Corporate Update

Pavilion REIT

(5212 | PREIT MK) Main | REIT

FTSE4Good | ESG 3 Stars

Maintain **BUY**

Unchanged Target Price **RM2.00**

1QFY26 Earnings Review
Resilient Earnings

1QFY26 earnings within expectations. Pavilion REIT 1QFY26 core net income of RM105.8m deemed within expectations despite it makes up 28% of our and 27% of consensus full year forecast as we expect earnings to be seasonally lower in the coming quarters.

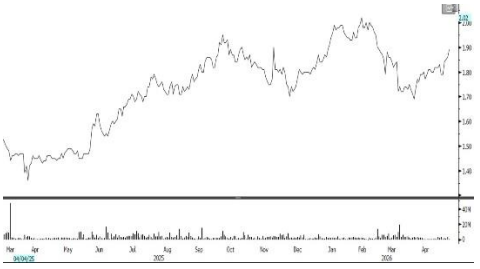
Earnings boosted by festive season. Sequentially, 1QFY26 core net income was higher at RM105.8m (+10.4%qoq), in tandem with the higher revenue (+5.9%qoq). The surge in earnings was mainly due to festive boost of Chinese New Year and retail spending surge during Ramadan. Notably, net property income (NPI) of Pavilion Bukit Jalil increased to RM38.4m (+10.7%qoq) while Intermark Mall returned to the black in 1QFY26 as earnings in the previous quarter were dragged by electrical upgrading works. Meanwhile, NPI of Pavilion KL Mall was flattish while Da Men Mall return to profitability at NPI level following commencement of master lease with Easyhome International.

Resilient earnings. On yearly basis, 1QFY26 earnings were resilient at RM105.8m (+17%yoy), in line with the higher topline (+7.8%yoy). The improved earnings were underpinned by higher contribution from all malls under its portfolio. Besides, the higher earnings were also due to earnings contribution from Banyan Tree KL and Pavilion Hotel KL which were acquired in June 2025.

Maintain BUY with an unchanged target price of RM2.00. We maintain our earnings forecast for FY26/27/28. We maintain our **TP** for Pavilion REIT at **RM2.00**. Our TP is based on dividend-discount model. We see positive earnings outlook for Pavilion REIT as earnings growth will be supported by the positive rental reversion of Pavilion KL Mall and Pavilion Bukit Jalil. Meanwhile, gross distribution yield is attractive at 5.3% while net yield (10%-30% tax rate) is at 4.8%-3.7%.

RETURN STATISTICS	
Price @ 7th May 2026 (RM)	1.89
Expected share price return (%)	+5.8
Expected dividend yield (%)	+5.3
Expected total return (%)	+11.1

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	9.2	4.2
3months	9.2	-4.0
12 months	30.3	14.9

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	5.3%	5.4%	5.5%

KEY STATISTICS

FBM KLCI	1,758.85
Issue shares (m)	3,924.84
Estimated free float (%)	41.41
Market Capitalisation (RM'm)	7,423
52-wk price range	RM1.43 – RM2.03
3-mth average daily volume (m)	3.32
3-mth average daily value (RM'm)	6.02
Top Shareholders (%)	
Qatar Investment Authority	25.69
Lim Choon Siew	21.52
EPF	12.96
Puan Yong Kewi	7.18
KWAP	5.87

Analyst

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Pavilion REIT: 1QFY26 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative Results	
	1QFY26	%YoY	%QoQ	FY26	%YoY
Gross Revenue	245.9	7.8%	5.9%	245.9	7.77%
Net Rental Income	158.9	11.3%	6.1%	158.9	11.3%
Net Investment Income	158.9	8.1%	-39.1%	158.9	8.1%
Net Income	105.8	17.0%	-47.9%	105.8	17.0%
Core Net Income	105.8	17.0%	10.4%	105.8	17.0%
Realised EPU (sen)	2.7	9.2%	-47.9%	2.7	9.2%
Core EPU (sen)	2.7	9.2%	10.4%	2.7	9.2%
Gross DPU (sen)	0.0	N/A	-100.0%	0.0	N/A

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