Corporate Update

Pavilion REIT

(5212 | PREIT MK) Main | REIT

FTSE4Good | ESG 3 Stars

Maintain **BUY**

Unchanged Target Price **RM2.00**

2QFY26 Earnings Review Commendable Earnings Growth

1HFY26 earnings within expectations. Pavilion REIT 1HFY26 core net income of RM194.8m came in within expectations, making up 52% and 49% of our and consensus full year estimates respectively. Pavilion REIT announced distribution per unit of 5.17sen for 1HFY26.

Normalised earnings in 2QFY26. Sequentially, 2QFY26 core net income normalised from the higher base in 1QFY26 after declining -15.8%qoq to RM89m. Note that earnings in 1QFY26 were lifted by festive boost of Chinese New Year and retail spending surge during Ramadan. The decline in earnings was led by lower contribution from Pavilion KL Mall and Pavilion Bukit Jalil. Notably, net property income (NPI) of Pavilion KL Mall and Pavilion Bukit Jalil declined -7.9%qoq and -7.8%qoq respectively.

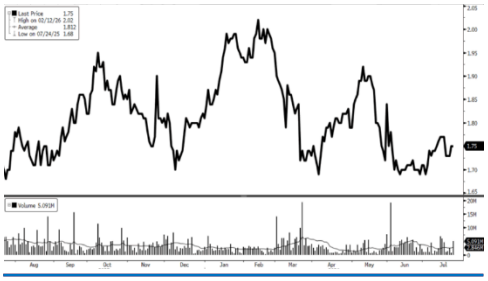
Higher occupancy rate by year-end. Occupancy rate of Pavilion KL Mall declined to 90.9% in 2QFY26 from 92.6% in 1QFY26 as Parkson has vacated 68,000 sq ft of NLA on Level 3. Management plans to subdivide the space into 37 retail units, with reopening targeted for November 2026. The new tenant mix is expected to potentially double the rental rate. Meanwhile, occupancy rate of Pavilion KL Mall is expected to improve to 95% by year-end. On the other hand, Da Men Mall slipped into a marginal loss in 2QFY26 due to higher expenses to upgrade facilities. This is after returning to profitability at NPI level in 1QFY26 following commencement of master lease with Easyhome International. We understand that the mall's occupancy rate is expected to improve to 80%-85% by year-end, with management targeting profit-sharing income by then.

Commendable earnings growth. On yearly basis, 2QFY26 earnings were higher at RM89m (+13.2%yoy), bringing cumulative 1HFY26 earnings higher at RM194.8m (+15.2%yoy). The higher earnings were contributed by the improved performance of all malls under its portfolio except for Intermark Mall. Notably, Pavilion Bukit Jalil recorded decent growth of 9.9% for NPI in 1HFY26 due to higher rental growth. Meanwhile, losses of Da Men Mall narrowed significantly in 1HFY26 following commencement of master lease with Easyhome International. Besides, contribution from Banyan Tree KL and Pavilion Hotel KL which were acquired in June 2025 lifted earnings.

Maintain BUY with an unchanged target price of RM2.00. We maintain our earnings forecast for FY26/27/28. We also maintain our **TP** for Pavilion REIT at **RM2.00**. Our TP is based on dividend-discount model. We expect earnings growth for Pavilion REIT, driven by healthy rental reversions at Pavilion KL Mall and Pavilion Bukit Jalil which is expected to be at mid-single digit. Besides, the sustained tourist arrivals should continue to support shopper footfall. Meanwhile, gross distribution yield is attractive at 5.8%.

RETURN STATISTICS	
Price @ 23rd July 2026 (RM)	1.75
Expected share price return (%)	+14.3
Expected dividend yield (%)	+5.8
Expected total return (%)	+20.1

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	1.7	-0.3
3months	2.3	-3.4
12 months	2.9	-8.2

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	5.8%	5.8%	5.9%

KEY STATISTICS

FBM KLCI	1,714.59
Issue shares (m)	3924.84
Estimated free float (%)	41.31
Market Capitalisation (RM'm)	6,873.93
52-wk price range	RM1.56 - RM2.03
3-mth average daily volume (m)	3.01
3-mth average daily value (RM'm)	5.32
Top Shareholders (%)	
Qatar Investment Authority	25.69
Lim Choon Siew	21.52
EPF	12.56
Puan Yong Kewi	7.18
KWAP	5.46

Analyst

Jessica Low Jze Tieng
jessica.lowjt@mbsb.com
03-2173 8391

Pavilion REIT: 2QFY26 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative Results	
	2QFY26	%YoY	%QoQ	FY26	%YoY
Gross Revenue	221.0	3.6%	-10.1%	466.9	5.75%
Net Rental Income	142.3	9.6%	-10.5%	301.2	10.5%
Net Investment Income	128.6	8.8%	-19.1%	287.5	8.4%
Net Income	89.0	13.2%	-15.8%	194.8	15.2%
Core Net Income	89.0	13.2%	-15.8%	194.8	15.2%
Realised EPU (sen)	2.3	13.0%	-15.9%	5.0	10.9%
Core EPU (sen)	2.3	13.0%	-15.9%	5.0	10.9%
Gross DPU (sen)	5.2	4.0%	NA	5.2	4.0%

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)	20.7	19.1	18.4	17.4	16.3

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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MBSB 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