


# Tourism recovery to enhance Sunway-REIT showing from FY24

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The Star Online

20 November 2023



PETALING JAYA: Sunway Real Estate Investment Trust  (Sunway-REIT) will have an improved earnings outlook from financial year 2024 (FY24) onwards, driven by increased footfall at its malls, helped further by the recovery in domestic tourism and inbound tourists.

Kenanga Research said as international and domestic visitors return, alongside tenant sales and footfall recovering to pre-pandemic levels, it is likely that business momentum will continue to sustain.

“We opine that forward earnings will continue to be supported by its hotel segment, and this positive trajectory is anticipated to persist, driven by increased interest in domestic leisure, a rise in international tourist arrivals, and higher engagement in corporate and meetings, incentives, conferences, and exhibitions activities,” it stated.

Kenanga Research said ongoing finalisation of accounts for Sunway Carnival Mall’s expansion and refurbishment which is scheduled for completion by the end of 2025 could result in increased rental accretion for the trust.

Its office segment, however, is expected to face challenges due to an oversupply due to a continuous incoming of new supply, stated Kenanga Research.

On a positive note, potential support lies in the reinvention of office buildings through asset-enhancement initiatives, which is expected to help provide improved flexibility and appeal, thus increasing attractiveness to a wider tenant base.

MIDF Research foresees the same prospects for Sunway-REIT, as it expects better earnings following the reconfiguration exercise of Sunway Pyramid that is on its road for completion in FY24.

“We remain positive on the outlook for its retail division which should be supported by positive rental reversion, while its hotel division should also benefit from higher tourist arrivals and recovery in domestic tourism,” MIDF Research noted.

Sunway-REIT recorded a 5.77% increase in its revenue to RM175.84mil, resulting in a net profit of RM91.97mil or an earnings per unit of 2.54 sen, for the third quarter of FY23 (3Q23).

MIDF Research said the trust’s earnings for the quarter were helped by lower property operating expenses, while its core net income hiked to RM92mil due to higher contribution from the retail and hotel divisions.

Year-to-date, the REIT collected a revenue of RM525.17mil, a 13.01% increase from RM464.71mil, and a net profit of RM260.21mil or an earnings per unit of 7.17 sen for the nine-month period.

Sunway-REIT’s core net profit for the nine months met Kenanga Research’s expectation, making up 77% and 73% for its and consensus full-year estimates, respectively.

Kenanga Research noted the revenue hike seen was driven by an uptick in the hotel segment by 49%, attributable to an improved occupancy rate of 63% year-to-date, with a full room occupancy at Sunway Resort Hotel since July 2023.

The growth was said to be further supported by the retail segment which benefited from consistent retail sales and foot traffic across all its retail outlets.

The REIT’s net income of RM260.6mil also came in within MIDF Research’s expectations, making up 78% and 76% of the research house’s and consensus full-year estimates, respectively.

MIDF Research, however, said the 3Q23 results were flattish. Nevertheless, it stated the lower earnings from Sunway Pyramid were cushioned by higher contribution from Sunway Carnival’s new wing as well as from the hotel division.

Kenanga Research maintained its forecast on Sunway-REIT with an “outperform” call and a target price (TP) of RM1.63 per unit. MIDF Research also maintained its forecast for FY23 until FY25, as well as maintaining a “buy” call with a TP of RM1.70 per unit.

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