Corporate Update

Sunway REIT

(5176 | SREIT MK) Main | REIT

3 Stars

Maintain **BUY**

Unchanged Target Price **RM2.39**

3QFY26 Results Review
Stable Prospects Ahead

9MFY26 earnings within expectations. Sunway REIT 9MFY26 core net earnings of RM349.1m came in within expectations, making up 74% and 77% of our and consensus full year estimates respectively. No DPU was announced during the quarter as the REIT follows a semi-annual distribution policy.

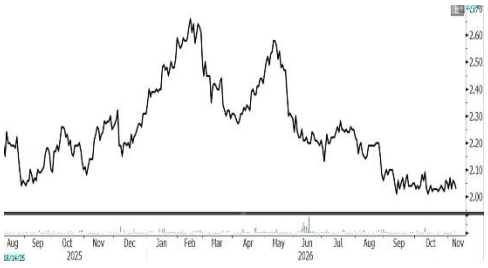
Hotel recovery lifts earnings. On a sequential basis, 2QFY26 earnings were higher at RM122m (+8.6%qoq). The improvement was mainly driven by stronger performance in the hotel division which offset the marginal decline in contribution from retail division. The hotel division posted better earnings with NPI growth of +71%qoq, supported by a higher number of corporate events and improved business activity during the quarter. Similarly, retail segment recorded marginal decline of -1.6%qoq in NPI mainly due to lower contributions from Sunway Putra Mall, arising from a one-off provision for maintenance costs.

Retail strength offsets hotel weakness. On a yearly basis, 3QFY26 core net income declined marginally to RM122.0m (-1.5%yoy), mainly due to weaker contributions from the hotel division and the loss of income from the Sunway University & College campus following the disposal of the asset. The hotel division was affected by lower MICE activities and geopolitical tensions in the Middle East, which led to softer hotel occupancy rates. Cumulatively, 9MFY26 core net income increased to RM349.1m (+5.6%yoy). The earnings growth was primarily driven by the retail division, which more than offset the weakness in the hotel segment. Retail NPI grew by +12.0%yoy, supported by the resilient performance of Sunway Pyramid Mall and Sunway Carnival Mall, as well as contributions from the newly acquired AEON Mall Seri Manjung.

Maintain BUY with an unchanged TP of RM2.39. We maintain our earnings forecast for FY26/27/28. We also maintain our **TP** for Sunway REIT at **RM2.39**, based on dividend discount model. We expect a stronger earnings outlook for Sunway REIT in FY27, underpinned by continued solid performance from the retail division. Retail division is expected to support by positive rental reversions across its key malls. Meanwhile, the hotel division, particularly Sunway Resort Hotel, is expected to benefit from its role as the headquarters hotel for the 34th Southeast Asian Games (SEA Games) 2027. We expect the hotel division to record higher occupancy and room rates. Meanwhile, gross distribution yield is attractive at 6.6%. Hence, we maintain our **BUY** call on Sunway REIT.

RETURN STATISTICS	
Price @ 10th Nov 2026 (RM)	2.03
Expected share price return (%)	+17.7
Expected dividend yield (%)	+6.6
Expected total return (%)	+24.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-2.9	-2.6
3months	-1.0	2.1
12 months	-5.1	-3.8

INVESTMENT STATISTICS

FYE Dec	2026E	2027F	2028F
Revenue	902	926	954
Net Rental Income	702	720	740
Net Investment Income	707	725	746
Core Net Income	470	498.8	517.5
Core EPU (sen)	13.74	14.56	15.11
Gross DPU (sen)	13.32	13.98	14.50
Gross Yield	6.6%	6.9%	7.1%

KEY STATISTICS

FBM KLCI	1,604.07
Issue shares (m)	3,424
Estimated free float (%)	52.25
Market Capitalisation (RM'm)	6,952
52-wk price range	RM2.02– RM2.67
3-mth average daily volume (m)	3.63
3-mth average daily value (RM'm)	7.57
Top Shareholders (%)	
Sunway Berhad	40.89
EPF	13.10
KWAP	5.34

Analyst
Jessica Low Jze Tieng
jessica.lowjt@mbsb.com
03-2173 8391

Sunway REIT: 3QFY26 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results				
	3QFY26	%YoY	%QoQ	FY26	%YoY
Gross Revenue	232.3	-1.7%	5.4%	675.7	1.3%
Net Rental Income (NRI)	173.8	-3.9%	6.6%	501.2	1.7%
Net Investment Income	179.4	-5.3%	8.5%	512.7	-4.5%
Net Income	122.0	-4.4%	8.6%	349.1	-3.4%
Core Net Income (CNI)	122.0	-1.5%	8.6%	349.1	5.6%
Realised EPU (sen)	3.6	-4.4%	8.6%	10.2	-3.4%
Core EPU (sen)	3.6	-1.5%	8.6%	10.2	5.6%
Gross DPU (sen)	0.0	0.0%	-100.0%	6.28	10.6%

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026E	2027F	2028F
Gross Revenue	767	894	902	926	954
Net Rental Income	570	658	702	720	740
Net Investment Income	746	769	707	725	746
Net Income	525	539	470	499	517
Core Net Income	351	445	470	499	517
Core EPU (sen)	10.3	13.0	13.7	14.6	15.1
Core PER (x)	19.8	15.6	14.8	13.9	13.4
NAV/unit (RM)	1.71	1.72	1.74	1.74	1.75
P/NAV (x)	1.18	1.18	1.17	1.17	1.16

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	258	428	622
Other Assets	41	99	42	111	214
Total Assets	**10,803**	**10,663**	**10,509**	**10,758**	**11,065**
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	329	336	343
Total Liability	4,931	4,789	4,567	4,796	5,082
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	5,983
Equity + Liability	**10,803**	**10,663**	**10,509**	**10,758**	**11,065**

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
Cash flows from operating activities					
Cash Receipt from Customers	771	1041	911	935	963
Net cash from operating activities	544	721	731	756	784
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	-3	170	194
Cash and cash equivalent at 1 January	425	290	261	258	428
Cash and cash equivalent at 1 December	290	261	258	428	622

Profitability Margin	2024A	2025A	2026E	2027F	2028F
Profitability Margins	97.3%	86.0%	78.5%	78.3%	78.2%
Net Investment Income margin	45.8%	49.8%	52.2%	53.9%	54.3%
Core net income margin	6.8%	8.4%	8.7%	9.1%	9.5%
ROE	3.5%	4.1%	4.4%	4.7%	4.7%

MBSB RESEARCH is part of MBSB Investment Bank Berhad 197501002077 (24878-X)

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report is prepared by MBSB Investment Bank Berhad (Company Registration No.: 197501002077 (23878-X)) and is for distribution only to the intended readers and under such circumstances as may be permitted by applicable law. Readers should be fully aware that this report is provided solely for informational purposes and does not constitute a Shariah advice nor constitute an investment recommendation or basis for any credit or other evaluation in any manner whatsoever.

The opinions and analyses contained in this report are based on information obtained or derived from sources that MBSB Investment Bank Berhad believes to be reliable. Any forward-looking statements in this report speak only as of the date of such statements. However, MBSB Investment Bank Berhad makes no representation or warranty, expressed or implied, as to the accuracy, completeness, or reliability of such information, and it should not be relied upon as such.

While the information presented in this report may include references to Shariah -compliant and non-compliant securities or other financial instruments, this report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments or to promote or endorse any specific investment. Investors are strongly advised to conduct their own due diligence and to consult licensed Shariah or financial advisors before making any investment decisions. Any action taken based on this report is at the sole discretion and risk of the investor.

The analyses in this report are based on numerous assumptions, and different assumptions could yield different results. All opinions and estimates in this report are subject to change without notice.

The research analysts will initiate, update, and cease coverage solely at the discretion of MBSB Investment Bank Berhad.

The directors, employees, and representatives of MBSB Investment Bank Berhad and MBSB Berhad may have interests in any of the securities mentioned and may benefit from the information contained herein. Members of MBSB Berhad and their affiliates may provide services to any company or its affiliates whose securities are mentioned in this report.

This report shall not be reproduced, distributed, or published in any form or for any purpose without the prior written consent of MBSB Investment Bank Berhad.

MBSB 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