

RHB maintains Buy on Sunway REIT, TP at RM2

ANALYST REPORT

Friday, 09 Aug 2019

8:51 AM MYT



KUALA LUMPUR: RHB research is positive on Sunway REIT given the strong positioning of Sunway Pyramid Mall, which could support earnings growth.

For FY19, the REIT's earnings came within RHB's and consensus estimates. The research house maintained a buy call on the counter with a target price RM2.

The retail segment is the REIT's largest with a contribution of about 70% to its NPI in FY19.

"The segment's NPI demonstrated steady growth, having risen 4.5% YoY on higher turnover from rental, thanks to Sunway Pyramid Mall.

"Average occupancy rate at the retail segment remained impressive, at 96% in FY19, with Sunway Pyramid enjoying close to full occupancy at 98.2%, although just a little lower than the previous quarter," it said.

However, the hotel segment experienced lower overall average occupancy due to soft market conditions from the decline in Middle East visitors and competition from online hospitality services, resulting in a 19.9% dip in revenue year-on-year in FY19.

RHB added that the acquisition of Sunway University and College Campus was completed on April 15, which positively contributed to revenue in the quarter.

"With the new addition, the REIT's portfolio size has increased to MYR7.8bn. The acquisition was partly funded by a MYR10bn perpetual note programme," it said.