

Pavilion REIT

(5212 | PREIT MK) Main | REIT

Started FY24 on A Positive Note


KEY INVESTMENT HIGHLIGHTS

- **1QFY24 earnings within expectations**
- **Started FY24 on a positive note**
- **Earnings estimates maintained**
- **Maintain BUY with an unchanged TP of RM1.48**

1QFY24 earnings within expectations. Pavilion REIT 1QFY24 core net income of RM83.2m came in within expectations, making up 27% and 25% of our and consensus estimates respectively. As expected, no distribution per unit (DPU) was announced for 1QFY24 due to its bi-annual distribution policy.

Started FY24 on a positive note. Sequentially, 1QFY24 core net income was marginally higher at RM83.2m (+1.8%qoq) in line with higher topline (+4.9%qoq). The higher earnings were mainly due to better contribution from Pavilion KL Mall and Pavilion Bukit Jalil. Net property income (NPI) of Pavilion KL Mall was higher at RM96.6m (+2.3%qoq) which could be attributed to higher turnover rent. Similarly, NPI of Pavilion Bukit Jalil increased to RM26.8m (+15.9%qoq) due to higher rental income and contribution from Pavilion Bukit Jalil exhibition centre. On yearly basis, 1QFY24 core net income improved to RM83.2m (+18.7%yoy) on the back of higher topline (+39.7%yoy) as earnings were boosted by earnings contribution from Pavilion Bukit Jalil which was acquired on 1 June 2023. Besides, the higher earnings were also underpinned by better contribution of Pavilion KL Mall as a result of positive rental reversion. Meanwhile, earnings growth was partly offset by higher property operating expenses namely utilities and maintenance expenses.

Earnings estimates maintained. We maintain our earnings forecast for FY24F/25F/26F. We expect earnings growth of Pavilion REIT to continue driven by Pavilion KL Mall and Pavilion Bukit Jalil. Shopper footfall of the two malls remain encouraging which should support tenant sales and positive rental reversion.

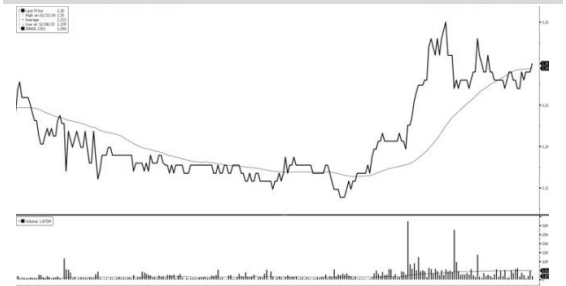
Maintain BUY with an unchanged TP of RM1.48. We maintain our TP for Pavilion REIT at **RM1.48**, based on Dividend Discount Model. We are positive on Pavilion REIT as its flagship mall namely Pavilion KL Mall should continue to record earnings growth in the mid to long term amid high shopper footfalls. Besides, the stable improvement in Pavilion Bukit Jalil should translate into better earnings growth going forward. Hence, we maintain our **BUY** call on Pavilion REIT. Meanwhile, net distribution yield is estimated at 6.3%. 

Maintain BUY
Unchanged Target Price: RM1.48

RETURN STATISTICS

Price @ 25 th April 2024 (RM)	1.30
Expected share price return (%)	+13.8
Expected dividend yield (%)	+6.3
Expected total return (%)	+20.1

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.8	-1.3
3 months	1.6	0.5
12 months	-2.3	-11.2

INVESTMENT STATISTICS

FYE Dec	2024E	2024F	2025F
Revenue	763	786	808
Net Rental Income	501	517	532
Net Investment Income	516	530	544
Core Net Income	310	321	335
Core EPU (sen)	7.61	7.89	8.23
Net DPU (sen)	8.15	8.10	8.19
Dividend Yield	6.3%	6.3%	6.3%

KEY STATISTICS

FBM KLCI	1,569.25
Issue shares (m)	3,652.34
Estimated free float (%)	20.09
Market Capitalisation (RM'm)	4,753.90
52-wk price range	RM1.17–RM1.37
3-mth average daily volume (m)	5.03
3-mth average daily value (RM'm)	6.52
Top Shareholders (%)	
Qatar Investment Authority	27.59
Lim Siew Choon	23.12
Employees Provident Fund Board	11.74
Puan Yong Kewi	7.71
KWAP	5.79

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Pavilion REIT: 1QFY24 Results Summary

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY24	%YoY	%QoQ	FY24	%YoY
Gross Revenue	218.5	39.7%	4.9%	218.5	39.71%
Net Rental Income	136.0	33.2%	1.0%	136.0	33.2%
Net Investment Income	139.9	33.5%	-50.8%	139.9	33.5%
Net Income	83.2	18.7%	-63.6%	83.2	18.7%
Core Net Income	83.2	18.7%	1.8%	83.2	18.7%
Realised EPU (sen)	2.3	-0.7%	-63.6%	2.3	-0.7%
Core EPU (sen)	2.3	-0.7%	1.6%	2.3	-0.7%
Gross DPU (sen)	0.0	N/A	N/A	0.0	N/A

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Gross Revenue	570	724	763	786	808
Net Rental Income	364	459	501	517	532
Net Investment Income	522	617	516	530	544
Net Income	398	432	310	321	336
Core Net Income	246	285	310	321	335
Core EPU (sen)	8.1	7.8	7.6	7.9	8.2
Core PER (x)	16.1	16.6	17.1	16.5	15.8
NAV/unit (RM)	1.33	1.27	1.27	1.27	2.27
P/NAV (x)	0.98	1.02	1.02	1.02	0.57

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
Investment Properties	6,045	8,390	8,405	8,421	8,439
Total non-current assets	6,046	8,393	8,407	8,423	8,441
Cash	333	456	430	405	353
Other Assets	105	150	95	211	215
Total Assets	6,483	8,998	8,932	9,039	9,009
LT Borrowings	1,394	3,291	3,390	3,457	3,388
ST Borrowings	800	100	235	270	330
Other Liability	229	676	393	405	416
Total Liability	2,423	4,067	4,017	4,132	4,135
Unitholders' capital	2,952	3,662	3,670	3,678	3,686
Other Equity	1,108	1,269	1,244	1,229	1,188
Total Equity	4,060	4,931	4,915	4,907	4,874
Equity + Liability	6,483	8,998	8,932	9,039	9,009

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
Cash flows from operating activities					
Net income before taxation	216	432	310	321	336
Net cash from operating activities	362	475	485	496	513
Cash flows from investing activities					
Payment to enhance investment prop	-14	-11	-15	-16	-17
Net cash used in investing activities	-8	-1847	-2	-4	-7
Cash flows from financing activities					
Net cash from/(used in) financing activities	-274	1494	-508	-517	-558

Net increase/(decrease) in cash and cash equivalents	79	123	-25	-25	-52
Cash and cash equivalent at 1 January	254	333	456	430	405
Cash and cash equivalent at 1 December	333	456	430	405	353

Profitability Margins	2022A	2023A	2024E	2025F	2026F
Net Investment Income margin	49.3%	91.6%	65.1%	67.3%	67.2%
Core net income margin	25.8%	43.3%	40.4%	40.9%	41.0%
ROE	3.3%	6.2%	6.4%	6.4%	6.7%
ROA	2.0%	3.9%	3.8%	3.6%	3.7%

Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
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	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

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