



AmInvestment Bank

Company Report

SUNWAY REIT

(SREIT MK EQUITY, SUNW.KL)

11 Nov 2025

Muted Upside Amid Compressed Yields

HOLD

(Maintained)

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Rationale for report: Company Results

Price	RM2.14
Target Price	RM2.32
52-week High/Low	RM2.32/RM1.65

Key Changes

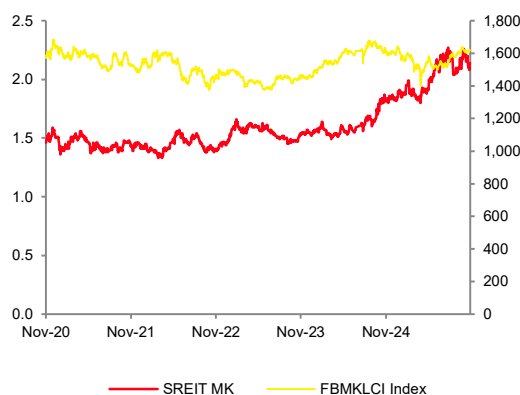
Fair value	↔
EPS	↔

YE to Dec	FY24	FY25F	FY26F	FY27F
Gross Revenue (RM mil)	767.1	836.0	831.5	844.1
Distributable Income (RM mil)	346.9	402.5	406.5	422.6
Consensus Net Income (RM mil)		400.7	412.0	426.6
EPU (sen)	10.1	11.8	11.9	12.3
DPU (sen)	10.0	11.8	11.9	12.3
DPU Growth (%)	7.5	17.5	1.0	4.0
Adj. Distribution Yield (%)	4.7	5.5	5.5	5.8
PE (x)	21.4	18.2	18.0	17.3
EV/EBITDA	16.9	19.8	20.3	19.8
ROE (%)	5.9	6.4	6.6	6.7
Debt-to-Asset Ratio (%)	41.3	37.2	37.9	37.4

Stock and Financial Data

Shares Outstanding (million)	3,424.8
Market Cap (RMmil)	7,329.1
Book Value (RM/Share)	1.71
P/BV (x)	1.3
ROE (%)	5.9
Debt-to-Asset Ratio (%)	41.3
Major Shareholders	Sunway (40.9%) EPF (13.5%) KWAP (6.0%)
Free Float	39.6
Avg Daily Value (RMmil)	15.9

Price performance	3mth	6mth	12mth
Absolute (%)	(3.6)	11.5	17.6
Relative (%)	(7.3)	6.5	17.7

Investment Highlights

FY26F yield remains tight at 5.5%, with a spread of 200bps against the 10-year MGS of 3.5% following a share price rally, which limits further upside. 9M25 earnings and NPI grew 22% YoY, supported by strong retail performance and new asset contributions. Hotel performance rebounded in 3Q25 with improved occupancy and room rates after a weak 1Q25. Gearing is projected to ease below 38% post-RM500 million MTN repayment in October 2025. Uplift in future distributions will rely on the acquisition of higher-yielding assets to replace the divested Sunway University & College campus.

- **We maintain our HOLD recommendation with an unchanged target price of RM2.32, based on DDM valuation.** Earnings forecasts and the 4-star ESG rating are unchanged. Following a strong share price rally since April 2025, FY26F yield has compressed to 5.5%, reducing the yield spread to 200bps—below the long-term average of nearly 300bps (since Jan 2023). With upside capped at under 15%, a HOLD call remains justified.
- **9M25 distributional income rose 35.9% YoY to RM338.7 million, supported by new mall acquisitions, stronger retail performance, and a RM21 million gain from the Sunway University & College campus sale.** Excluding the disposal gain, distributable income met expectations at 78.9% of our full-year target and 79.2% of consensus. Gross revenue rose 22% YoY, driven by 2024 and 2025 asset acquisitions - Sunway 163, Kluang Mall, Prai industrial property, Aeon Mall Sri Manjung—and improved performance at Sunway Pyramid and Carnival Mall post-AELs. NPI increased 22% YoY, aligning with the rise in revenue. Net interest expense increased 4.1% YoY due to higher borrowings, though this was partially mitigated by a lower average debt cost of 3.83% (down 5bps YoY). Gearing stood at 41.4% but is expected to decline to below 38% in 4Q25, following the RM500 million MTN repayment in October 2025, supported by RM850 million in cash as of end-September. QoQ, 3Q25 distributable income rose 48.9% to RM143.6mil, driven by stronger retail NPI and a hotel segment rebound from higher occupancy and average room rates.
- **Retail and industrial occupancy rose 2% and 13% YoY in 9M25, while office declined 3% and hotels stayed flat.** Average retail rents rose 2%, hotel room rates slipped 1%, office rents declined 1%, and industrial rents jumped 58% due to stronger occupancy at Sunway REIT Industrial – PJ1.
- **Retail rental reversion holding up at over 10% while revenue contributions from the office and industrial segments are poised to improve in 4Q25.** Office revenue is projected to rise in 4Q25, supported by increased occupancy at Sunway Tower and Sunway Putra Tower. Industrial contributions are also set to grow, with Sunway REIT Industrial – Petaling Jaya 1 surpassing 70% occupancy. Meanwhile, management remains cautiously optimistic on hotel assets due to intensified competition from new supply.

EXHIBIT 1: RESULTS SUMMARY

FY 31 Dec (RMmil)	3QFY24	2QFY25	3QFY25	QoQ (%)	YoY (%)	9MFY24	9MFY25	YoY (%)
Gross Revenue	192.1	211.4	236.4	11.8	23.1	546.3	666.7	22.0
Property Operating Expenses	(47.8)	(56.5)	(55.5)	(1.7)	16.1	(142.1)	(173.7)	22.2
Net Property Income	144.3	154.9	180.9	16.8	25.3	404.2	493.0	22.0
Net investment income	144.4	182.0	184.8	1.6	28.0	470.4	524.0	11.4
Manager's fee	(11.9)	(13.0)	(14.0)	7.6	17.2	(34.4)	(39.7)	15.2
Trustee's fee	(0.2)	(0.2)	(0.2)	2.0	3.0	(0.6)	(0.7)	12.4
Other trust expenses	(1.1)	(0.7)	(0.7)	(1.9)	(36.5)	(3.0)	(2.0)	(34.1)
EBIT	131.1	168.0	169.9	1.1	29.6	432.4	481.7	11.4
Net interest income/expenses	(42.0)	(38.7)	(37.6)	(2.7)	(10.3)	(111.3)	(115.8)	4.1
Profit before EI	89.1	129.4	132.3	2.2	48.4	321.2	365.9	13.9
Exceptional item (EI)	0.0	0.0	0.0	n.a.	n.a.	0.0	0.0	n.a.
Associates/JV contribution	0.0	0.0	0.0	n.a.	n.a.	0.0	0.0	n.a.
Profit Before Taxation	89.1	129.4	132.3	2.2	48.4	321.2	365.9	13.9
Taxation	0.0	0.0	(4.6)	n.a.	n.a.	0.0	(4.6)	n.a.
Minority Interest (MI)	0.0	0.0	0.0	n.a.	n.a.	0.0	0.0	n.a.
Net Income	89.1	129.4	127.7	(1.3)	43.2	321.2	361.4	12.5
Adjustment	(0.0)	(32.8)	15.9	(148.4)	>100	(72.0)	(22.6)	(68.6)
Adjusted Distributable Income	89.1	96.5	143.6	48.7	61.1	249.2	338.7	35.9
Adjusted Distributable Income excluding gains on disposal of investment property	89.1	96.5	122.5	26.9	37.5	249.2	317.7	27.5
<u>Distribution:</u>								
EPU (sen)	2.6	2.8	4.2	48.6	60.5	7.3	9.9	35.9
Declared DPU (sen)	0.0	5.7	0.0	(100.0)	n.a.	4.7	5.7	21.9
NAV/unit	1.5	1.5	1.5	(0.4)	2.2	1.5	1.5	(0.4)
Weighted average units in issue ('Mil)	3,424.8	3,424.8	3,424.8	0.0	0.0	3,424.8	3,424.8	0.0
<u>Margin:</u>								
Net Property Income Margin (%)	75.1	73.3	76.5	4.4	1.9	73.4	73.9	0.6
EBIT margin (%)	46.4	61.2	55.9	(8.6)	20.6	65.5	54.9	(10.6)
Net Interest Coverage (x)	3.1	4.3	4.5	3.9	44.5	4.3	4.2	(0.2)
Debt/Asset Ratio (%)	43.1	41.2	41.4	0.5	(3.9)	43.7	41.4	(2.3)

Source: Company, AmlInvestment Bank

EXHIBIT 2: VALUATION: SREIT

WACC	7.5%
Weighted Cost of Equity	6.2%
Average Cost of Debt	3.9%
Market risk premium	7.0%
Beta	0.9
Long term growth rate	2.0%
ESG Premium	3% premium
12-month target price	RM2.32

Source: AmlInvestment Bank

EXHIBIT 3: DIVIDEND DISCOUNT MODEL (DDM)**Discount Dividend Model****Assumption for Weighted Average Cost of Capital (WACC)**

Risk Free Rate	3.5%
Beta	0.9
Market Return	11%

Cost of Equity (Ke)	9.5%
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Average Cost of Debt	3.9%
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Capital Structure: (RM Mil)

Market Cap	7,363.3	65.2%
Total Borrowing	3,934.5	34.8%
Total	11,297.8	100.0%

Weighted Average Cost of Capital (WACC):

	Weight	Cost	W X C
Cost of Equity (Ke)	65.2%	9.5%	6.2%
Average Cost of Debt	34.8%	3.9%	1.4%
WACC			7.5%

	2026	2027	2028	2029	2030	Terminal Value
Multi-Stage DDM						
Period	1	2	3	4	5	
Dividends (RM)	0.12	0.12	0.13	0.13	0.14	2.50
Present Value (RM)	0.11	0.11	0.10	0.10	0.09	1.74
Valuation	2.26					
(+3%) adjustment for 4-star ESG rating	0.06					
Fair Value/unit (RM)+ESG	2.32					
WACC (%)	7.5%					
Growth Rate (%)	2%					

Source: Company, AmInvestment Bank

Company profile

SREIT is a diversified REIT. Retail assets make up 63% of its total assets under management followed by hotels (19%), offices (10%), services (6%) and industrial and others (2%). Average occupancy rate for its retail properties stood at a high 97%.

Investment thesis and catalysts

After a strong share price rally since April, FY26F yield has compressed to 5.5%, reducing the yield spread to 200bps versus the 10-year MGS yield of 3.5%. This is below the historical average of nearly 300bps since January 2023. With limited share price upside of under 15%, we see a HOLD recommendation as appropriate.

Valuation methodology

We are valuing the stock based on DDM with a WACC of 7.5% (beta: 0.9, market risk premium: 7.0%, pre-tax cos of debt: 3.9%, long term growth rate: 2%)

Risk factors

Risk to our call includes higher than expected 10-year MGS yield following the elevated interest rates in US post elections which could lower distribution yield spread and attraction for the REIT. Also, any slowdown in consumption spending from a slower economic growth and subsidy rationalizations could impact the malls' rental reversion rates and occupancy rates.

EXHIBIT 4: ESG MATRIX

	Environmental assessment	Parameters	Weightage	Rating					Rationale
1	Scope 1 GHG Emissions	Revenue/Co2e	20%	*	*	*	*		14.3% YoY decrease in FY24
2	Scope 2 GHG Emissions	Revenue/Co2e	20%	*	*	*	*		31.8% YoY increase in FY24
3	Scope 3 GHG Emissions	Revenue/Co2e	20%	*	*	*	*		3.4% YoY increased in FY24
4	Water usage	Revenue/water consumption	20%	*	*	*	*		4.4% decreased compared to FY23 on managed assets
5	Energy usage	Revenue/energy consumption	10%	*	*	*	*		1.9% decreased YoY in FY24
6	Waste management	Amount of waste diverted away from the landfill	10%	*	*	*	*		Increased by 22.7% YoY in FY24 on diverted waste
	Weighted score for environmental assessment		100%	*	*	*	*		
	Social assessment								
1	Health, safety & well-being	Recorded injuries	25%	*	*	*	*		Number of fatalities zero
2	Women in workforce	% of total workforce in management	25%	*	*	*	*		82% in management
3	Investment in employee training	Average number of hours of training per year per employee trained	25%	*	*	*	*		Increased 6.1%YoY in FY24
4	Procurement sourcing from local vendors	% of total procurement	25%	*	*	*	*	*	100%
	Weighted score for social assessment		100%	*	*	*	*		
	Governance assessment								
1	Board age diversity	% under 60 years old	20%	*	*	*	*		29% in FY24 similar to FY23
2	Board women representation	% of total board directors	20%	*	*	*	*		43% representation in FY24
3	Directors with tenure below 6 years	% below 6 years category	20%	*	*	*	*		57%
4	Independent board directors	% of total board directors	20%	*	*	*	*		57% - independent non-exec
5	Remuneration to directors	% of total staff costs	20%	*	*	*	*		
	Weighted score for governance assessment		100%	*	*	*	*		
	Environmental score		40%	*	*	*	*		
	Social score		30%	*	*	*	*		
	Governance score		30%	*	*	*	*		
	Overall ESG Score		100%	*	*	*	*		

Source: Company, AmlInvestment Bank

EXHIBIT 5: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Gross Revenue	715.7	767.1	836.0	831.5	844.1
Property Operating Expenses	(188.8)	(197.4)	(229.1)	(234.8)	(237.7)
Net property income (NPI)	526.9	569.7	606.9	596.6	606.4
Net Investment Income	516.7	733.2	607.6	597.4	607.2
Net interest	(129.1)	(153.5)	(152.1)	(138.2)	(132.8)
Exceptional items	0.0	0.0	21.0	0.0	0.0
Pretax profit	339.6	527.6	412.5	395.4	411.1
Taxation	(1.4)	(2.9)	11.0	11.1	11.5
Minorities	0.0	0.0	0.0	0.0	0.0
Net income	338.2	524.7	402.5	406.5	422.6
Adjusted Distributable Income	319.0	343.8	402.5	406.5	422.6
Balance Sheet (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Plant and Equipment	17.4	16.6	17.8	19.2	20.5
Investment Properties	8,972.0	10,454.8	10,006.8	10,006.8	10,006.8
Total non-current assets	8,990.1	10,472.1	10,025.3	10,026.7	10,028.0
Cash & equivalent	425.3	289.8	483.4	515.4	549.5
Trade receivables	19.4	23.8	47.6	45.9	44.3
Other current assets	103.8	16.9	16.9	16.9	16.9
Total current assets	548.5	330.5	547.9	578.2	610.7
Trade payables	1.5	5.6	4.1	4.2	4.4
Short-term borrowings	1,637.0	1,736.7	971.8	1,302.5	1,551.3
Other current liabilities	268.6	336.1	264.7	263.3	267.1
Total current liabilities	1,907.1	2,078.5	1,240.6	1,570.1	1,822.8
Long-term borrowings	2,000.0	2,730.0	2,962.7	2,721.5	2,424.7
Other long-term liabilities	115.5	122.1	120.7	120.1	121.7
Total long-term liabilities	2,115.5	2,852.1	3,083.4	2,841.6	2,546.4
Total Unitholders' funds	5,516.1	5,872.0	6,249.3	6,193.3	6,269.5
Minority interests	—	—	—	—	—
NAV per unit (RM)	1.5	1.6	1.7	1.7	1.7
Cash Flow (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Pretax profit	339.6	527.6	412.5	395.4	411.1
Depreciation/Amortisation	0.0	0.0	0.0	0.0	0.0
Net change in working capital	(28.3)	124.7	(96.7)	0.4	5.6
Others	134.4	(2,437.8)	1,252.2	94.6	224.1
Cash flow from operations	445.6	(1,785.5)	1,568.1	490.4	640.7
Capital expenditure	(5.6)	(3.6)	(3.9)	(3.9)	(3.9)
Net investments & sale of fixed assets	130.4	1,482.8	(448.0)	0.0	0.0
Others	10.5	13.1	39.7	42.3	27.6
Cash Flow (used in) / from Investing	135.4	1,492.4	(412.2)	38.4	23.7
Debt raised/(repaid)	79.0	829.8	(532.3)	89.5	(48.0)
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Distribution paid to unitholders	(329.5)	(341.9)	(401.9)	(405.8)	(421.9)
Others	(156.4)	(166.6)	(191.7)	(180.5)	(160.4)
Cash flow (used in) / from Financing	(406.9)	321.2	(1,125.9)	(496.8)	(630.3)
Net cash flow	174.1	28.1	30.0	32.0	34.1
Net cash/(debt) b/f	251.3	425.3	453.4	483.4	515.4
Net cash/(debt) c/f	425.3	453.4	483.4	515.4	549.5
Key Ratios (YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Revenue growth (%)	9.9	7.2	9.0	-0.5	1.5
NPI margin (%)	73.6	74.3	72.6	71.8	71.8
Pretax margin (%)	47.4	68.8	49.3	47.6	48.7
Net income margin (%)	47.3	68.4	48.1	48.9	50.1
Interest cover (x)	3.6	4.4	3.6	3.9	4.1
DPU payout (%)	99.8	99.8	99.8	99.8	99.8
Receivable turnover (days)	18.3	19.4	20.8	20.2	19.2
Payable turnover (days)	6.6	6.5	6.5	6.5	6.7

SOURCE: COMPANY, AMINVESTMENT BANK ESTIMATES

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