NEUTRAL**

(from BUY)

Revised Target Price **RM2.48**

(from RM2.34)

## 4QFY25 Results Review Limited Upside

**FY25 earnings within expectations.** Sunway REIT FY25 core net income of RM445.2m came in within our expectation but slightly above consensus expectation, making up 99% and 106% of our and consensus full year estimates respectively. Distribution per unit (DPU) of 8.8sen was announced for 4QFY25, bringing total DPU to 14.48sen in FY25 and translating into gross yield of 5.8%.

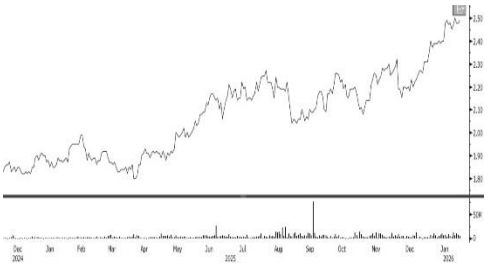
**Lower sequential earnings.** On a sequential basis, 4QFY25 core net income declined to RM114.7m (-7.4%qoq), in tandem with the lower topline (-3.7%qoq). The lower sequential earnings were mainly due to lower contribution from hotel division and loss of income from Sunway university & college campus. Note that disposal of Sunway university & college campus was completed in 3QFY25. Net property income of hotel division was lower (-15%qoq) due to high base in 3QFY25. Recall that 3QFY25 earnings of hotel division was boosted by strong demand meetings, incentives, conferences, and exhibitions (MICE) which lifted hotel occupancy and F&B revenue. Meanwhile, NPI of retail division and office segment was stable.

**Resilient retail segment.** On a yearly basis, 4QFY25 core net income was higher at RM114.7m (+19.1%yoy) while revenue expanded by +3.1%yoy. The higher earnings were due to better contribution from retail division particularly Sunway Pyramid Mall and Sunway Carnival Mall. Besides, the contribution from newly acquired malls namely Sunway Kluang Mall and AEON Mall Seri Manjung lifted earnings. Furthermore, earnings growth was helped by lower finance cost (-20%yoy). That has more than enough to offset the loss of income from Sunway university & college campus. Cumulatively, FY25 core net income was higher at RM445.2m (+26.7%yoy), mainly due to the strong performance of retail division.

**Downgrade to NEUTRAL from BUY with a revised TP of RM2.48.** We fine tune FY26/27 earnings forecast by +0.4%/+0.3% post release of FY25 full year earnings. We also introduce our earnings forecast for FY28. We revise our **TP** for Sunway REIT to **RM2.48** from RM2.34 as we rollover our valuation to FY27. Our TP is based on dividend discount model. We see outlook for Sunway REIT will continue to drive by the resilient performance of retail segment. Nevertheless, we opine that the recent rally in share price has priced in the positives. Hence, we downgrade Sunway REIT to **NEUTRAL** from BUY.

| RETURN STATISTICS | |
|---|---|
| Price @ 29 Jan 2026 (RM) | 2.51 |
| Expected share price return (%) | -1.2 |
| Expected dividend yield (%) | +5.4 |
| Expected total return (%) | +4.2 |

**SHARE PRICE CHART**



| Price performance (%) | Absolute | Relative |
|---|---|---|
| 1 month | 8.2 | 5.0 |
| 3months | 8.2 | 7.1 |
| 12 months | 33.0 | 19.1 |

**INVESTMENT STATISTICS**

| FYE Dec | 2026E | 2027F | 2028F |
|---|---|---|---|
| Revenue | 909 | 931 | 959 |
| Net Rental Income | 709 | 725 | 746 |
| Net Investment Income | 715 | 731 | 751 |
| Core Net Income | 477 | 504.0 | 523.3 |
| Core EPU (sen) | 13.94 | 14.72 | 15.28 |
| Gross DPU (sen) | 13.52 | 14.13 | 14.67 |
| Gross Yield | 5.4% | 5.6% | 5.8% |

**KEY STATISTICS**

| | |
|---|---|
| FBM KLCI | 1,730.89 |
| Issue shares (m) | 3,424 |
| Estimated free float (%) | 50.15 |
| Market Capitalisation (RM'm) | 8,562 |
| 52-wk price range | RM1.65– RM2.54 |
| 3-mth average daily volume (m) | 5.61 |
| 3-mth average daily value (RM'm) | 12.84 |
| **Top Shareholders (%)** | |
| Sunway Berhad | 40.89 |
| EPF | 14.92 |
| KWAP | 5.84 |

**Analyst**

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## Sunway REIT: 4QFY25 RESULTS SUMMARY

| FYE Dec (RM'm, unless otherwise stated) | Quarterly Results | | | Cumulative Results | |
|---|---|---|---|---|---|
| | 4QFY25 | %YoY | %QoQ | FY25 | %YoY |
| Gross Revenue | 227.6 | 3.1% | -3.7% | 894.3 | 16.6% |
| Net Rental Income (NRI) | 165.0 | -0.4% | -8.8% | 658.0 | 15.5% |
| Net Investment Income | 232.1 | -12.7% | 22.5% | 768.9 | 3.0% |
| Net Income | 178.0 | -12.6% | 39.4% | 539.4 | 2.8% |
| Core Net Income (CNI) | 114.7 | 19.1% | -7.4% | 445.2 | 26.7% |
| Realised EPU (sen) | 5.2 | -12.6% | 39.4% | 15.7 | 2.8% |
| Core EPU (sen) | 3.3 | 19.1% | -7.4% | 13.0 | 26.7% |
| Gross DPU (sen) | 8.8 | 64.8% | N/A | 14.5 | 44.8% |

*Source: Company, MBSBR*

## FINANCIAL SUMMARY

| Profit or Loss (RM'm) | 2024A | 2025A | 2026E | 2027F | 2028F |
|---|---|---|---|---|---|
| Gross Revenue | 767 | 894 | 909 | 931 | 959 |
| Net Rental Income | 570 | 658 | 709 | 725 | 746 |
| Net Investment Income | 746 | 769 | 715 | 731 | 751 |
| Net Income | 525 | 539 | 477 | 504 | 523 |
| Core Net Income | 351 | 445 | 477 | 504 | 523 |
| Core EPU (sen) | 10.3 | 13.0 | 13.9 | 14.7 | 15.3 |
| Core PER (x) | 24.5 | 19.3 | 18.0 | 17.1 | 16.4 |
| NAV/unit (RM) | 1.71 | 1.72 | 1.74 | 1.74 | 1.75 |
| P/NAV (x) | 1.46 | 1.46 | 1.45 | 1.44 | 1.44 |

| Balance Sheet (RM'm) | 2024A | 2025A | 2026E | 2027F | 2028F |
|---|---|---|---|---|---|
| Investment Properties | 10,385 | 10,186 | 10,196 | 10,206 | 10,216 |
| Total non-current assets | 10,472 | 10,203 | 10,210 | 10,220 | 10,230 |
| Cash | 290 | 361 | 266 | 441 | 640 |
| Other Assets | 41 | 99 | 36 | 100 | 198 |
| **Total Assets** | **10,803** | **10,663** | **10,511** | **10,760** | **11,067** |
| LT Borrowings | 2,730 | 1,600 | 1,562 | 1,517 | 1,472 |
| ST Borrowings | 1,737 | 2,598 | 2,676 | 2,943 | 3,267 |
| Other Liability | 464 | 591 | 331 | 337 | 345 |
| Total Liability | 4,931 | 4,789 | 4,568 | 4,797 | 5,083 |
| 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 | 5,984 |
| **Equity + Liability** | **10,803** | **10,663** | **10,511** | **10,760** | **11,067** |

| Cash Flow (RM'm) | 2024A | 2025A | 2026E | 2027F | 2028F |
|---|---|---|---|---|---|
| Cash flows from operating activities | | | | | |
| Cash Receipt from Customers | 771 | 1041 | 918 | 941 | 969 |
| Net cash from operating activities | 544 | 721 | 738 | 761 | 790 |
| Cash flows from investing activities | | | | | |
| Subsequent Expenditure of Inv Properties | -313 | -181 | -157 | -10 | -10 |
| Net cash used in investing activities | -1210 | 190 | -148 | 3 | 6 |
| 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 | 5 | 175 | 199 |
| Cash and cash equivalent at 1 January | 425 | 290 | 261 | 266 | 441 |
| Cash and cash equivalent at 1 December | 290 | 261 | 266 | 441 | 640 |

| Profitability Margin | 2024A | 2025A | 2026E | 2027F | 2028F |
|---|---|---|---|---|---|
| Profitability Margins | 97.3% | 86.0% | 78.6% | 78.5% | 78.3% |
| Net Investment Income margin | 45.8% | 49.8% | 52.5% | 54.1% | 54.5% |
| Core net income margin | 6.8% | 8.4% | 8.8% | 9.2% | 9.6% |
| ROE | 3.5% | 4.1% | 4.5% | 4.7% | 4.8% |

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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