

Pavilion REIT

(5212 | PREIT MK) Main | REIT

Maintain BUY

Commendable Earnings

Revised Target Price: RM1.69
 (Previously RM1.60)


KEY INVESTMENT HIGHLIGHTS

- **9MFY24 earnings within expectations**
- **Commendable earnings**
- **Earnings estimates maintained**
- **Positive earnings outlook**
- **Maintain BUY with a revised TP of RM1.69**

9MFY24 earnings within expectations. Pavilion REIT 9MFY24 core net income of RM150.3m came in within our expectation but slightly below consensus, making up 74% and 69% of our and consensus estimates respectively. No distribution per unit (DPU) was announced for 3QFY24 due to its bi-annual distribution policy.

Commendable earnings. Sequentially, 3QFY24 core net income increased to RM78.9m (+17.6%qqq), in line with higher topline (+3%qqq). The higher sequential earnings were mainly lifted by higher contribution from Pavilion KL Mall and Elite Pavilion Mall. Earnings from the two assets were supported by higher rent revenue and higher advertising income after re-commission of the upgraded LED screen at Elite Pavilion Mall. Besides, earnings were also lifted by reversal of doubtful debt in 3QFY24. On yearly basis, 3QFY24 core net income was higher (+11.8%yoy), bringing cumulative core net income in 9MFY24 higher at RM229.2m (+12.6%yoy). The higher earnings were driven by higher contribution from Pavilion KL Mall on the back of positive rental reversion and high shopper footfall. Besides, the earnings contribution from Pavilion Bukit Jalil which was acquired on 1st June 2023 supported earnings growth. Nevertheless, the higher utilities expenses and maintenance expenses have partly offset the earnings growth.

Earnings estimates maintained. We maintain our earnings forecast for FY24F/25F/26F. Earnings outlook for Pavilion REIT remains positive with solid contribution from Pavilion KL Mall and improving contribution from Pavilion Bukit Jalil Mall which driven by positive rental reversion and better occupancy rate. Meanwhile, the absence of high-value goods tax in Budget 2025 announcement will keep consumer spending at the high-end malls intact and supports tenant sales at Pavilion KL Mall.

Maintain BUY with a revised TP of RM1.69. We revise our **TP** for Pavilion REIT to **RM1.69** from RM1.60 as we adjust our terminal growth rate higher in our Dividend Discount Model in view of the better prospect for Pavilion REIT. We maintain our **BUY** call on Pavilion REIT as earnings outlook remains promising with stable contribution from Pavilion KL Mall while the growing contribution from Pavilion Bukit Jalil provides upside to the earnings growth. Meanwhile, net distribution yield remains attractive at 5.2%. 

RETURN STATISTICS

Price @ 24 th Oct 2024 (RM)	1.58
Expected share price return (%)	+7.0
Expected dividend yield (%)	+5.2
Expected total return (%)	+12.2

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	9.0	11.5
3 months	9.7	12.1
12 months	32.8	16.8

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	8.19	8.24
Dividend Yield	5.2%	5.2%	5.2%

KEY STATISTICS

FBM KLCI	1,632.23
Issue shares (m)	3,652.34
Estimated free float (%)	31.95
Market Capitalisation (RM'm)	5,784
52-wk price range	RM1.17–RM1.59
3-mth average daily volume (m)	2.48
3-mth average daily value (RM'm)	3.50
Top Shareholders (%)	
Qatar Investment Authority	27.56
Lim Siew Choon	23.09
Employees Provident Fund Board	12.11
Puan Yong Kewi	7.71
KWAP	5.74

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Pavilion REIT: 3QFY24 Results Summary

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY24	%YoY	%QoQ	FY24	%YoY
Gross Revenue	207.3	4.0%	3.0%	627.1	21.62%
Net Rental Income	131.9	8.7%	9.8%	387.9	19.6%
Net Investment Income	135.8	9.2%	10.0%	399.2	20.0%
Net Income	78.9	11.8%	17.6%	229.2	12.6%
Core Net Income	78.9	11.8%	17.6%	229.2	12.6%
Realised EPU (sen)	2.2	11.7%	17.6%	6.3	5.4%
Core EPU (sen)	2.2	11.7%	17.6%	6.3	5.4%
Gross DPU (sen)	0.0	N/A	N/A	4.5	2.7%

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)	19.6	20.2	20.8	20.0	19.2
NAV/unit (RM)	1.33	1.27	1.27	1.27	2.27
P/NAV (x)	1.19	1.24	1.24	1.24	1.24

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