Sunway REIT (SREIT MK)

3Q26: In Line; Expect A Better 4Q26 On Seasonality

Highlights

- Results are in line, with 9M26 core net profit reaching 74% of our full-year forecast.
- Retail tenant sales psf growth moderated to 2% yoy in 9M26 (1H26: +4%), although footfall remained resilient. Nevertheless, management expects full-year tenant sales growth to remain in positive territory, while rental reversion in Sunway 163 Mall could improve after the completion of its AEI.
- Maintain BUY with a lower target price of RM2.40 as we roll over our valuation base to 2027 and lift our cost of equity assumptions. While the timeline for sponsor asset acquisition appears slower than our expectation, any eventual acquisitions are likely to be DPU-accretive.

3Q26 Results

Year to 31 Dec (RMm)	3Q26	qoq%	yoy%	9M26	yoy%
Gross revenue	**232.3**	**5.4**	**(1.7)**	**675.7**	**1.3**
Retail	176.6	(0.3)	5.6	538.7	8.7
Hotel	30.2	67.1	(13.7)	61.3	(9.7)
Office	20.7	1.5	3.1	61.4	0.8
Others	4.8	1.8	(66.0)	14.3	(66.3)
Operating expenses	(58.5)	2.0	5.4	(174.5)	0.5
Net Property Income	**173.8**	**6.6**	**(3.9)**	**501.2**	**1.7**
Retail	128.3	(1.6)	5.3	395.0	12.0
Hotel	29.0	71.1	(14.4)	57.8	(10.2)
Office	12.5	3.8	5.9	37.0	1.5
Others	3.9	10.0	(70.6)	11.4	(71.0)
Core Net Profit	**122.0**	**8.6**	**(5.0)**	**349.1**	**4.2**
EPU (sen)	3.56	8.6	(5.0)	10.2	4.2
DPU (sen)	0.00	n.m.	n.m.	6.28	10.6

Source: Sunway REIT, UOB Kay Hian

Analysis

- **In line.** Sunway REIT (SREIT) reported 3Q26 revenue of RM232m (+5% qoq, -2% yoy) and core net profit of RM122m (+9% qoq, -5% yoy). This brings 9M26 core net profit to RM349m (+4% yoy), accounting for 74% and 77% of our and consensus full-year forecasts respectively, in line with our expectations.
- **Gross gearing rose to 43.0% as of end-3Q26** (2Q26: 40.6%) following the early drawdown of financing to refinance debt due in Dec 26, as the company locked in competitive rates ahead of a potential OPR hike. Average cost of debt was at 3.62%.

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	465.7	486.5	509.0
Net profit (adj.)	364.5	453.6	465.7	486.5	509.0
EPU (sen)	10.6	13.2	13.6	14.2	14.9
DPU (sen)	10.0	14.5	13.3	13.9	14.6
PE (x)	19.1	15.3	14.9	14.3	13.7
P/B (x)	1.3	1.3	1.3	1.3	1.3
DPU yield (%)	4.9	7.1	6.6	6.9	7.2
Net margin (%)	47.5	50.7	50.5	50.5	50.3
Net debt/(cash) to asset (%)	33.7	38.7	36.0	37.0	38.0
Interest cover (x)	3.4	4.0	4.3	4.3	4.2
Consensus DPU (sen)	-	-	12.8	13.3	14.2
UOBKH/Consensus (x)	-	-	1.0	1.0	1.0

Source: Sunway REIT, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	RM2.03
Target Price	RM2.40
Upside	18.2%
Previous TP	RM2.80

Stock Data

Sector	Real Estate
Bloomberg ticker	SREIT MK
Shares issued (m)	3,424.8
Market cap (RMm)	6,952.4
Market cap (US$m)	1,703.7
3-mth avg daily t'over (US$m)	1.9

Price Performance (%)

52-week high/low				RM2.67/RM2.02
1mth	**3mth**	**6mth**	**1yr**	**YTD**
(1.9)	(9.8)	(15.4)	(8.1)	(12.1)

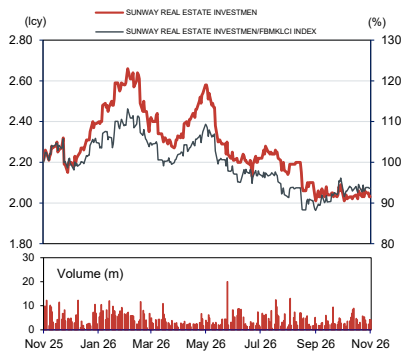
Major Shareholders (%)

Sunway Bhd	40.9
Employees Provident Fund	13.1
Kumpulan Wang Persaraan	5.3

Balance Sheet Metrics

FY26 NAV/Share (RM)	1.88
FY26 Net Debt/Share (RM)	1.17

Price Chart



Source: Bloomberg

Company Description

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

- **Solid retail segment.** 3Q26 retail NPI grew 5% yoy, supported by Sunway Carnival Mall (+18% yoy) and Sunway Putra Mall (+21% yoy). Sunway Pyramid Mall recorded a modest 1% yoy NPI growth. Overall, retail NPI margin eased slightly to 72.7% (3Q25: 72.9%). Ytd average gross rent grew 5% yoy, with management guiding for single-digit growth for 2026. Meanwhile, tenant sales psf growth moderated to 2% yoy ytd (1H26: +4%), although footfall remained resilient. Separately, phase 1 of Sunway 163 Mall's AEI is nearing completion, with reopening slated for mid-Dec 26, paving the way for rental uplift from 2027.
- **Hotel: Softer yoy on weaker Middle East arrivals.** 3Q26 hotel NPI fell 14% yoy, due to: a) a high base, and b) softer-than-expected Middle Eastern tourist arrivals during the summer peak season, which weighed on room rates. Average hotel occupancy was stable yoy at 65%, reflecting Sunway Putra Hotel's higher occupancy (+6ppt yoy to 63%) from MICE activities. Management noted limited spillover benefits from the F1 event in Oct 26 for its Klang Valley hotels, given existing bookings and events over the same weekend. Nonetheless, banquet and MICE activities remained healthy, with 9M26 banquet occupancy improving to 65% (vs 9M25: 58%). Management remains cautiously optimistic on 4Q26, underpinned by year-end travel demand, proactive pricing and sustained banqueting and MICE activities.
- **Office: Stable.** 3Q26 office revenue and NPI rose 3% and 6% yoy respectively, supported by higher occupancy at Sunway Putra Tower (88% vs 68% in 3Q25) and lower utilities expenses. Overall office occupancy improved to 84% in 9M26 (9M25: 81%).
- **Development cost for the new Sunway Hotel Seberang Jaya rose** 14% to RM160m (previously RM140m), as specifications for the hotel's customer-facing areas were upgraded to suit its location and positioning. Cumulative cost incurred reached RM19m, with completion targeted for 4Q27. Meanwhile, the RM462m Sunway Pier redevelopment remains on track for completion in 2H28, with construction progress at 40% currently.

Valuation/Recommendation

- **Maintain BUY with a lower target price of RM2.40 (from RM2.80),** as we roll over our valuation base to 2027 and increase our cost of equity assumption from 6.9%. Our DDM-based target price implies a 5.8% 2027 dividend yield (vs 10-year mean of 5.6%), based on a 7.6% cost of equity and terminal growth rate of 1.5%. It currently offers a 12-month forward yield spread of 298bps, higher than the 10-year historical mean of 207bps.

Earnings Revision/Risk

- We tweak our 2026-28 forecasts by -0.7% to +0.5% for housekeeping purposes.

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 CO2e emitted.

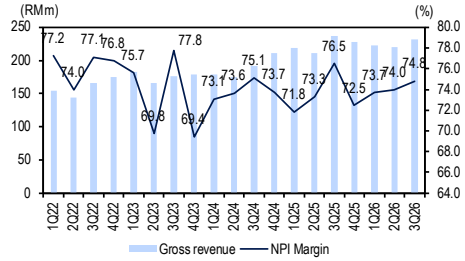
Social

- 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

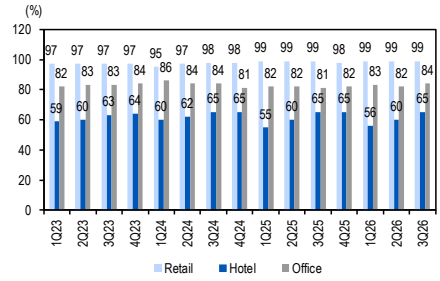
- About 43% of the Board of Directors are women.
- Adopted the Anti-Bribery and Corruption Policy and Procedure and is further supported by the existing Whistleblowing Policy and Procedures.

Revenue And NPI Margin



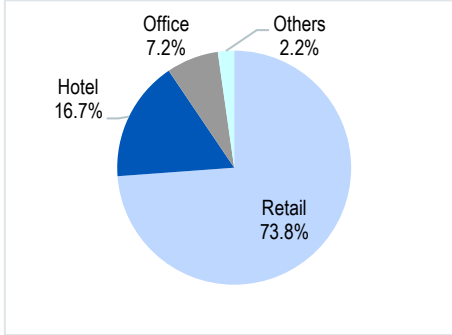
Source: SREIT, UOB Kay Hian

Portfolio Occupancy Rate



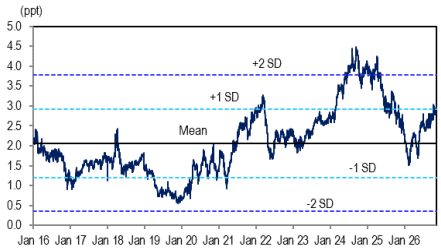
Source: SREIT, UOB Kay Hian

NPI Breakdown (3Q26)



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)	(55.1)	(56.7)	(58.3)
Net interest income/(expense)	(164.9)	(155.7)	(166.1)	(178.2)
Pre-tax profit	547.7	465.7	486.5	509.0
Tax	(8.4)	0.0	0.0	0.0
Net profit	539.4	465.7	486.5	509.0
Net profit (adj.)	453.6	465.7	486.5	509.0

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	10,202.9	10,388.1	10,603.4	10,788.7
Other LT assets	0.6	0.6	0.6	0.6
Cash/ST investment	360.9	382.2	397.7	417.0
Other current assets	98.6	40.9	42.7	44.9
Total assets	10,663.0	10,811.9	11,044.4	11,251.1
ST debt	2,597.6	2,782.8	2,998.1	3,183.4
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	20.4	20.4	20.4
Shareholders' equity	5,874.2	5,874.2	5,874.2	5,874.2
Total liabilities & equity	10,663.0	10,811.9	11,044.4	11,251.1

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	721.1	582.7	668.1	706.5
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)	(285.1)	(237.6)	(246.8)
Other operating cashflows	28.7	(55.1)	(56.7)	(58.3)
Investing	190.4	(125.3)	(215.3)	(185.3)
Capex (maintenance)	(142.9)	(142.9)	(172.9)	(142.9)
Investments	466.5	60.0	0.0	0.0
Proceeds from sale of assets	(42.4)	(42.4)	(42.4)	(42.4)
Others	(90.9)	0.0	0.0	0.0
Financing	(940.3)	(436.2)	(437.4)	(501.9)
Distribution to unitholders	(509.2)	(465.7)	(486.5)	(509.0)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	2,416.7	185.3	215.3	185.3
Loan repayment	(2,651.9)	0.0	0.0	0.0
Others/interest paid	(195.9)	(155.7)	(166.1)	(178.2)
Net cash inflow (outflow)	71.2	21.3	15.5	19.3
Beginning cash & cash equivalent	289.8	360.9	382.2	397.7
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	360.9	382.2	397.7	417.0

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	50.5	50.5	50.3
Net margin	60.3	50.5	50.5	50.3
ROA	5.4	4.7	4.8	5.0
ROE	9.5	8.2	8.6	9.0
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	(13.7)	4.5	4.6
Net profit	24.4	2.7	4.5	4.6
Net profit (adj.)	24.4	2.7	4.5	4.6
EPU	44.8	(8.0)	4.5	4.6
Leverage				
Debt to total capital	73.7	76.8	80.5	83.7
Debt to total equity	73.7	76.8	80.5	83.7
Net debt/(cash) to equity	67.6	70.3	73.7	76.6
Interest cover (x)	4.0	4.3	4.3	4.2

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