Corporate Update

Pavilion REIT

(5212 | PREIT MK) Main | REIT

FTSE4Good ESG 3 Stars

Maintain **NEUTRAL**

Revised Target Price **RM2.00**
(from RM1.94)

4QFY25 Earnings Review Positives Priced In

FY25 earnings within expectations. Pavilion REIT FY25 core net income of RM359.5m came in within expectations, making up 100% of our and consensus estimates. Distribution per unit (DPU) of 5.03sen was announced for 4QFY25, bringing total DPU to 10sen in FY25 and translating into gross yield of 5.2%.

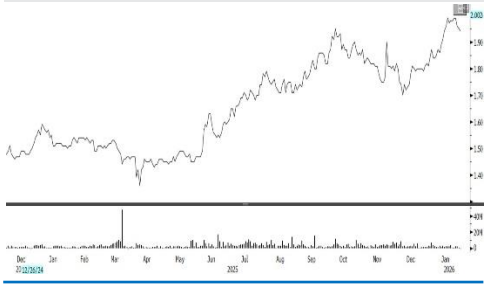
Higher sequential earnings on seasonal factor. Sequentially, 4QFY25 core net income was marginally higher at RM95.8m (+1.3%qoq), in tandem with the higher topline (+1.8%qoq). The higher sequential earnings were due to seasonally higher earnings contribution from malls in 4Q amid year-end holiday seasons. Notably, net property income (NPI) of Pavilion KL Mall increased to RM91.9m (+4.4%qoq) while NPI of Elite Pavilion Mall increased to RM14.9m (+12.8%qoq). Similarly, Pavilion Bukit Jalil recorded higher NPI of RM34.7m (+6.6%qoq). Meanwhile, losses of Da Men mall narrowed in 4QFY25 due to commencement of master lease with Easyhome International. The higher contribution from the malls have offset the weaker contribution from Intermark Mall in 4QFY25 which was dragged by electrical upgrading works. On the other hand, Banyan Tree KL and Pavilion Hotel KL recorded improved contribution due to year-end holiday seasons.

Decent earnings growth. On yearly basis, 4QFY25 core net income was higher at RM95.8m (+18.7%yoy), bringing FY25 core net income higher at RM359.5m (+16%yoy). The higher earnings were mainly due to improved contribution from Pavilion Bukit Jalil and Elite Pavilion Mall which cushioned the lower contribution from Pavilion KL. Besides, the higher earnings were also due to maiden earnings contribution from Banyan Tree KL and Pavilion Hotel KL.

Maintain NEUTRAL with a revised target price of RM2.00. We maintain our earnings forecast for FY26/27. We also introduce our earnings forecast for FY28. We revise our **TP** for Pavilion REIT to **RM2.00** from RM1.94 as we roll over our valuation to FY27. Our TP is based on dividend-discount model. We see stable outlook for Pavilion REIT as the retail and hotel division of Pavilion REIT will benefit from higher tourist arrival amid Visit Malaysia 2026 campaign. Nevertheless, we think that positives are largely priced. Hence, we maintain our **NEUTRAL** call on Pavilion REIT.

RETURN STATISTICS	
Price @ 29th Jan 2026 (RM)	1.94
Expected share price return (%)	+3.1
Expected dividend yield (%)	+5.2
Expected total return (%)	+8.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	6.6	3.4
3months	6.6	-3.0
12 months	28.7	15.3

INVESTMENT STATISTICS

FYE Dec	2026E	2027F	2028F
Revenue	928	954	993
Operating Profit	603	624	657
PBT	619	640	672
Core Net Income	373	394	422
Core EPU (sen)	9.52	10.06	10.75
Net DPU (sen)	10.10	10.20	10.30
Dividend Yield	5.2%	5.3%	5.3%

KEY STATISTICS

FBM KLCI	1,730.89
Issue shares (m)	3,660.69
Estimated free float (%)	41.36
Market Capitalisation (RM'm)	7,574
52-wk price range	RM1.22 – RM2
3-mth average daily volume (m)	3.19
3-mth average daily value (RM'm)	5.81
Top Shareholders (%)	
Qatar Investment Authority	25.71
Lim Choon Siew	21.54
EPF	12.25
Puan Yong Kewi	7.18
KWAP	5.74

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Pavilion REIT: 4QFY25 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative Results	
	4QFY25	%YoY	%QoQ	FY25	%YoY
Gross Revenue	232.1	6.1%	1.8%	901.5	6.58%
Net Rental Income	149.8	11.1%	3.0%	567.9	8.6%
Net Investment Income	260.8	9.4%	74.9%	690.5	8.3%
Net Income	203.2	12.5%	114.9%	466.9	13.9%
Core Net Income	95.8	18.7%	1.3%	359.5	16.0%
Realised EPU (sen)	5.2	4.9%	114.9%	12.1	7.7%
Core EPU (sen)	2.4	10.7%	1.3%	9.3	10.0%
Gross DPU (sen)	5.0	4.6%	N/A	10.0	7.1%

Source: Company, MBSB Research

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	846	901	928	954	993
Operating Profit	523	568	603	624	657
PBT	637	691	619	640	672
Net Income	410	467	373	394	422
Core Net Income	310	360	373	394	422
Core EPU (sen)	8.5	9.2	9.5	10.1	10.8
Core PER (x)	22.9	21.2	20.4	19.3	18.0

Balance Sheet (RM'm)	2024A	2025A	2026E	2027F	2028F
Investment Properties	8,490	9,095	9,112	9,130	9,149
Total non-current assets	8,492	9,099	9,114	9,132	9,151
Cash	474	565	511	434	348
Other Assets	165	164	334	415	416
Total Assets	9,131	9,829	9,959	9,981	9,916
LT Borrowings	3,313	2,863	2,929	2,930	2,931
ST Borrowings	80	1,073	1,052	1,026	883
Other Liability	720	401	478	492	511
Total Liability	4,112	4,337	4,459	4,448	4,326
Unitholders' capital	3,673	4,038	4,066	4,074	4,082
Other Equity	1,345	1,453	1,434	1,459	1,508
Total Equity	5,018	5,491	5,500	5,533	5,590
Equity + Liability	9,131	9,829	9,959	9,981	9,916

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
Cash flows from operating activities					
Net income before taxation	410	467	373	394	422
Net cash from operating activities	507	569	571	584	627
Cash flows from investing activities					
Payment to enhance investment prop	0	0	-17	-18	-19
Net cash used in investing activities	8	-850	-2	-5	-21
Cash flows from financing activities					
Net cash from/(used in) financing activities	-496	373	-624	-656	-692
Net increase/(decrease) in cash and cash equivalents	18	91	-54	-76	-86
Cash and cash equivalent at 1 January	456	474	565	511	434
Cash and cash equivalent at 1 December	474	565	511	434	348

Profitability Ratios (%)	2024A	2025A	2026E	2027F	2028F
Net Investment Income margin	75.4%	76.6%	66.7%	67.1%	67.7%
Core net income margin	36.6%	39.9%	40.2%	41.3%	42.5%
ROE	6.2%	6.8%	6.8%	7.1%	7.6%
ROA	3.4%	3.8%	3.8%	4.0%	4.2%

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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