Corporate Update

Pavilion REIT

(5212 | PREIT MK) Main | REIT

FTSE4Good | ESG 3 Stars

BUY

Revised Target Price **RM1.88** (from RM1.69)

2QFY25 Earnings Review
Decent Earnings Growth

1HFY25 earnings within expectations. Pavilion REIT 1HFY25 core net income of RM169.1m came in within expectations, making up 51.7% and 54.5% of our and consensus full year estimates respectively. Distribution per unit (DPU) of 4.97sen was announced for 1HFY25.

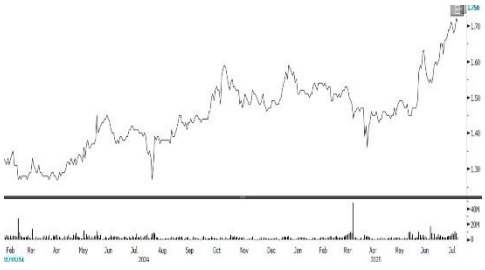
Decent earnings growth. Sequentially, 2QFY25 core net income was lower at RM78.7m (-13%qoq), in line with lower topline (-6.5%qoq). The lower earnings in 2QFY25 were due to normalisation of earnings from high base in 1QFY25 which were boosted by seasonally higher shopper footfall and festive season. On yearly basis, 2QFY25 core net income was higher (+17.2%yoy), bringing 1HFY25 net income higher at RM169.1m (+12.5%yoy). The higher earnings were driven by higher contribution from Pavilion Bukit Jalil and Elite Pavilion Mall. Rental of Pavilion Bukit Jail were supported by higher occupancy rate and earnings from exhibition centre. Meanwhile, higher advertising revenue lifted contribution of Elite Pavilion Mall. On the other hand, earnings from Pavilion KL Mall were marginally lower mainly due to lower turnover rent.

Earnings forecast revised. We revise our earnings forecast for FY25/26F/27F by +2%/+5.4%/+1.1% as we fine-tune our earnings forecast and factor in contribution from Banyan Tree KL and Pavilion Hotel KL. Recall that Pavilion REIT announced the acquisition of the two hotels for RM480m in December 2024. The acquisition of the two hotels were completed in June 2025. Besides, Pavilion REIT completed placement of 257,142,800 units of Pavilion REIT shares which raised RM360m to partly fund the acquisition of the two hotels. The balance purchase consideration of RM120m was funded via debt.

Maintain BUY with a revised target price of RM1.88. We revise our TP for Pavilion REIT to RM1.88 from RM1.69 following the revision in our forecast and rollover valuation base year to FY26. Our TP is based on dividend-discount model. Distribution yield is estimated at 4.8% which we think remains attractive comparing to MGS yield of 3.4%. Earnings prospect for Pavilion REIT is expected to remain positive as we expect growing contribution from Pavilion KL Mall and Pavilion Bukit Jalil. We see Pavilion KL Mall to continue growing organically on the back of positive rental reversion due to the strategic location of the mall. Meanwhile, earnings of Pavilion Bukit Jalil should improve due to low base rental and stable shopper footfall. Hence, we maintain our **BUY** call on Pavilion REIT.

RETURN STATISTICS	
Price @ 22nd July 2025 (RM)	1.71
Expected share price return (%)	+9.9
Expected dividend yield (%)	+4.8
Expected total return (%)	+14.7

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	10.3	10.1
3months	7.5	18.1
12 months	22.1	31.0

INVESTMENT STATISTICS

FYE Dec	2025E	2026F	2027F
Revenue	872	909	937
Operating Profit	556	584	607
PBT	572	600	623
Core Net Income	334	355	378
Core EPU (sen)	8.51	9.05	9.63
Net DPU (sen)	8.19	8.02	8.41
Dividend Yield	4.8%	4.7%	4.9%

KEY STATISTICS

FBM KLCI	1,519.40
Issue shares (m)	3,660.69
Estimated free float (%)	41.32
Market Capitalisation (RM'm)	6,705
52-wk price range	RM1.22 – RM1.74
3-mth average daily volume (m)	3.87
3-mth average daily value (RM'm)	6.06
Top Shareholders (%)	
Qatar Investment Authority	27.53
Lim Choon Siew	21.56
EPF	11.95
Puan Yong Kewi	7.19
KWAP	5.81

Analyst

Jessica Low Jze Tieng
jessica.low@midf.com.my
03-2173 8391

Pavilion REIT: 2QFY25 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results				
	2QFY25	%YoY	%QoQ	FY25	%YoY
Gross Revenue	213.3	6.0%	-6.5%	441.5	5.17%
Net Rental Income	129.8	8.2%	-9.1%	272.6	6.5%
Net Investment Income	133.5	8.2%	-9.2%	280.6	6.5%
Net Income	78.7	17.2%	-13.0%	169.1	12.5%
Core Net Income	78.7	17.2%	-13.0%	169.1	12.5%
Realised EPU (sen)	2.0	9.3%	-18.7%	4.5	8.9%
Core EPU (sen)	2.0	9.3%	-18.7%	4.5	8.9%
Gross DPU (sen)	4.97	9.7%	N/A	4.97	9.7%

Source: Company, MBSB Research

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	724	846	872	909	937
Operating Profit	459	523	556	584	607
PBT	617	637	572	600	623
Net Income	432	410	334	355	378
Core Net Income	285	310	334	355	378
Core EPU (sen)	7.8	8.5	8.5	9.0	9.6
Core PER (x)	21.9	20.2	20.1	18.9	17.7

Balance Sheet (RM'm)	2023A	2024A	2025E	2026F	2027F
Investment Properties	8,390	8,490	8,996	9,013	9,031
Total non-current assets	8,393	8,492	8,998	9,015	9,033
Cash	456	474	449	426	376
Other Assets	150	165	309	499	601
Total Assets	8,998	9,131	9,756	9,940	10,010
LT Borrowings	3,291	3,313	3,545	3,626	3,627
ST Borrowings	100	80	400	420	425
Other Liability	676	720	449	468	483
Total Liability	4,067	4,112	4,394	4,514	4,535
Unitholders' capital	3,662	3,673	4,033	4,061	4,069
Other Equity	1,269	1,345	1,330	1,364	1,406
Total Equity	4,931	5,018	5,363	5,425	5,475
Equity + Liability	8,998	9,131	9,756	9,940	10,010

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
Cash flows from operating activities	432	410	334	355	378
Net income before taxation	475	507	535	558	575
Net cash from operating activities					
Cash flows from investing activities	-11	0	-16	-17	-18
Payment to enhance investment prop	-1847	8	-2	-5	-7
Net cash used in investing activities					
Cash flows from financing activities	1494	-496	-557	-576	-617
Net cash from/(used in) financing activities					
	123	18	-25	-23	-49
Net increase/(decrease) in cash and cash equivalents	333	456	474	449	426
Cash and cash equivalent at 1 January	456	474	449	426	376
Cash and cash equivalent at 1 December	432	410	334	355	378

Profitability Ratios (%)	2023A	2024A	2025E	2026F	2027F
Net Investment Income margin	85.3%	75.4%	65.6%	66.0%	66.5%
Core net income margin	39.4%	36.6%	38.2%	39.0%	40.3%
ROE	6.3%	6.2%	6.4%	6.6%	6.9%
ROA	3.7%	3.4%	3.5%	3.6%	3.8%

MBSB RESEARCH (formerly known as MIDF RESEARCH) is part of MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank Berhad)

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MBSB Investment Bank Berhad (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD) 197501002077 (24878-X).

It is for distribution only under such circumstances as may be permitted by applicable law. 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 we believe are reliable. MBSB INVESTMENT BANK BERHAD (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD) 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. This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MBSB INVESTMENT BANK BERHAD (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD). The directors, employees and representatives of MBSB INVESTMENT BANK BERHAD (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD) may have an interest in any of the securities mentioned and may benefit from the information herein. Members of the MBSB Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein This document may not be reproduced, distributed or published in any form or for any purpose.

MBSB INVESTMENT BANK (formerly known MIDF AMANAH INVESTMENT BANK): GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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