Corporate Update

Pavilion REIT

(5212 | PREIT MK) Main | REIT

FTSE4Good ESG 3 Stars

Maintain **BUY**

Unchanged Target Price **RM2.00**

3QFY26 Earnings Review Steady Growth Prospects

9MFY26 earnings within our expectation. Pavilion REIT 9MFY26 core net income of RM287.7m came in within our expectation but slightly below consensus expectation, making up 77% and 73% of our and consensus full year estimates respectively.

Marginal earnings recovery. Sequentially, 3QFY26 core net income was higher at RM92.9m (+4.3%qoq) as earnings recovered from the seasonally weaker 2QFY26. Recall that 2QFY26 earnings were softer following the stronger 1QFY26 performance, which benefited from Chinese New Year and higher retail spending during Ramadan. The quarter-on-quarter earnings growth in 3QFY26 was mainly driven by better performance from Pavilion KL Mall, Elite Pavilion Mall and Intermark Mall. The improved contribution from Pavilion KL Mall was partially driven by opening of TGV.

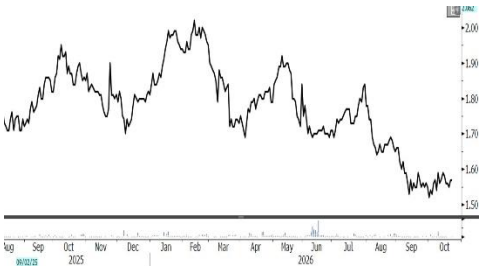
Resilient earnings despite 3Q dip. On yearly basis, 3QFY26 earnings were marginally lower at RM92.9m (-1.8%yoy), owing to lower contribution from Pavilion KL Mall and Elite Pavilion Mall. Pavilion KL Mall recorded lower rental income amid the reconfiguration of Level 3 space, while Elite Pavilion Mall saw lower advertising income. Nevertheless, earnings remained stable in 9MFY26 at RM287.7m (+9.1%yoy), in line with the higher topline (+3.7%yoy). The revenue growth was mainly driven by Pavilion Bukit Jalil and contributions from Banyan Tree KL and Pavilion Hotel KL, which were acquired in June 2025. In addition, net income growth was supported by narrower losses at Da Men Mall following the commencement of the master lease with Easyhome International.

Rental upside to drive earnings. We expect FY27 earnings to improve, driven by higher rental income from Pavilion KL Mall following the subdivision of 68,000 sq ft of net lettable area on level 3, which is expected to be completed by end-FY26. This should lead to a significant increase in rental rates and lift occupancy to 95% from 93% in 3QFY26. In addition, earnings growth should be supported by positive rental reversion at Pavilion Bukit Jalil, as the mall's performance remains stable.

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 remain positive on Pavilion REIT, with earnings growth expected to be driven by healthy mid-single-digit rental reversions at Pavilion KL Mall and Pavilion Bukit Jalil. Meanwhile, gross distribution yield is attractive at 6.4%.

RETURN STATISTICS	
Price @ 22nd Oct 2026 (RM)	1.57
Expected share price return (%)	+27.4
Expected dividend yield (%)	+6.4
Expected total return (%)	+33.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.3	3.4
3months	1.3	-4.5
12 months	-14.7	-15.0

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	6.4%	6.5%	6.6%

KEY STATISTICS

FBM KLCI	1,608.14
Issue shares (m)	3924.84
Estimated free float (%)	41.36
Market Capitalisation (RM'm)	6,172.37
52-wk price range	RM1.51 - RM2.03
3-mth average daily volume (m)	2.64
3-mth average daily value (RM'm)	4.29
Top Shareholders (%)	
Qatar Investment Authority	25.66
Lim Choon Siew	21.50
EPF	13.32
Puan Yong Kewi	7.17

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Pavilion REIT: 3QFY26 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative Result	
	3QFY26	%YoY	%QoQ	9MFY26	%YoY
Gross Revenue	227.3	-0.3%	2.8%	694.2	3.71%
Net Rental Income	145.6	0.1%	2.3%	446.8	6.9%
Net Income	92.9	-1.8%	4.3%	287.7	9.1%
Core Net Income	92.9	-1.8%	4.3%	287.7	9.1%
Realised EPU (sen)	2.4	-1.9%	4.3%	7.3	6.4%
Core EPU (sen)	2.4	-1.9%	4.3%	7.3	6.4%
Gross DPU (sen)	0.0	0.0%	-100.0%	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)	18.5	17.1	16.5	15.6	14.6

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