UOBKayHian

Company – Results | Malaysia

Thursday, 13 August 2026

Sunway REIT (SREIT MK)

2Q26: In Line; Sunway Velocity Mall Acquisition Drawing Closer

Highlights

- 2Q26 results were within our expectations. A DPU of 6.28 sen was declared for 1H26, implying an annualised distribution yield of 5.7% as of end-Jun 26.
- Retail and hotel revenue saw solid growth of 11%/8% yoy respectively in 2Q26. Looking ahead, management expects mid-single-digit retail reversion, while hotels in Bandar Sunway benefit from forward group bookings and Formula 1 event at Sepang.
- Maintain BUY with unchanged target price of RM2.80. The potential Sunway Velocity Mall injection, alongside further retail and industrial acquisitions, should support SREIT's portfolio expansion towards RM14b-15b by 2027.

2Q26 Results

Year to 31 Dec (RMm)	2Q26	qoq%	yoy%	1H26	yoy%
Gross revenue	220.3	(1.2)	4.2	443.4	3.0
Retail	177.1	(4.2)	10.7	362.1	10.3
Hotel	18.1	39.3	8.0	31.1	(5.4)
Office	20.4	0.8	0.3	40.7	(0.3)
Others	4.7	(1.5)	(67.1)	9.5	(66.4)
Operating expenses	(57.4)	(2.1)	1.6	(116.0)	(1.9)
Net Property Income	163.0	(0.9)	5.2	327.4	4.9
Retail	130.4	(4.3)	14.2	266.7	15.5
Hotel	17.0	43.4	8.9	28.8	(5.7)
Office	12.1	(2.3)	(1.2)	24.4	(0.6)
Others	3.6	(9.3)	(72.6)	7.5	(71.3)
Core Net Profit	112.3	(2.2)	9.7	227.1	9.9
EPU (sen)	3.28	(2.2)	9.7	6.63	9.9
DPU (sen)	6.28	n.m.	10.6	6.28	10.6

Source: Sunway REIT, UOB Kay Hian

Analysis

- **In line.** Sunway REIT (SREIT) reported 2Q26 revenue of RM220m (-1% qoq, +4% yoy) and core net profit of RM112m (-2% qoq, +10% yoy). This brings 1H26 results to RM227m (+10% yoy), accounting for 48% and 50% of our and consensus full year forecasts, in line with our expectations.
- **Gross gearing ratio increased to 40.6% as of end-2Q26** (vs 1Q26: 40.2%). Average cost of debt was at 3.62% as of end-2Q26.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	767.1	894.3	922.9	962.4	1,011.6
Operating profit	569.7	658.0	676.5	709.3	745.5
Net profit (rep./act.)	524.8	539.4	468.8	486.1	506.6
Net profit (adj.)	364.5	453.6	468.8	486.1	506.6
EPU (sen)	10.6	13.2	13.7	14.2	14.8
DPU (sen)	10.0	14.5	13.4	13.9	14.5
PE (x)	20.2	16.2	15.7	15.1	14.5
P/B (x)	1.4	1.4	1.4	1.4	1.4
DPU yield (%)	4.7	6.7	6.2	6.5	6.7
Net margin (%)	47.5	50.7	50.8	50.5	50.1
Net debt/(cash) to asset (%)	33.7	38.7	36.0	37.2	38.0
Interest cover (x)	3.4	4.0	4.4	4.3	4.1
Consensus DPU (sen)	-	-	12.8	13.2	14.1
UOBKH/Consensus (x)	-	-	1.0	1.1	1.0

Source: Sunway REIT, Bloomberg, UOB Kay Hian

Analyst(s)

Ng Jo Yee
joyee@uobkh.com
+603 2147 1984

BUY (Maintained)

Share Price	RM2.15
Target Price	RM2.80
Upside	30.2%

Stock Data

Sector	Real Estate
Bloomberg ticker	SREIT MK
Shares issued (m)	3,424.8
Market cap (RMm)	7,671.6
Market cap (US$m)	1,883.6
3-mth avg daily t'over (US$m)	2.1

Price Performance (%)

52-week high/low				RM2.67/RM2.02
1mth	3mth	6mth	1yr	YTD
0.9	(3.9)	(6.3)	0.9	(3.0)

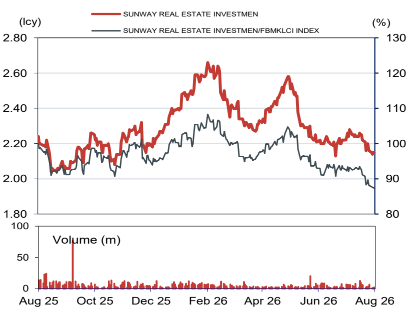
Major Shareholders (%)

Sunway Bhd	40.9
Employees Provident Fund	14.6
Kumpulan Wang Persaraan	4.5

Balance Sheet Metrics

FY26 NAV/Share (RM)	1.87
FY26 Net Debt/Share (RM)	1.19

Price Chart



Source: Bloomberg

Company Description

Sunway Real Estate Investment Trust invests in retail, office, and hotel properties.

- **Solid retail segment.** Excluding Sunway Carnival Mall and AEON Seri Manjung, retail revenue grew at a solid 5% yoy. Rental reversion came in at mid-single-digit range, in line with expectation while guidance for 2H26 remains at mid-single-digit. After a stronger seasonality in 1Q26, retail sales still recorded an encouraging 4% yoy growth in 2Q26 (vs 1Q26: +6% yoy). By asset, Sunway Pyramid and Sunway Carnival Mall's retail revenue grew by a solid 5% yoy and 35% yoy. Separately, Sunway 163's mall AEI Phase 1 has started since May 26 and is expected to be completed by Dec 26. The rental uplift post-AEI is expected at high single-digit.
- **Hotel: Expect a strong yoy growth for 2H26 supported by Formula 1 event at Sepang.** 2Q26 hotel revenue and NPI grew by a commendable 8% yoy and 9% yoy, driven by stronger performance across Sunway Resort Hotel, Sunway Lagoon Hotel and Sunway Putra Hotel, supported by international flight connectivity resumption and stronger MICE demand during the quarter. Looking ahead in 2H26, this segment is expected to record positive growth, underpinned by: a) existing forward bookings for leisure and MICE activities, and b) demand surge ahead of the Formula 1 event at Sepang during 2-4 Oct 26.
- **Improving office occupancy towards end-26.** 2Q26 office revenue (+0.3% yoy) and NPI (-1.2% yoy) were largely stable, with occupancy rate at over 80%. Wisma Sunway remains on track to achieve full occupancy by 4Q26 (vs 86% as of end-2Q26). Looking ahead in 2027, Menara Sunway has 71% of net lettable area (NLA) due for renewal, with 57% of the tenants under Sunway Group. Management shared that renewal discussions have been healthy, with a targeted low-single-digit reversion.
- **Acquisition pipeline remains active.** SREIT continues to evaluate both retail and industrial acquisitions from its sponsor and third parties, targeting yields of mid-6% to low-7% in general. Management noted that Sunway Velocity mall has matured and stabilised, following several AEIs by the sponsor to enhance its offerings and expand NLA, and hopes to see further progress in discussions in the coming quarters. For third-party industrial assets, vendor price expectations have risen, and further negotiations are needed to align pricing expectations.

Valuation/Recommendation

- **Maintain BUY with unchanged target price of RM2.80.** Our target price implies a dividend yield of 4.8%/5.0% for 2026/27 (vs 10-year mean 5.6%). SREIT remains committed to achieving its Transcend 2027 target of RM14b-15b AUM target (vs RM10b as of 2025). Key pipeline assets include Sunway Velocity (about RM2b) and Sunway Square Mall (up to RM1b), supplemented by potential third-party acquisitions.

Earnings Revision/Risk

- No earnings revision.

Environment, Social, Governance (ESG) Updates

Environmental

- SREIT aims to achieve Net Zero Carbon Emissions by 2050.
- Established internal carbon pricing framework at RM15 per tonne of CO_2e emitted.

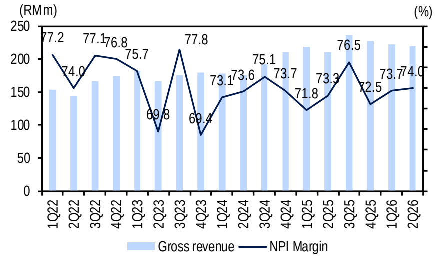
Social

- Established a Sustainability Policy and a Donations, Sponsorships and Corporate Responsibility Policy to guide the execution of sustainability as well as its commitment towards contributing to the communities.
- Formed an Occupational, Health, Safety and Environment Committee at the business segment level.

Governance

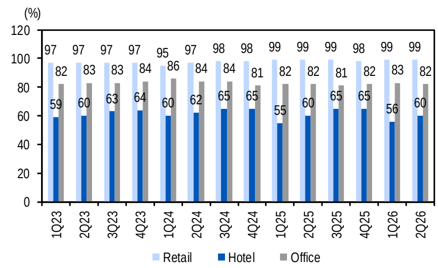
- About 43% of the Board of Directors are women.
- Adopted the Anti-Bribery and Corruption Policy and Procedure and is further supported by the existing Whistleblowing Policy and Procedures.

Revenue And NPI Margin



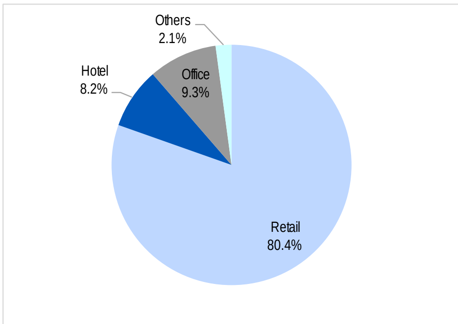
Source: SREIT, UOB Kay Hian

Portfolio Occupancy Rate



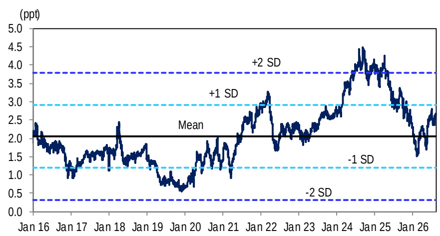
Source: SREIT, UOB Kay Hian

Revenue Breakdown (2Q26)



Source: SREIT, UOB Kay Hian

12-Month Forward Yield Spread



Source: SREIT, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	894.3	922.9	962.4	1,011.6
EBITDA	658.0	676.5	709.3	745.5
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	658.0	676.5	709.3	745.5
Total other non-operating income	(39.5)	(55.3)	(57.0)	(58.8)
Net interest income/(expense)	(164.9)	(152.4)	(166.2)	(180.0)
Pre-tax profit	547.7	468.8	486.1	506.6
Tax	(8.4)	0.0	0.0	0.0
Net profit	539.4	468.8	486.1	506.6
Net profit (adj.)	453.6	468.8	486.1	506.6

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	10,202.9	10,454.1	10,705.3	10,956.5
Other LT assets	0.6	0.6	0.6	0.6
Cash/ST investment	360.9	491.9	637.4	786.7
Other current assets	98.6	40.9	42.7	44.9
Total assets	10,663.0	10,987.5	11,386.0	11,788.6
ST debt	2,597.6	2,978.8	3,360.0	3,741.2
Other current liabilities	439.4	403.1	420.3	441.8
LT debt	1,731.4	1,731.4	1,731.4	1,731.4
Other LT liabilities	20.4	0.0	0.0	0.0
Shareholders' equity	5,874.2	5,874.2	5,874.2	5,874.2
Total liabilities & equity	10,663.0	10,987.5	11,386.0	11,788.6

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	721.1	676.5	709.3	745.5
Pre-tax profit	1,041.4	922.9	962.4	1,011.6
Deprec. & amort.	0.0	0.0	0.0	0.0
Working capital changes	(349.0)	(246.4)	(253.1)	(266.0)
Other operating cashflows	28.7	0.0	0.0	0.0
Investing	190.4	(251.2)	(251.2)	(251.2)
Capex (maintenance)	(181.2)	(181.2)	(181.2)	(181.2)
Investments	472.2	0.0	0.0	0.0
Proceeds from sale of assets	(70.0)	(70.0)	(70.0)	(70.0)
Others	(30.7)	0.0	0.0	0.0
Financing	(940.3)	(194.3)	(312.6)	(345.0)
Distribution to unitholders	(509.2)	(468.8)	(486.1)	(506.6)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	2,416.7	200.0	200.0	200.0
Loan repayment	(2,651.9)	0.0	0.0	0.0
Others/interest paid	(195.9)	74.5	(26.5)	(38.4)
Net cash inflow (outflow)	71.2	230.9	145.5	149.3
Beginning cash & cash equivalent	289.8	260.9	491.9	637.4
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	360.9	491.9	637.4	786.7

Key Metric

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	73.6	73.3	73.7	73.7
Pre-tax margin	61.2	50.8	50.5	50.1
Net margin	60.3	50.8	50.5	50.1
ROA	5.4	4.7	4.7	4.8
ROE	9.5	8.3	8.6	8.9
Growth (% yoy)				
Turnover	16.6	3.2	4.3	5.1
EBITDA	15.5	2.8	4.9	5.1
Pre-tax profit	2.8	(13.1)	3.7	4.2
Net profit	24.4	3.4	3.7	4.2
Net profit (adj.)	24.4	3.4	3.7	4.2
EPU	44.8	(6.4)	3.7	4.2
Leverage				
Debt to total capital	73.7	80.2	86.7	93.2
Debt to total equity	73.7	80.2	86.7	93.2
Net debt/(cash) to equity	67.6	71.8	75.8	79.8
Interest cover (x)	4.0	4.4	4.3	4.1