

Headline	Sunway REIT 1HFY20 NPI grows by 9.8percent		
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Sunway REIT 1HFY20 NPI grows by 9.8%

► **Recommendation: Buy**
FAIR Value: RM2.16
 by AmInvestment Bank Bhd
 (Feb 14)

WE MAINTAIN our 'Buy' recommendation on Sunway Real Estate Investment Trust (SREIT) with an unchanged fair value of RM2.16 based on a target yield of 5% over CY20F distributable income.

We keep our FY20F-FY22F numbers unchanged at RM308.8m, RM326.7m and RM340.2m respectively.

SREIT's 1HFY20 distributable income of RM146.3m came in within expectation at 48% of our and consensus' full-year estimates. 1HFY20 revenue grew by 10.1% YoY to RM311.2m mainly attributable to the contribution from the newly acquired Sunway University and College campus and stronger performance across all segments, particularly hotels.

Net property income (NPI) rose by 9.8% to RM235.7m, in line with revenue growth. However, distributable income grew at a slower rate 4.5% to RM146.3m mainly due to distribution to perpetual holders amounting to RM10m. SREIT recommended a DPU of 2.45 sen

► SUNWAY REAL ESTATE INVESTMENT TRUST				
YE TO JUNE	FY19	FY20F	FY21F	FY22F
REVENUE (RM mil)	580.3	631.1	660.8	689.7
CONSENSUS NET PROFIT (RM mil)	-	308.2	321.3	340.4
PE (x)	19.3	17.9	16.9	16.3
EV/EBITDA (x)	21.5	21.0	20.5	19.9

compared to YoY's 2.25 sen.

The retail segment reported a 1HFY20 revenue of RM212.3m (+0.9% YoY) supported by Sunway Pyramid, Sunway Carnival and Sunway Putra Mall. However, the segment's NPI fell by 2.8% YoY to RM149.3m due higher property operating expenses (+11.3%). Occupancy rates at Sunway Pyramid, Carnival and Putra Mall remained stable at 97.2%, 96.7% and 91.1% respectively (versus 99%, 98.2% and 91% YoY).

The hotel sector's 1HFY20 revenue and NPI climbed by 15% and 18% to RM46.2m and RM43.1m respectively, mainly due to higher income in Sunway Resort Hotel & Spa, Sunway Pyramid Hotel and Sunway Clio Property. The average occupancy rate for the segment is also higher at 77% versus YoY's 71%.

The office sector's revenue and NPI expanded by 11.1% and 8.5% to RM20.5m and RM11.1m respectively on the back of the improved performance from all office properties, with the commencement of new tenants, renewal at higher rates and expansion from existing ones.

Revenue and NPI for the services segment surged 153% YoY to RM29.1m, backed by new income contribution from the Sunway University and College campus and Sunway Medical Centre.

Debt-to-total assets ratio is steady at 38% and still below the regulatory threshold of 50%.

We like SREIT for its strong brand name and market position in the shopping complex segment which has posted an average occupancy rate of more than 90% over the past three years.