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## Sunway REIT 4Q earnings fall on weak hotel business

by SHAZNI ONG

SUNWAY Real Estate Investment Trust's (REIT) weak hospitality business performance saw it post a 14% year-on-year (YoY) drop in net profit to RM178 million for its fourth quarter ended June 30, 2019 (4Q19).

The lower profit came despite 4Q revenue increased 6.83% YoY to RM145.56 million on new income contribution, arising from the completion of the acquisition of Sunway University and Sunway College campus.

Sunway REIT's net property income (NPI) rose in tandem by 10.9% YoY to RM111.2 million, its exchange filing yesterday stated.

The trust has proposed a distribution per unit (DPU) of 2.28 sen for the quarter, an increase of 6% YoY, bringing the total payout for the full year to 9.59 sen, marginally higher than financial year 2018 (FY2018).

The income distribution is payable on Sept 10, 2019.

Based on the unit price of RM1.87 as at June 30, 2019, Sunway REIT's distribution yield stood at 5.1% with a corresponding total return of 10.7%.

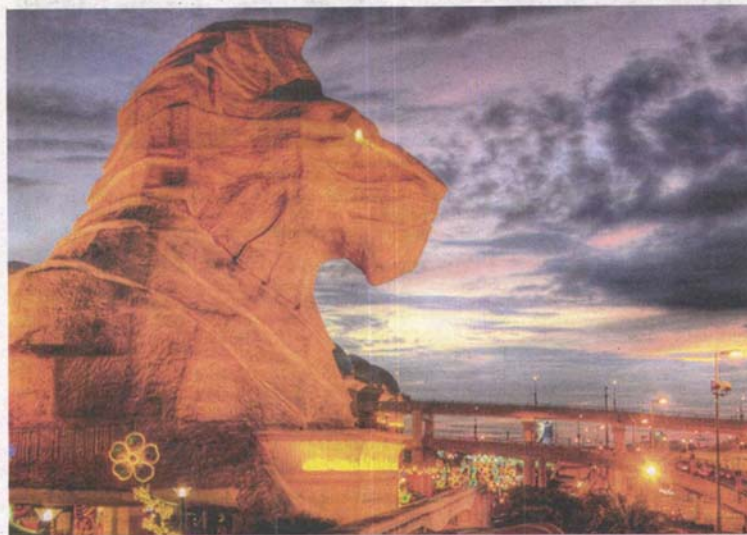
For the quarter under review, the retail segment registered a moderate growth of 4.5% YoY to RM105.8 million, largely backed by strong contribution from Sunway Pyramid shopping mall on the back of higher average gross rental and turnover rent.

The segment's NPI expanded by 9.3% YoY to RM77.2 million due to lower operating expenses at Sunway Pyramid shopping mall.

The hotel segment registered a revenue of RM15 million in 4Q19 versus RM18.7 million in 4Q18, and an NPI of RM13.4 million and RM17 million respectively.

Sunway REIT said the soft market sentiment affecting the hospitality segment persisted in 4Q19, resulting in lower contribution from the hotel segment and added that the trend was evident as shown by the lower average occupancy rate for the hotel segment.

Its office segment reported a 10.3%



The retail segment registered a moderate growth of 4.5% YoY, largely backed by strong contribution from Sunway Pyramid on the back of higher average gross rental and turnover rent

Source: Sunway REIT

YoY rise in revenue to RM10 million and NPI increased by 8.2% YoY to RM5.9 million.

The trust said the financial performance for the office segment improved further on the back of higher average occupancy rate at Wisma Sunway and Sunway Putra Tower.

"Despite the challenging office sector environment, the improvement was achieved on the account of competitive leasing strategies," the trust added.

Revenue for the services segment, which was contributed by Sunway Medical Centre (Tower A and B), and Sunway University and Sunway College campus, doubled to RM13.2 million in 4Q19 on the back of new income contribution from Sunway University and Sunway College campus, pursuant to the completion of the acquisition

on April 15, 2019.

"The industrial and others segment recorded revenue and NPI of RM1.5 million in 4Q19, following a rental reversion in January 2019," the trust said.

For the full financial year, Sunway REIT posted a 9.66% drop in net profit to RM386.37 million or 12.98 sen per share in FY19 from RM427.69 million or 14.52 sen per share a year ago, while its revenue grew 3.55% to RM580.3 million from RM560.4 million.

The trust also saw a corresponding 4.7% YoY improvement in NPI to RM439.7 million.

The retail segment registered a resilient growth of 2.4% YoY in revenue to RM426.7 million with corresponding annual improvement of 4.5% in NPI to RM310.5 million.

Sunway REIT said this was achieved

on the back of solid growth from Sunway Pyramid, underpinned by higher average gross rental coupled with lower operating expenses.

Against the challenging backdrop, the hotel segment reported revenue and NPI contraction of 4.9% YoY to RM78.6 million and 8.2% YoY to RM71.3 million respectively.

The set of financial performance during the financial year was also partially affected by income disruption for a period of four months at Sunway Resort Hotel & Spa during the refurbishment of the hotel's grand ballroom and meeting rooms.

The office segment registered an improvement of 14.8% YoY in revenue to RM38.4 million, underpinned by improved performance from Menara Sunway, Sunway Putra Tower, and

Wisma Sunway, on the back of renewal at a higher average rate, the commencement of new tenants and expansion from existing tenant respectively. Its NPI jumped 22.3% YoY to RM21.4 million.

Revenue and NPI for the services segment soared by 35.4% YoY to RM30.7 million, mainly due to new income contribution from Sunway University and Sunway College campus. The industrial and other segment's revenue and NPI rose by 14.6% YoY to RM5.9 million.

At the same time, Sunway REIT's property value surpassed the RM8 billion mark for FY19.

The trust said property value increased by 10.5%, from RM728 billion as at June 30, 2018, to RM8.05 billion as at June 30, 2019, primarily attributable to acquisition amounted to RM550 million and fair value gain of RM108 million.

Sunway REIT Management Sdn Bhd CEO Datuk Jeffrey Ng in a statement said he is pleased that Sunway REIT ended the financial year with a glimpse of optimism.

"In our humble opinion, the set of financial performance was better than our initial expectations in spite of the increasingly challenging operating environment.

"The stable set of financial performance was achieved on the back of timely completion of the acquisition of Sunway University and Sunway College campus, prudent cost management and proactive capital management initiatives," he said.

On the outlook for the financial year ahead, Ng noted that the underlying fundamentals surrounding the operating landscape remain challenging on the back of global whirlwind, moderation in domestic economy and fluidity in government policies amid the new government reform.

"We expect Sunway REIT's DPU to stay resilient in FY2020, primarily supported by the full-year income recognition from the acquisition of Sunway University and Sunway College campus and modest growth in the retail segment," he said.