Corporate Update

Pavilion REIT

(5212 | PREIT MK) Main | REIT

FTSE4Good | ESG 3 Stars

Downgrade to NEUTRAL (from BUY)

Revised Target Price **RM1.94** (from RM1.88)

3QFY25 Earnings Review Limited Upside

9MFY25 earnings slightly above our expectation. Pavilion REIT 9MFY25 core net income of RM263.7m came in within consensus expectation but deemed slightly above our expectation despite it makes up 79% of our full year estimates as we expect earnings in 4QFY25 to be seasonally stronger. The positive variance could be attributed to the higher-than-expected contribution Elite Pavilion Mall and lower expenses. No distribution per unit (DPU) was announced for 3QFY25 due to its bi-annual distribution policy.

Higher sequential earnings. Sequentially, 3QFY25 core net income was higher at RM94.6m (+20.2%qoq), in line with higher topline (+6.8%qoq). The higher earnings were driven by higher contribution from all its malls except for Da Men mall. Notably, net property income (NPI) of Elite Pavilion Mall increased by +34%qoq mainly due to upgraded LED screen at Elite Pavilion Mall. Overall, performance of its malls was also lifted by increased shopper footfall in 3QFY25. Besides, earnings contribution from Banyan Tree KL and Pavilion Hotel KL also lifted earnings. Note that the acquisitions of the two hotels were completed in June 2025. Besides, earnings were also helped by lower utilities cost (-20%qoq) as well as lower borrowings cost (-3.3%qoq) due to lower interest rate.

Solid earnings in 9MFY25. On yearly basis, 3QFY25 core net income was higher (+19.8%yoy), bringing 9MFY25 net income higher at RM263.7m (+15%yoy). The earnings growth was underpinned by higher contribution from Pavilion Bukit Jalil and Elite Pavilion Mall which cushioned the lower contribution from Pavilion KL. NPI of Pavilion Bukit Jalil was higher by +28%yoy due to higher occupancy rate and earnings from exhibition centre. Earnings growth was also supported by maiden contribution from Banyan Tree KL and Pavilion Hotel KL. Going forward, we see that the retail and hotel division of Pavilion REIT will benefit from higher tourist arrival amid Visit Malaysia 2026 campaign.

Downgrade to NEUTRAL from BUY with a revised target price of RM1.94. We revise our FY25/26/27 earnings forecast by +8%/+5.2%/+4.4% to factor in the higher contribution from Pavilion Elite Mall and lower expenses. Corresponding to the earnings revision, our TP is revised to RM1.94 from RM1.88. Our TP is based on dividend-discount model. We see that earnings prospect of Pavilion REIT will remain supported by the solid contribution from Pavilion KL and Pavilion Bukit Jalil. Nevertheless, we think that positives are largely priced in while yield is compressed at 4.4%. Hence, we downgrade our call on Pavilion REIT to NEUTRAL from BUY.

RETURN STATISTICS	
Price @ 30th Oct 2025 (RM)	1.86
Expected share price return (%)	+4.3
Expected dividend yield (%)	+4.4
Expected total return (%)	+8.7

SHARE PRICE CHART

Price performance (%)	Absolute	Relative
1 month	2.2	2.1
3months	2.2	0.2
12 months	20.8	19.9

INVESTMENT STATISTICS

FYE Dec	2025E	2026F	2027F
Revenue	900	928	954
Operating Profit	584	603	624
PBT	600	619	640
Core Net Income	360	373	394
Core EPU (sen)	9.19	9.52	10.06
Net DPU (sen)	8.19	8.44	8.78
Dividend Yield	4.4%	4.5%	4.7%

KEY STATISTICS

FBM KLCI	1,614.20
Issue shares (m)	3,660.69
Estimated free float (%)	41.36
Market Capitalisation (RM'm)	7,300
52-wk price range	RM1.22 – RM1.95
3-mth average daily volume (m)	4.08
3-mth average daily value (RM'm)	7.32
Top Shareholders (%)	
Qatar Investment Authority	25.71
Lim Choon Siew	21.54
EPF	12.66
Puan Yong Kewi	7.18
KWAP	5.90

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Pavilion REIT: 3QFY25 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative Results	
	3QFY25	%YoY	%QoQ	FY25	%YoY
Gross Revenue	227.9	9.9%	6.8%	669.4	6.75%
Net Rental Income	145.5	10.3%	12.1%	418.1	7.8%
Net Investment Income	149.1	9.9%	11.7%	429.7	7.6%
Net Income	94.6	19.8%	20.2%	263.7	15.0%
Core Net Income	94.6	19.8%	20.2%	263.7	15.0%
Realised EPU (sen)	2.4	11.6%	20.1%	6.9	9.8%
Core EPU (sen)	2.4	11.6%	20.1%	6.9	9.8%
Gross DPU (sen)	0.0	N/A	-100.0%	4.97	9.7%

Source: Company, MBSB Research

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	724	846	900	928	954
Operating Profit	459	523	584	603	624
PBT	617	637	600	619	640
Net Income	432	410	360	373	394
Core Net Income	285	310	360	373	394
Core EPU (sen)	7.8	8.5	9.2	9.5	10.1
Core PER (x)	23.8	22.0	20.2	19.5	18.5

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	473	451	401
Other Assets	150	165	326	511	612
Total Assets	8,998	9,131	9,797	9,976	10,046
LT Borrowings	3,291	3,313	3,545	3,626	3,627
ST Borrowings	100	80	400	420	425
Other Liability	676	720	463	478	492
Total Liability	4,067	4,112	4,408	4,524	4,544
Unitholders' capital	3,662	3,673	4,033	4,061	4,069
Other Equity	1,269	1,345	1,356	1,391	1,434
Total Equity	4,931	5,018	5,389	5,452	5,503
Equity + Liability	8,998	9,131	9,797	9,976	10,046

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
Cash flows from operating activities					
Net income before taxation	432	410	360	373	394
Net cash from operating activities	475	507	559	577	590
Cash flows from investing activities					
Payment to enhance investment prop	-11	0	-16	-17	-18
Net cash used in investing activities	-1847	8	-2	-5	-6
Cash flows from financing activities					
Net cash from/(used in) financing activities	1494	-496	-557	-594	-633
Net increase/(decrease) in cash and cash equivalents	123	18	-1	-22	-50
Cash and cash equivalent at 1 January	333	456	474	473	451
Cash and cash equivalent at 1 December	456	474	473	451	401

Profitability Ratios (%)	2023A	2024A	2025E	2026F	2027F
Net Investment Income margin	85.3%	75.4%	66.6%	66.7%	67.1%
Core net income margin	39.4%	36.6%	40.0%	40.2%	41.3%
ROE	6.3%	6.2%	6.9%	6.9%	7.2%
ROA	3.7%	3.4%	3.8%	3.8%	3.9%

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MBSB INVESTMENT BANK (formerly known MIDF 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