

Company Guide

Sunway REIT



Version 9 | Bloomberg: SREIT MK | Reuters: SUNW.KL
Refer to important disclosures at the end of this report

AllianceDBS Research, Malaysia Equity

29 Jan 2019

BUY

Last Traded Price (28 Jan 2019): RM1.80 (KLCI : 1,697.50)
Price Target 12-mth: RM1.90 (6% upside) (Prev RM1.85)

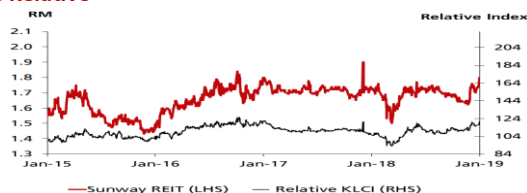
Analyst

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What's New

- Solid player backed by sponsor's assets
- Assets improving occupancy, retail segment resilient
- Include Sunway University into our forecasts; earnings forecast up 1%-2%
- Maintain BUY with higher TP of RM1.90

Price Relative



Forecasts and Valuation

FY Jun (RMm)	2018A	2019F	2020F	2021F
Gross Revenue	560	603	648	667
Net Property Inc	420	452	490	502
Total Return	428	298	316	327
Distribution Inc	282	298	316	327
EPU (sen)	14.5	10.1	10.7	11.1
EPU Gth (%)	6	(30)	6	3
DPU (sen)	9.57	10.1	10.7	11.1
DPU Gth (%)	4	6	6	3
NAV per shr (sen)	148	148	148	148
PE (X)	12.4	17.8	16.8	16.2
Distribution Yield (%)	5.3	5.6	6.0	6.2
P/NAV (x)	1.2	1.2	1.2	1.2
Aggregate Leverage (%)	38.6	41.3	45.0	45.2
ROAE (%)	10.0	6.8	7.3	7.5

Distn. Inc Chng (%): 2 2 1
Consensus DPU (sen): 9.80 10.4 10.8
Other Broker Recs: B: 6 S: 0 H: 7

Source of all data on this page: Company, AllianceDBS, Bloomberg Finance L.P

Strong potential with sponsor's asset pipeline

Steady increase in yields. We reiterate our BUY call on Sunway REIT (SREIT) with a higher TP of RM1.90, as we increase our earnings to factor in the acquisition of Sunway University's assets. We like SREIT for its prime assets and acquisition pipeline from its sponsor. Key driver for the stock will be its retail assets, especially Sunway Pyramid Mall as it contributes >50% of total net property income (NPI). Management has plans to increase contribution from other segments to diversify its earnings base. Based on our TP of RM1.90, total returns come up to more than 10%. Current yields of 5.6% are highest in our Malaysian Reit universe after CMMT and MRCB Reit. We reiterate our BUY call.

Where we differ: Including Sunway University. Our numbers are higher than consensus with the inclusion of Sunway University contributions. The acquisition is scheduled for completion by 2HCY19.

Potential catalysts: Visible sponsor asset pipeline. Sunway REIT's sponsor and major shareholder (37% stake) Sunway Bhd has a large pipeline of potential assets for injection under its "build-own-operate" model. Future injections could include Monash University campuses, The Pinnacle office tower, Sunway Giza Mall and Sunway VeloCity Mall. These underpin an attractive growth pipeline for SunREIT. We are optimistic about potential injections from sponsor Sunway Bhd to meet SunREIT's RM10bn asset target.

Valuation:

Our DDM-derived TP is increased at RM1.90, with 7.7% cost of equity and 1.5% terminal growth.

Key Risks to Our View:

Soft rental reversions. Weak consumer sentiment in the retail sector could result in soft rental reversions. We have factored in rental reversions of 2% for FY19F-20F for the overall portfolio.

At A Glance

Issued Capital (m shrs)	2,945
Mkt. Cap (RMm/US\$m)	5,301 / 1,291
Major Shareholders (%)	
Sunway Berhad	37.3
Employees Provident Fund	12.04
Skim Amanah Saham	9.88
Free Float (%)	39.7
3m Avg. Daily Val (US\$m)	1.2

ICB Industry : Financials / Real Estate Investment Trust



Sunway REIT

WHAT'S NEW

Solid REIT player

Potential acquisition in the pipeline:

The Sunway Pinnacle. The Pinnacle office tower is one of the possible injections from SREIT's sponsor as it has the right of first refusal (ROFR). It is situated in Bandar Sunway with almost full occupancy at c.99%. The building was completed in 2014 and went through first rental reversion in 2017. The building is 81% efficient in terms of net lettable floor area, offering 580,000 sq. ft. of net lettable area (NLA). The building has a large 25,000 sq. ft. net floor plate with executive restrooms at every corner of the lift, core and centrally water-cooled air-conditioning system. The average gross rental is currently RM4.50 to RM5 per sq. ft. and service charge of RM1.20 per sq. ft.

Sunway Velocity & Sunway Giza. Although SREIT does not have ROFR on Sunway Velocity Mall and Sunway Giza Mall, it has the first right to match as both projects are owned by joint ventures. For Sunway Velocity Mall, it is a 50:50 joint venture between Sunway City Sdn Bhd and Fawanis Sdn Bhd. As for Sunway Giza, it is a 60:40 joint venture with PKNS Sdn Bhd. Sunway Velocity Mall, launched in October 2016, has a NLA of 900,000 sq. ft. with occupancy rate of 95%. The Sunway Giza Mall has a NLA of 100,000 sq. ft. with occupancy rate of c.95%. Sunway Giza Mall was launched in 2009. Given the maturity and high occupancy rates of assets, we believe they could be injected into SREIT's portfolio in the medium term. Assets have to at least match the current portfolio yield of 6.0% to ensure that acquisitions are value accretive to dividends.

Assets bearing fruits:

Revival of Sunway Putra. Sunway Putra Mall reopened in May 2015 after a 2 year closure and Sunway Putra Hotel's refurbishment was completed in Dec 2015. Sunway Putra Mall has improved its occupancy rate to c.91% as of 1Q19 compared to 86% as of 1Q18. Prior to refurbishment, occupancy rates were at 70%-80%. Rental expiry profile seems manageable for FY19 at 16.8% of total NLA and 10.5% in FY20.

We expect rental reversions to remain flattish in view of cautious market conditions. Positive rental reversions could come from prime assets such as the Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall with occupancy rates of c.98.2% and c.98.2% respectively. Sunway Putra Mall should have positive rental reversion once occupancy rates improve.

Sunway Putra Hotel's occupancy rates normalised to 66% in 1Q19 vs 78% in 1Q18 as they had a boost during the Southeast Asian (SEA) Games and Asian Para Games in 1Q18. However, we believe current levels are an improvement as

Sunway Putra Hotel's occupancy used to be in the lows of 50% in FY16.

Sunway Hotel Georgetown. This acquisition was completed in January 2015. It has bumped up occupancy rates to c.91% as of end 1Q19. This was due to the tactical strategy employed to mitigate increased competition in Georgetown.

Completion of Sunway Pyramid Hotel East. The major refurbishment which caused the hotel to be closed from April 2016 was completed in June 17 with a total of 564 rooms. The hotel has been upgraded to a deluxe category 4-star international-class hotel with new family rooms.

Occupancy rates as of end 1Q19 are slightly lower at 67% as they had fewer visitors from the Middle East. However, the hotel has traditionally had above 70% occupancy rates in the past and we expect it to improve.

Upcoming projects.

Enhancing Sunway Resort Hotel. Given the completion of Sunway Pyramid Hotel East's refurbishment, its next move is to upgrade the Sunway Resort Hotel. This has started at the grand ballroom, function and meeting rooms which have brought down occupancy rates to below 70%. This will be cushioned by contribution from the newly acquired Sunway Clio Hotel and normalise again post renovation.

Expansion of Carnival. It has acquired a parcel of land in June 2016 covering 3.3 acres for the extension of the new wing of Sunway Carnival Shopping Mall, which will comprise a nine-storey retail building with six levels of parking bays above the retail space and a commercial tower block. This will entail approximately 350,000 – 400,000 sq ft of NLA. This is expected to complete by CY2021. The Sunway Carnival Mall has been performing well with positive rental reversions and high occupancy rates at c.97.3%. We believe the expansion will be supported by the population in the vicinity and secure Sunway Carnival Shopping Mall's position as a leader in mainland Penang.

Earnings forecast to include acquisition of Sunway University:

Earnings forecast up by 1-2% for FY19-21F. We have included the recently acquired Sunway University into our forecast which is expected to complete by 2HCY19. The acquisition includes 3 parcels of land together with buildings which comprise a 5-storey academic block along with a lower ground level (South Building), a 6-storey academic block along with a lower ground level (North Building), a 13-storey academic block together with a 2-storey basement car park (New University Block), 4 blocks of 5-storey walk up hostel apartment (Hostel) and sports facilities. The acquisition price of RM550m is decent with yields of 6.2% vs current portfolio yield of 6.0%. As the acquisition will be fully funded via borrowings, gearing will move up to 45% from 39%. This could trigger a placement of shares in the near term as

Sunway REIT

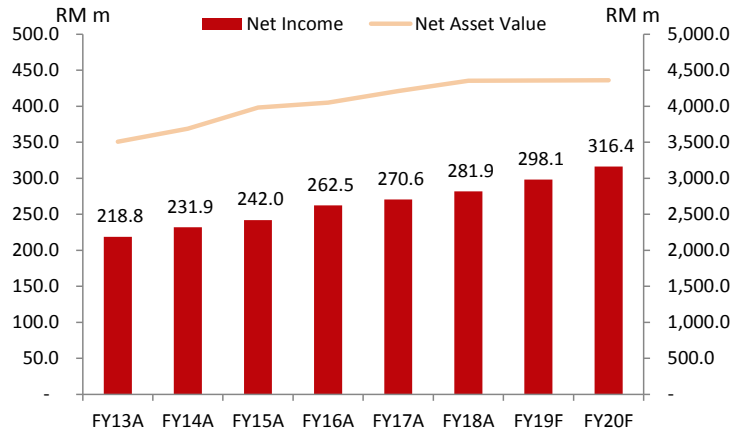
gearing levels are close to the min cap of 50%. Any further acquisition has to be funded via equity financing.

Past acquisitions

Date	Property	Acquisition Price (RM m)	Funded	NPI Yield %
Feb-18	Sunway Clio Property	340.0	100% Debt	6.0%
Aug-17	Sunway REIT Industrial - Shah Alam 1	91.5	100% Debt	6.10%
Dec-16	Land for Sunway Carnival Expansion	17.2	100% Debt	na
Mar-15	Wisma Sunway	60.0	100% Debt	6.50%
Jan-15	Sunway Hotel Georgetown	74.0	100% Debt	7.50%

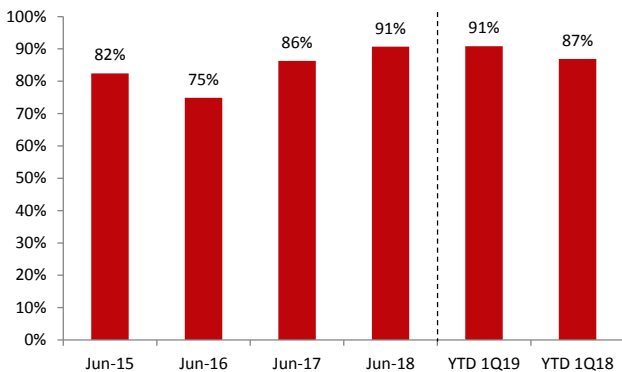
Source: Company, AllianceDBS

Steady income growth backed by acquisitions

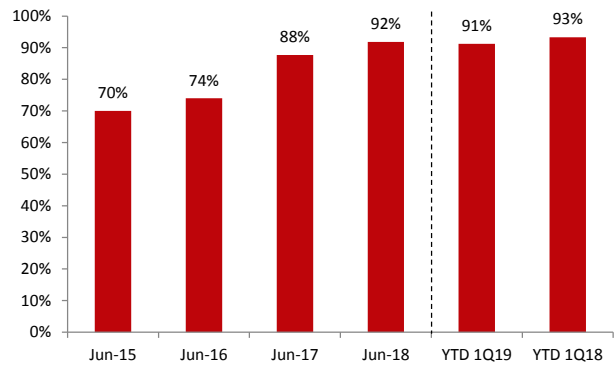


Source: Company, AllianceDBS

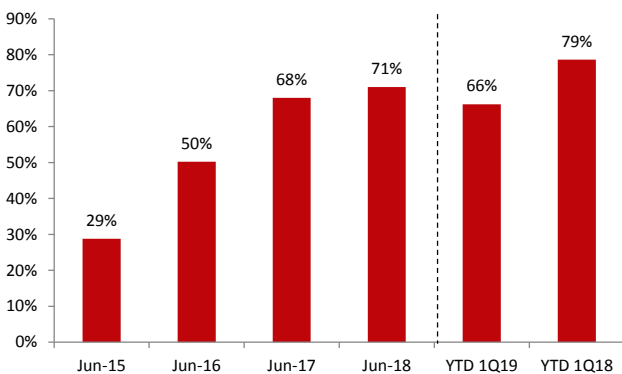
Sunway Putra Mall - occupancy rates (%)



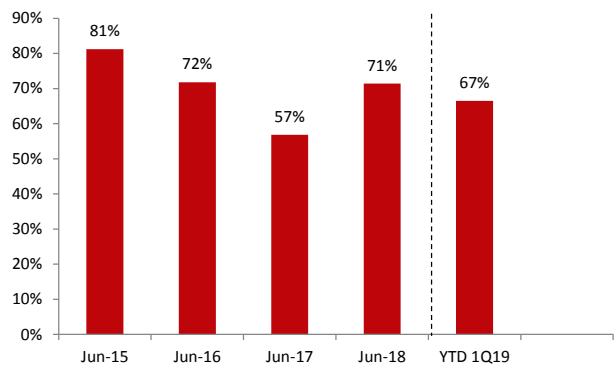
Sunway Hotel Georgetown - occupancy rates (%)



Sunway Putra Hotel - occupancy rates (%)



Sunway Pyramid Hotel - occupancy rates (%)



Source: Company, AllianceDBS

Sunway REIT

Assets' performance

Net Property Income	1Q2017	2Q2017	3Q2017	4Q2017	1Q2018	2Q2018	3Q2018	4Q18	1Q19
Sunway Pyramid	56.6	55.2	60.3	57.5	62.1	56.7	61.5	57.6	64.2
Sunway Carnival	7.4	7.1	7.7	7.2	8.2	7.0	7.5	6.5	6.8
Suncity Ipoh Hypermarket	1.2	1.2	1.2	1.1	1.1	1.0	1.0	1.0	1.1
Sunway Putra Mall	6.3	7.3	6.7	5.9	6.9	6.4	7.0	5.5	5.7
Sunway Resort Hotel & Spa	11.5	7.7	8.7	10.4	11.1	11.5	7.3	5.7	3.7
Pyramid Tower Hotel	(0.1)	0.6	0.8	2.6	4.4	3.5	3.7	4.0	4.3
Sunway Hotel Seberang Jaya	0.8	0.9	0.7	0.9	0.7	0.7	0.6	0.9	0.7
Sunway Putra Hotel	2.1	3.4	3.0	1.7	4.5	4.9	1.9	2.3	3.0
Sunway Hotel Georgetown	1.1	1.2	1.0	1.4	1.5	1.3	1.2	1.5	1.4
Sunway Clio Property							1.9	2.8	7.5
Menara Sunway	2.7	2.6	3.0	2.8	2.8	2.5	2.7	2.7	2.9
Sunway Tower	(0.2)	(0.3)	0.1	(0.2)	(0.2)	(0.3)	0.3	(0.2)	0.1
Sunway Putra Tower	0.2	0.7	0.4	0.7	0.6	0.6	0.8	2.2	1.6
Wisma Sunway	1.0	1.0	1.0	0.9	0.9	0.7	0.7	0.7	0.6
Sunway Medical Centre	5.4	5.4	5.6	5.6	5.6	5.6	5.8	5.8	5.8
Sunway REIT Industrial					0.9	1.4	1.4	1.4	1.4

NPI Margins

Sunway Pyramid	76%	74%	76%	76.5%	80.5%	72.1%	74.4%	75.0%	79.9%
Sunway Carnival	63%	65%	65%	61.1%	68.8%	60.0%	75.3%	56.3%	60.3%
Suncity Ipoh Hypermarket	96%	93%	93%	92.8%	95.3%	91.4%	63.0%	92.5%	95.5%
Sunway Putra Mall	51%	59%	52%	46.4%	51.8%	50.6%	92.5%	47.0%	46.5%
Sunway Resort Hotel & Spa	97%	95%	96%	95.6%	96.6%	96.4%	52.7%	93.0%	91.0%
Pyramid Tower Hotel	na	85%	86%	95.9%	97.5%	97.1%	94.6%	97.7%	95.2%
Sunway Hotel Seberang Jaya	94%	94%	93%	94.5%	93.7%	93.5%	96.8%	95.1%	93.7%
Sunway Putra Hotel	85%	93%	89%	81.7%	92.9%	93.2%	92.9%	86.5%	89.1%
Sunway Hotel Georgetown	95%	96%	95%	96.6%	97.2%	96.4%	84.2%	97.0%	96.4%
Sunway Clio Property							96.2%	78.4%	88.2%
Menara Sunway	68%	65%	72%	68.0%	65.8%	60.6%	63.5%	65.8%	67.7%
Sunway Tower	na	na	12%	na	na	na	32.8%	-23.2%	12.4%
Sunway Putra Tower	22%	52%	29%	48.4%	41.6%	42.6%	39.2%	79.3%	58.1%
Wisma Sunway	60%	60%	60%	56.0%	56.4%	51.9%	50.9%	49.5%	42.0%
Sunway Medical Centre	100%	100%	100%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Sunway REIT Industrial					100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company, AllianceDBS

Peer comparison

CY2019/2020				P/E		EPS Growth (YoY)		Dividend Yield		Price/ BVPS		ROAE		
	Recommendation	Target Price	Current Price	Market Cap	CY2019	CY2020	CY2019	CY2020	CY2019	CY2020	CY2019	CY2020	CY2019	CY2020
REIT														
Axis REIT	HOLD	1.57	1.75	2,156.6	18.8x	18.4x	(26%)	2%	5.4%	5.5%	1.3x	1.3x	7%	7%
CapitaMall Malaysia Trust	BUY	1.32	1.06	2,166.8	14.8x	13.9x	8%	6%	7.3%	7.7%	0.8x	0.8x	5%	6%
KLCC Stapled	HOLD	7.52	7.88	14,226.0	19.2x	18.8x	5%	2%	4.9%	5.0%	1.1x	1.1x	15%	15%
Pavilion REIT	HOLD	1.70	1.75	5,314.2	19.8x	18.6x	6%	7%	5.2%	5.5%	1.4x	1.4x	7%	7%
MRCB-Quill REIT	HOLD	1.15	1.11	1,189.7	15.1x	15.1x	8%	0%	6.4%	6.4%	0.9x	0.9x	6%	6%
Sunway REIT	BUY	1.90	1.80	5,301.1	17.3x	16.5x	(15%)	5%	5.8%	6.1%	1.2x	1.2x	7%	7%
Total / weighted avg				36,752.5	18.4x	14.7x	1%	3%	5.4%	4.6%	1.2x	0.9x	10%	9%

Source: Company, AllianceDBS

Sunway REIT

CRITICAL DATA POINTS TO WATCH

Performance at Sunway Pyramid remains the key earnings driver. Despite its diversified portfolio of 14 assets, SREIT derives the bulk of its income (c.54% NPI) from its crown jewel Sunway Pyramid, a retail asset with a NLA of 1.6m square feet. Located in the Sunway Resort City township, the Egyptian-themed mall is one of the better performing properties in its portfolio. This is mainly due to the property’s strong visitations by locals and tourists enabling it to sustain high occupancy rates of 98-99%. As a result of the mall’s strong recurring footfall and connectivity, we expect these trends to continue despite a modest retail market outlook.

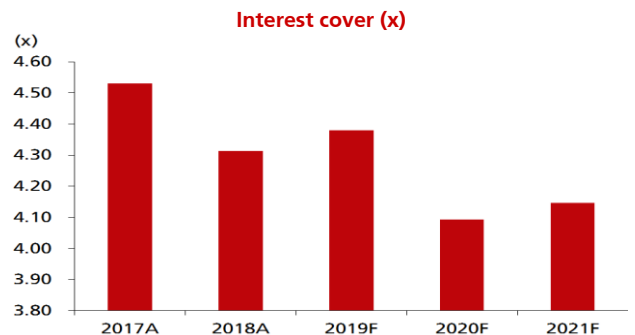
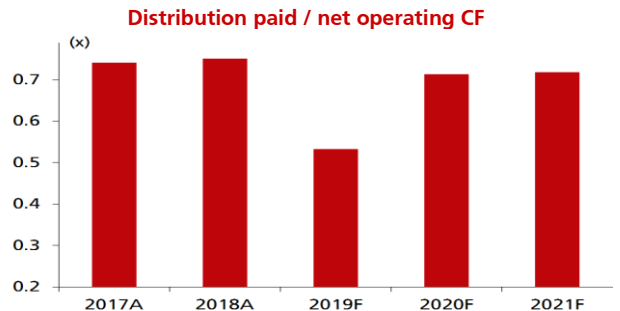
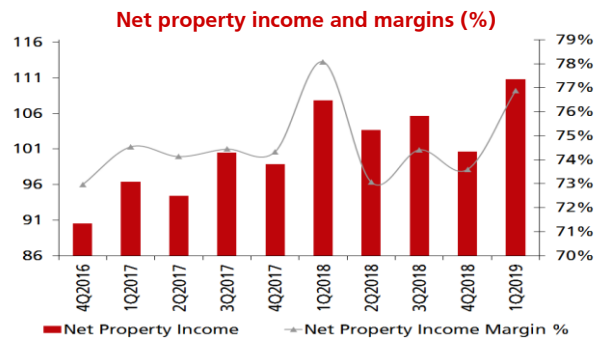
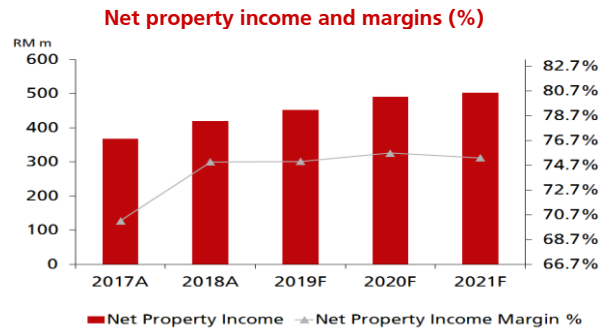
Sunway Resort City’s performance will accelerate going forward.

We remain positive on the outlook for the Sunway Resort City township. It is already registering strong visitations of 40m per annum. Ongoing developments at Sunway Pyramid Phase 3 – an integrated retail and hotel project by the Sunway Group – will improve the township’s appeal to locals and tourists. SREIT is expected to benefit from the ongoing rejuvenation of the township. Apart from Sunway Pyramid, the REIT has four other assets – Sunway Resort Hotel & Spa, Pyramid Tower hotel, Menara Sunway office tower, and Sunway Medical Centre. All these properties are expected to perform strongly on the back of growing population and higher visitations.

Asset enhancement of Sunway Pyramid to drive top line once completed. Sunway Pyramid Hotel (formerly known as Sunway Pyramid Hotel East) was closed for refurbishment in April 2016 and has progressively opened since 2QFY17. In 1QFY19, the average occupancy rate for the hotel stood at 67% based on total refurbishment of 549 rooms. We expect occupancy rates to improve to 80% and contribute positively to the group.

Weakness in office segment priced in. We expect the office segment to face challenges in filling up occupancies in the current oversupplied and weak market environment but believe that this has been priced in. Moreover, overall contribution of the segment to SRET’s total portfolio is small at 3.5%. We note that the occupancy rate at Sunway Tower remains weak at 21.0% as of end-1QFY19.

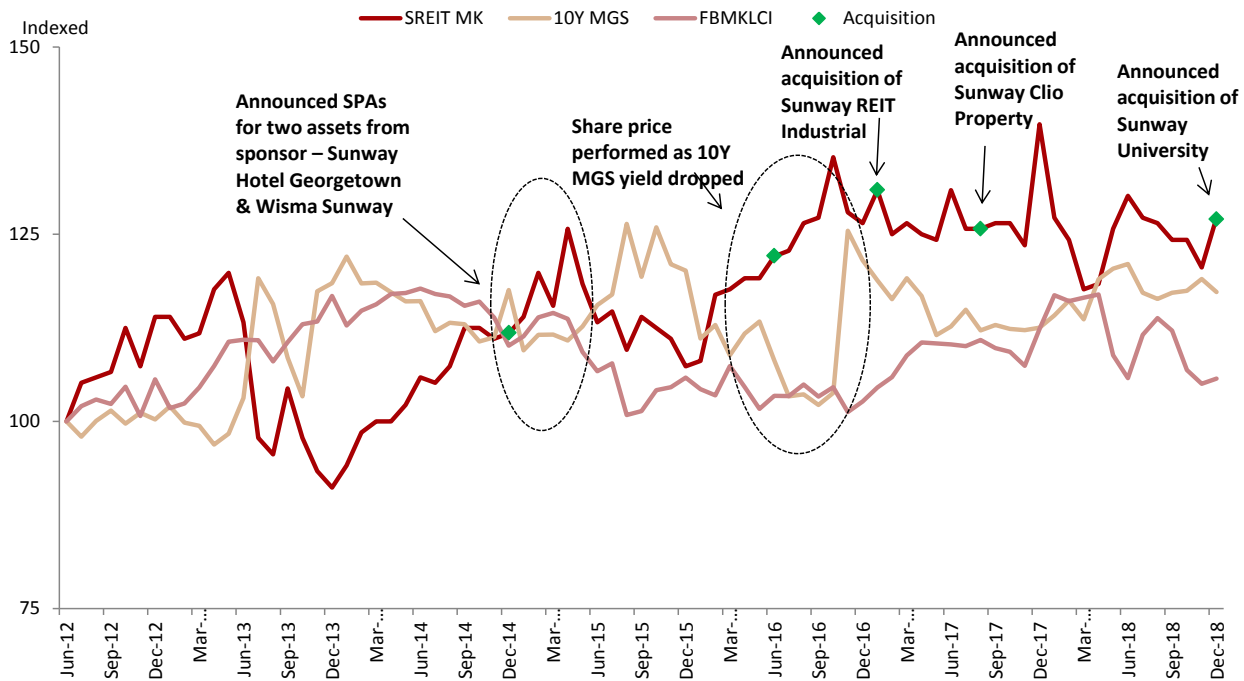
Yield spread moves share price. SREIT has a high correlation of -0.88 with the differential yield between 10-year Malaysian Government Securities (10Y MGS) yield and SREIT’s distribution yield. This shows that its share price increases as its distribution yield becomes more attractive than the 10Y MGS yield.



Source: Company, AllianceDBS

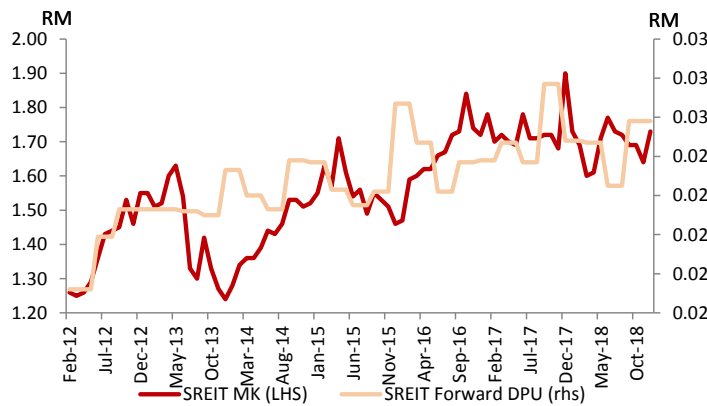
Sunway REIT

Appendix 1: Factors driving historical share price performance



Source: Company, AllianceDBS, Bloomberg Finance L.P

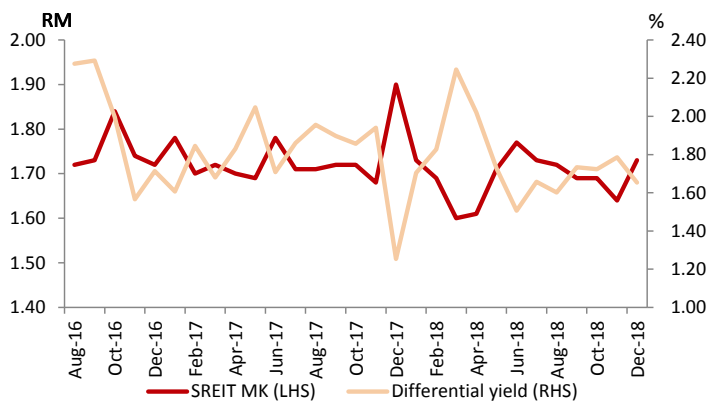
SREIT's share price versus forward distribution per share



Remarks

There is relatively high correlation coefficient of 0.61 between SREIT's share price and trailing distribution per share. The bulk of the distribution income comes from Sunway Pyramid, which contributes c.54% to NPI. Occupancy and rental reversion rates at this property should be keenly watched by investors.

SREIT's share price versus yield spread



Remarks

Interestingly, the yield spread vs SREIT's share price has a negative correlation of 0.53. This shows that its share price increases when SREIT's distribution yield is higher than the 10Y MGS yield. Investors shift to REITs as their yields become more attractive.

Source: Company, AllianceDBS, Bloomberg Finance L.P

Sunway REIT

Balance Sheet:

Sensible gearing levels. Currently, of its RM2.8bn borrowings, RM1.1bn is under fixed rates and the rest under floating rates. We also note that about half of SREIT’s manager fees are paid in units. Post-acquisition of Sunway University, we will see gearing increase to 45% which may trigger placement of shares in the near term.

Share Price Drivers:

Acquisition newsflow. SREIT’s appeal mainly lies with the potential pipeline of asset acquisitions of completed investment properties from sponsor Sunway Bhd. Confirmation of injections at accretive yields will be key re-rating signals for the stock.

Yield spread. A REIT’s attractiveness depends on its distribution yield relative to other fixed-income assets. A common benchmark is the REIT’s yield spread over the indicative 10-year Malaysian Government Securities yield, which is currently stabilising near the 4% level.

Key Risks:

Pace of acquisitions. SREIT’s yields are on par with its larger M-REIT peers, so the draw is the potential to secure a steady stream of acquisitions. On this note, any significant delays in acquisitions could cap its share price appreciation, especially as its peers are also looking at asset growth.

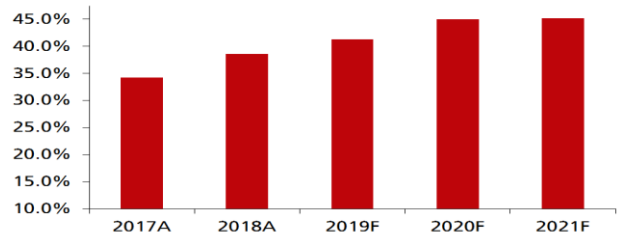
Weak general sentiment. A dampened consumer sentiment may have a negative effect on the retail and hospitality sectors, in the form of lower retail spending, rental reversions and local tourist visitations.

Office space oversupply. As the supply overhang of office space persists, it could be challenging to refill vacancies and rental rates may see negative growth.

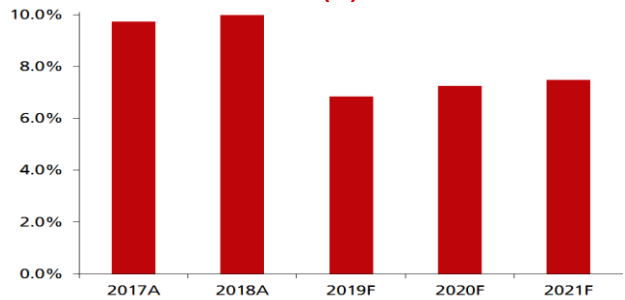
Company Background

Sunway REIT is a real estate investment trust with key assets in Bandar Sunway, Selangor, primarily the Sunway Pyramid mall. It also has hospitality and office assets, and is geographically diversified to Penang and Perak.

Aggregate leverage (%)



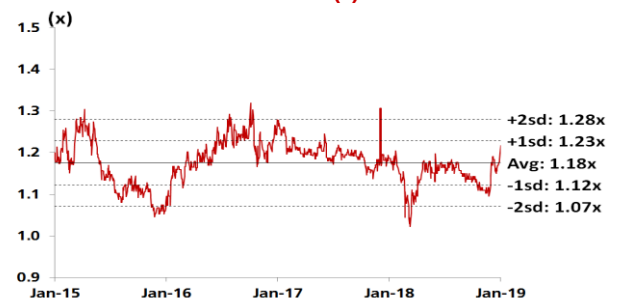
ROE (%)



Distribution yield (%)



PB band (x)



Source: Company, AllianceDBS

Sunway REIT

Key Assumptions

FY Jun	2017A	2018A	2019F	2020F	2021F
Lease Expiry Profile (%) of	11.4	27.3	22.6	37.2	18.4
SP Rental Gth (%)	6.00	1.76	2.00	3.00	3.00
SP Annual Step Up Gth	3.00	3.00	2.00	3.00	3.00

Segmental Breakdown

FY Jun	2017A	2018A	2019F	2020F	2021F
Revenues (RMm)					
Retail	405	417	425	435	448
Hotel	64.5	82.6	107	110	112
Office	31.5	33.5	38.0	38.3	38.7
Others	21.9	27.8	32.3	64.8	67.3
Total	523	560	603	648	667
NPI (RMm)					
Retail	290	297	299	303	310
Hotel	60.6	77.7	100	102	105
Office	16.5	17.5	20.1	20.0	20.0
Others	0.0	27.8	32.3	64.8	67.3
Total	367	420	452	490	502
NPI Margins (%)					
Retail	71.6	71.3	70.5	69.7	69.1
Hotel	94.0	94.0	93.2	93.1	93.0
Office	52.4	52.3	52.8	52.2	51.7
Others	0.0	100.0	100.0	100.0	100.0
Total	70.2	74.9	75.0	75.7	75.3

Income Statement (RMm)

FY Jun	2017A	2018A	2019F	2020F	2021F
Gross revenue	523	560	603	648	667
Property expenses	(156)	(140)	(151)	(158)	(165)
Net Property Income	367	420	452	490	502
Other Operating expenses	0.0	0.0	0.0	0.0	0.0
Other Non Opg (Exp)/Inc	(35.4)	(38.6)	(50.6)	(54.1)	(54.3)
Net Interest (Exp)/Inc	(81.0)	(97.4)	(103)	(120)	(121)
Exceptional Gain/(Loss)	152	145	0.0	0.0	0.0
Net Income	403	429	298	316	327
Tax	0.0	(1.0)	0.0	0.0	0.0
Minority Interest	0.0	0.0	0.0	0.0	0.0
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Income After Tax	403	428	298	316	327
Total Return	403	428	298	316	327
Non-tax deductible Items	0.0	0.0	0.10	0.0	0.0
Net Inc available for Dist.	271	282	298	316	327
Growth & Ratio					
Revenue Gth (%)	3.1	7.2	7.6	7.5	2.9
N Property Inc Gth (%)	(1.9)	14.4	7.6	8.5	2.4
Net Inc Gth (%)	53.4	6.2	(30.3)	6.1	3.2
Dist. Payout Ratio (%)	100.0	100.0	100.0	100.0	100.0
Net Prop Inc Margins (%)	70.2	74.9	75.0	75.7	75.3
Net Income Margins (%)	77.0	76.3	49.5	48.8	49.0
Dist to revenue (%)	51.8	50.3	49.5	48.8	49.0
Managers & Trustee's fees	0.0	0.0	0.0	0.0	0.0
ROAE (%)	9.7	10.0	6.8	7.3	7.5
ROA (%)	6.0	6.0	3.9	3.9	3.9
ROCE (%)	5.7	6.0	6.0	6.2	6.1
Int. Cover (x)	4.5	4.3	4.4	4.1	4.1

Source: Company, AllianceDBS

Sunway REIT

Quarterly / Interim Income Statement (RMm)

FY Jun	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019
Gross revenue	138	141	142	136	144
Property expenses	(30.2)	(38.1)	(36.2)	(36.0)	(33.2)
Net Property Income	108	103	105	100	111
Other Operating expenses	(7.6)	(7.3)	(7.6)	135	(7.9)
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	(24.2)	(25.1)	(27.4)	(29.0)	(29.6)
Exceptional Gain/(Loss)	2.97	(1.0)	(0.5)	(143)	0.0
Net Income	78.7	70.1	69.9	63.3	73.0
Tax	0.0	0.0	0.0	0.0	0.0
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Income after Tax	78.7	70.1	69.9	63.3	73.0
Total Return	78.7	70.1	69.9	63.3	73.0
Non-tax deductible Items	0.45	0.55	0.50	0.56	0.55
Net Inc available for Dist.	79.2	70.6	70.4	63.9	73.5
Growth & Ratio					
Revenue Gth (%)	4	3	0	(4)	5
N Property Inc Gth (%)	9	(4)	2	(5)	10
Net Inc Gth (%)	18	(11)	0	(9)	15
Net Prop Inc Margin (%)	78.1	73.1	74.4	73.6	76.9
Dist. Payout Ratio (%)	100.0	100.0	100.0	100.0	100.0

Balance Sheet (RMm)

FY Jun	2017A	2018A	2019F	2020F	2021F
Investment Properties	6,689	7,280	7,524	8,055	8,081
Other LT Assets	9.06	13.6	19.9	26.3	32.6
Cash & ST Invts	109	198	317	316	316
Inventory	0.0	0.0	0.0	0.0	0.0
Debtors	33.0	32.1	26.8	28.8	29.7
Other Current Assets	0.0	0.0	0.0	0.0	0.0
Total Assets	6,840	7,524	7,887	8,426	8,459
ST Debt	2,344	2,603	2,914	2,914	2,914
Creditor	3.37	2.10	4.32	4.51	4.72
Other Current Liab	209	182	182	182	182
LT Debt	0.0	300	346	880	910
Other LT Liabilities	72.2	84.4	84.4	84.4	84.4
Unit holders' funds	4,212	4,353	4,357	4,362	4,364
Minority Interests	0.0	0.0	0.0	0.0	0.0
Total Funds & Liabilities	6,840	7,524	7,887	8,426	8,459
Non-Cash Wkg. Capital	(179)	(152)	(159)	(157)	(157)
Net Cash/(Debt)	(2,235)	(2,705)	(2,943)	(3,477)	(3,508)
Ratio					
Current Ratio (x)	0.1	0.1	0.1	0.1	0.1
Quick Ratio (x)	0.1	0.1	0.1	0.1	0.1
Aggregate Leverage (%)	34.3	38.6	41.3	45.0	45.2
Z-Score (X)	1.0	1.0	1.0	1.0	NA

Source: Company, AllianceDBS

Sunway REIT

Cash Flow Statement (RMm)

FY Jun	2017A	2018A	2019F	2020F	2021F
Pre-Tax Income	403	429	298	316	327
Dep. & Amort.	1.61	1.91	2.39	3.15	3.91
Tax Paid	0.0	(1.0)	0.0	0.0	0.0
Associates & JV Inc/(Loss)	0.0	0.0	0.0	0.0	0.0
Chg in Wkg.Cap.	(29.1)	(160)	148	(1.8)	(0.6)
Other Operating CF	(16.1)	110	103	120	121
Net Operating CF	359	380	552	437	451
Net Invt in Properties	(123)	(464)	(252)	(541)	(36.3)
Other Invt (net)	0.0	0.0	0.0	0.0	0.0
Invt in Assoc. & JV	0.0	0.0	0.0	0.0	0.0
Div from Assoc. & JVs	0.0	0.0	0.0	0.0	0.0
Other Investing CF	3.20	(123)	2.85	9.50	9.48
Net Investing CF	(119)	(587)	(249)	(531)	(26.9)
Distribution Paid	(266)	(285)	(294)	(312)	(324)
Chg in Gross Debt	142	556	357	534	30.0
New units issued	0.0	0.0	0.0	0.0	0.0
Other Financing CF	(84.5)	(106)	(106)	(129)	(131)
Net Financing CF	(209)	164	(43.4)	93.1	(425)
Currency Adjustments	0.0	0.0	0.0	0.0	0.0
Chg in Cash	30.8	(43.0)	259	(0.5)	(0.5)
Operating CFPS (sen)	13.2	18.3	13.7	14.9	15.3
Free CFPS (sen)	8.03	(2.8)	10.2	(3.5)	14.1

Source: Company, AllianceDBS

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	07 Feb 18	1.72	1.85	HOLD
2:	04 May 18	1.66	1.85	BUY
3:	10 Aug 18	1.74	1.85	BUY
4:	02 Nov 18	1.68	1.85	BUY

Note: Share price and Target price are adjusted for corporate actions.

Source: AllianceDBS

Analyst: Siti Ruzanna Mohd Faruk

Sunway REIT

DISCLOSURE

Stock rating definitions

STRONG BUY	-	> 20% total return over the next 3 months, with identifiable share price catalysts within this time frame
BUY	-	> 15% total return over the next 12 months for small caps, >10% for large caps
HOLD	-	-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps
FULLY VALUED	-	negative total return > -10% over the next 12 months
SELL	-	negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame

Commonly used abbreviations

Adex = advertising expenditure	EPS = earnings per share	PBT = profit before tax
bn = billion	EV = enterprise value	P/B = price / book ratio
BV = book value	FCF = free cash flow	P/E = price / earnings ratio
CF = cash flow	FV = fair value	PEG = P/E ratio to growth ratio
CAGR = compounded annual growth rate	FY = financial year	q-o-q = quarter-on-quarter
Capex = capital expenditure	m = million	RM = Ringgit
CY = calendar year	M-o-m = month-on-month	ROA = return on assets
Div yld = dividend yield	NAV = net assets value	ROE = return on equity
DCF = discounted cash flow	NM = not meaningful	TP = target price
DDM = dividend discount model	NTA = net tangible assets	trn = trillion
DPS = dividend per share	NR = not rated	WACC = weighted average cost of capital
EBIT = earnings before interest & tax	p.a. = per annum	y-o-y = year-on-year
EBITDA = EBIT before depreciation and amortisation	PAT = profit after tax	YTD = year-to-date

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