

Pavilion REIT seeks shareholders' nod on Pavilion Bukit Jalil

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PAVILION Real Estate Investment Trust (Pavilion REIT) yesterday issued a circular to seek approval from Pavilion REIT's non-interested unitholders for the RM2.2 billion acquisition of Pavilion Bukit Jalil Mall (PBJ Mall) at an EGM to be held on March 22, 2023.

The company said in a statement yesterday that it will hold an EGM on March 22, 2023 relating to the proposed acquisition.

"The proposed acquisition of PBJ Mall aligns with Pavilion REIT's strategy to expand its portfolio of prime retail assets in Malaysia to six from its current portfolio that consists of Pavilion Kuala Lumpur, Elite Pavilion Mall, Intermark Mall, Da Men Mall and Pavilion Tower," it added.

To recap, MTrustee Bhd, the trustee of Pavilion REIT, had on Nov 22, 2022, signed a conditional sale and purchase agreement (SPA) to acquire PBJ Mall with all related assets and rights from Regal Path Sdn Bhd, a wholly-owned subsidiary of Malton Bhd, for RM2.2 million.

Concurrently, unitholders' endorsement also sought to raise RM1.27 billion in two private placement exercises, spread between the first tranche of RM720 million and the second tranche of RM550 million, with the issue price to be determined later by way of a book-building exercise.

Upon satisfactory achievement of the conditions precedent in the SPA, Pavilion REIT will have 60 days to go to the market and raise RM1.65 billion to fund the initial payment to Regal Path.

This, it said, will be in the form of RM1 billion in borrowings, with the balance of RM650 million from the proceeds of placement under the first tranche.

Under the first tranche of the RM720 million book-building exercise, Pavilion REIT will utilise the proceeds for the repayment of Regal Path's bank borrowings/hire purchase with the balance to Regal Path.

It said RM70 million will be raised to defray Pavilion REIT's transaction expenses, which include estimated expenses of RM38 million for the placement exercise.

Upon this payment, the entire PBJ Mall's revenue and profit will be recognised under Pavilion REIT, with the remaining balance consideration of RM550 million owing to Regal Path to be paid in stages with no interest chargeable.

For the second tranche of RM550 million, Pavilion REIT will pay Regal Path RM50 million on completion of rectification of defects within the rectification period and RM100 million upon receipt of strata title documents, estimated to take place by December 2023.

The final sum of RM400 million to Regal Path is then conditional on PBJ Mall achieving a net property income (NPI) of RM146 million. This effectively translates into a yield of 6.6% on a full purchase price of RM2.2 billion million for Pavilion REIT.

It said the first phase of the capital-raising exercise is scheduled to be completed in the second quarter of this year (2Q23), while the second phase is set to be completed within 24 months after the first phase, or by 2Q25.

Pavilion REIT CEO Datuk Philip Ho said the acquisition is accretive to the REIT's distributable income and would have a favourable impact on its total portfolio and future expansion. Pavilion REIT Management Sdn Bhd is the manager of Pavilion.

"The acquisition of PBJ Mall is expected to contribute positively to Pavilion REIT's future growth, enlarging its portfolio base to RM8.3 billion from RM6 billion," said Ho.

In addition, he said, post-private placement of both tranches, unitholders will see a decrease in the major unitholders' unit holdings and better public spread. — **TMR / pic**
source: www.bukitjalilcity.com