

## Pavilion REIT

(5212 | PREIT MK) Main | REIT

### Solid Earnings


#### KEY INVESTMENT HIGHLIGHTS

- **1HFY24 earnings within expectations**
- **Solid earnings in 1HFY24**
- **Earnings estimates maintained**
- **Earnings prospect remains positive**
- **Maintain BUY with an unchanged TP of RM1.60**

**1HFY24 earnings within expectations.** Pavilion REIT 1HFY24 core net income of RM150.3m came in within our expectation but slightly below consensus expectation, making up 49% and 44% of our and consensus estimates respectively. Distribution per unit (DPU) of 4.53sen was announced for 1HFY24, which is higher than DPU of 4.41sen in 1HFY23.

**Solid earnings in 1HFY24.** Sequentially, 2QFY24 core net income was lower at RM67.1m (-19.3%qoq), in line with lower topline (-7.9%qoq) mainly on seasonal factor. Earnings in previous quarter was mainly lifted by higher shopper footfall as a result of Chinese New Year shopping spree. On yearly basis, 2QFY24 core net earnings were higher (+6.7%yoy), bringing cumulative earnings in 1HFY24 higher at RM150.3m (+13%yoy). The double-digit earnings growth was mainly underpinned by earnings contribution from Pavilion Bukit Jalil which was acquired on 1<sup>st</sup> June 2023. Meanwhile, performance of Pavilion KL Mall and Intermark Mall remains encouraging which recorded higher net property income in 1HFY24 due to higher shopper footfall. Nevertheless, the higher utilities expenses and maintenance expenses have partly moderated earnings growth in 1HFY24.

**Earnings estimates maintained.** We make no changes to our earnings forecast for FY24F/25F/26F. We see positive earnings prospect for Pavilion REIT as earnings will be driven by positive rental growth of Pavilion KL Mall. Besides, the growing contribution from Pavilion Bukit Jalil which is expected to spur by positive rental reversion and better occupancy rate should also lift earnings in the near-term.

**Maintain BUY with an unchanged TP of RM1.60.** We maintain our **TP** for Pavilion REIT at **RM1.60**, based on Dividend Discount Model. We continue to like Pavilion REIT as earnings prospect remains solid with steady contribution from Pavilion KL Mall which is supported by higher tourist arrivals. Besides, the better performance of Pavilion Bukit Jalil should provide upside to the earnings growth. Hence, we maintain our **BUY** call on Pavilion REIT. Meanwhile, net distribution yield is estimated at 5.8%. 

**Maintain BUY**
**Unchanged Target Price: RM1.60**

#### RETURN STATISTICS

Price @ 17 <sup>th</sup> July 2024 (RM)	1.41
Expected share price return (%)	+13.5
Expected dividend yield (%)	+5.8
<b>Expected total return (%)</b>	<b>+19.3</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-2.8	-4.4
3 months	0.7	3.8
12 months	12.9	-2.9

#### INVESTMENT STATISTICS

FYE Dec	2024E	2024F	2025F
Revenue	763	786	808
Net Rental Income	501	517	532
Net Investment Income	516	530	544
Core Net Income	310	321	335
Core EPU (sen)	7.61	7.89	8.23
Net DPU (sen)	8.15	8.20	8.20
Dividend Yield	5.8%	5.8%	5.8%

#### KEY STATISTICS

FBM KLCI	1,633.54
Issue shares (m)	3,652.34
Estimated free float (%)	19.81
Market Capitalisation (RM'm)	5,156
52-wk price range	RM1.17–RM1.45
3-mth average daily volume (m)	3.58
3-mth average daily value (RM'm)	4.88
Top Shareholders (%)	
Qatar Investment Authority	27.59
Lim Siew Choon	23.12
Employees Provident Fund Board	12.09
Puan Yong Kewi	7.71
KWAP	5.74

**Analyst**

 Jessica Low Jze Tieng  
 jessica.low@midf.com.my

**Pavilion REIT: 2QFY24 Results Summary**

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY24	%YoY	%QoQ	FY24	%YoY
Gross Revenue	201.3	25.8%	-7.9%	419.8	32.70%
Net Rental Income	120.0	18.8%	-11.8%	256.1	26.1%
Net Investment Income	123.5	19.3%	-11.8%	263.4	26.5%
Net Income	67.1	6.7%	-19.3%	150.3	13.0%
Core Net Income	67.1	6.7%	-19.3%	150.3	13.0%
Realised EPU (sen)	1.8	6.5%	-19.3%	4.1	2.4%
Core EPU (sen)	1.8	6.5%	-19.3%	4.1	2.4%
Gross DPU (sen)	4.5	2.7%	N/A	4.5	2.7%

## FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Gross Revenue	570	724	763	786	808
Net Rental Income	364	459	501	517	532
Net Investment Income	522	617	516	530	544
Net Income	398	432	310	321	336
Core Net Income	246	285	310	321	335
Core EPU (sen)	8.1	7.8	7.6	7.9	8.2
Core PER (x)	17.5	18.1	18.5	17.9	17.1
NAV/unit (RM)	1.33	1.27	1.27	1.27	2.27
P/NAV (x)	1.06	1.11	1.11	1.11	0.62

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
Investment Properties	6,045	8,390	8,405	8,421	8,439
Total non-current assets	6,046	8,393	8,407	8,423	8,441
Cash	333	456	430	405	353
Other Assets	105	150	95	211	215
<b>Total Assets</b>	<b>6,483</b>	<b>8,998</b>	<b>8,932</b>	<b>9,039</b>	<b>9,009</b>
LT Borrowings	1,394	3,291	3,390	3,457	3,388
ST Borrowings	800	100	235	270	330
Other Liability	229	676	393	405	416
Total Liability	2,423	4,067	4,017	4,132	4,135
Unitholders' capital	2,952	3,662	3,670	3,678	3,686
Other Equity	1,108	1,269	1,244	1,229	1,188
Total Equity	4,060	4,931	4,915	4,907	4,874
<b>Equity + Liability</b>	<b>6,483</b>	<b>8,998</b>	<b>8,932</b>	<b>9,039</b>	<b>9,009</b>

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
<b>Cash flows from operating activities</b>					
Net income before taxation	216	432	310	321	336
Net cash from operating activities	362	475	485	496	513
<b>Cash flows from investing activities</b>					
Payment to enhance investment prop	-14	-11	-15	-16	-17
Net cash used in investing activities	-8	-1847	-2	-4	-7
<b>Cash flows from financing activities</b>					
Net cash from/(used in) financing activities	-274	1494	-508	-517	-558
Net increase/(decrease) in cash and cash equivalents	79	123	-25	-25	-52
Cash and cash equivalent at 1 January	254	333	456	430	405
Cash and cash equivalent at 1 December	333	456	430	405	353

Profitability Margins	2022A	2023A	2024E	2025F	2026F
Net Investment Income margin	49.3%	91.6%	65.1%	67.3%	67.2%
Core net income margin	25.8%	43.3%	40.4%	40.9%	41.0%
ROE	3.3%	6.2%	6.4%	6.4%	6.7%
ROA	2.0%	3.9%	3.8%	3.6%	3.7%

Source: Bloomberg, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 – X)).  
(Bank Pelaburan)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

## DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related BNM and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loss, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such BNM mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

### MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

#### ESG RECOMMENDATIONS\* - source Bursa Malaysia and FTSE Russell

☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

\* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology