

THE STAR - 2/11/2017

## Analyst report

**SUNWAY REAL ESTATE INVESTMENT TRUST (REIT)**

By Hong Leong Investment Bank Research

Hold (maintained)

Target price: RM1.73

SUNWAY REIT's financial result in the first quarter (Q1) of financial year 2018 (FY18) has exceeded expectations, according to Hong Leong Investment Bank (HLIB) Research.

The REIT's revenue accounted for 27.4% and 28.1% of HLIB Research's and consensus' forecasts, respectively. Its strong financial performance was on the back of lower property operating expenses and the improved performance from all segments.

Sunway REIT's bottom line in Q1 grew by 23.52% year-on-year (y-o-y) to RM79.23mil as compared to RM64.14mil previously. Its revenue recorded a growth of nearly 10% y-o-y to RM141.17mil.

HLIB Research said Sunway REIT's retail segment registered improved net property income, driven by Sunway Pyramid and Sunway Carnival Mall on the back of higher base rent.

Its hotel businesses also recorded better net property income, following the re-opening of Sunway Pyramid Hotel after the completion of its refurbishment works.

The strong performance was also attributable to improved contribution from Sunway Putra Hotel due to the impact of the SEA Games.

"We like Sunway REIT for its well-diversified portfolio, in which the prominent assets are located at its unique township planning, with large acquisition pipeline and strong backing from sponsor.

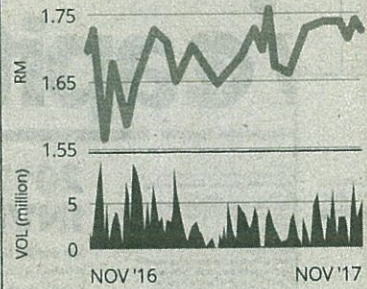
"However, we expect limited inorganic growth potential for the REIT in the short term due to limitation of gearing ratio.

"We have raised our FY18-FY19 earnings per unit forecast by 1.7% to 2.1% respectively after incorporating lower property operating expenses," said the research house in a note.

On Sunway REIT's outlook, HLIB Research said a moderate growth in distribution per unit is expected in FY18.

This is primarily attributed to

Sunway REIT

NOV 1  
RM1.73

the resumption in income contribution from Sunway Pyramid Hotel and a moderate growth in retail segment.

It is also due to income contribution from newly acquired assets and gradual improvement in the office segment.

The research house has maintained its "hold" call on Sunway REIT's shares, with a higher target price of RM1.73.