

Pavilion REIT to raise RM1.27bil from placements to pay for RM2.2bil mall purchase

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The RM1.27 billion will be raised in two private placements, spread between the first tranche of RM720 million and second tranche of RM550 million.

KUALA LUMPUR: Pavilion Real Estate Investment Trust (Pavilion REIT) is seeking unitholders' nod to raise RM1.27 billion to help pay for the RM2.2 billion acquisition of Pavilion Bukit Jalil (PBJ Mall).

The RM1.27 billion will be raised in two private placements, spread between the first tranche of RM720 million and second tranche of RM550 million.

But before the placement can happen, Pavilion Reit must get approval from its non-interested unitholders' including the Employees Provident Fund (EPF) for the acquisition at an extraordinary general meeting (EGM) on March 22.

According to Bursa Malaysia filing, Pavilion REIT planned to complete the first phase of the capital-raising exercise in the first half of 2023, while the second phase would be completed within 24 months after the first phase.

"With the purchase of PBJ Mall and the expansion of Pavilion REIT's portfolio of investment properties, we believe this would minimise the dependency on Pavilion Kuala Lumpur Mall's contribution to Pavilion REIT's overall asset value," Pavilion REIT chief executive officer Datuk Philip Ho was quoted saying in a recent news report.

Post-private placement of both tranches, unitholders will see a decrease in the shareholding, with major shareholder Qatar Holding LLC down to 24.8 per cent from 33.0 per cent.

Pavilion REIT chairman and executive director Tan Sri Desmond Lim Siew Choon's shareholding will drop to 20.8 per cent from 27.7 per cent, and executive director Puan Sri Tan Kwee Yong's to 6.9 per cent from 9.2 per cent.

The EPF and Kumpulan Wang Persaraan (Diperbadankan) shareholding will fall to 7.5 per cent and 4.5 per cent from 10.1 per cent and 6.0 per cent respectively.

The dilution is expected to improve trading liquidity and support retail investor interest in Pavilion REIT's shares.

Pavilion REIT's assets include Pavilion KL, a seven-storey retail podium, a three-storey retail office block and a four-storey entertainment annexe located at Jalan Bukit Bintang here.

Other assets are Elite Pavilion Mall, a 10-storey retail mall seamlessly connected to Pavilion KL and the Intermark Mall, a six-level retail building with a rooftop at the intersection of Jalan Tun Razak and Jalan Ampang.

Pavilion REIT also manages DA MEN Mall, a five-storey retail mall with a lower ground floor in USJ Subang Jaya and Pavilion Tower, a 20-storey office block adjacent to Pavilion KL.

MTrustee Bhd, trustee of Pavilion REIT, had in November 2022 signed a sale and purchase agreement (SPA) to buy PBJ Mall from Regal Path Sdn Bhd, a wholly-owned subsidiary of Malton Bhd.

According to the exchange filing, Pavilion REIT would have 60 days to raise RM1.65 billion to fund the initial payment to Regal Path upon signing the SPA.

This will be in the form of RM1 billion in bank borrowings, while the balance of RM650 million will come from the proceeds of the placement's first tranche.

Pavilion REIT may also issue up to RM200 million in new shares at stage one and up to RM400 million in new shares at the later stages.

"The fact that major shareholders have indicated their willingness to underwrite the issuance of new shares signals that the major shareholders are confident that the mall will generate a higher yield in the future," Ho was quoted as saying.

Pavilion REIT will have an enlarged portfolio base of RM8.1 billion, with 27 per cent coming from PBJ Mall.

According to Ho, the upcoming bank borrowings were expected to increase Pavilion REITs loan-to-value ratio to 37.6 per cent, up from 35.1 per cent, which he said remained conservative with plenty of opportunity to explore future acquisitions.

"We have a long-term vision for Pavilion REIT. Keep in mind that it is getting harder and harder to develop and acquire malls of this size at prime locations like Bukit Jalil. As part of our growth strategy, this acquisition will ensure that Pavilion REIT's future remains sustainable," he said.

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