

Pavilion REIT's Q1 earnings within expectation, says HLIB Research

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Hong Leong Investment Bank Bhd remains upbeat on Pavilion REIT's performance in FY23, given that the reopening of China's border will further bolster the already sturdy footfall.

KUALA LUMPUR: Pavilion Real Estate Investment Trust's (Pavilion REIT) first quarter (Q1) of 2023 (FY23) core net profit of RM70 million came within Hong Leong Investment Bank Bhd's (HLIB Research) expectations and consensus expectations.

In a note today, the bank-backed research firm said it remains upbeat on Pavilion REIT's performance in FY23, given that the reopening of China's border will further bolster the already sturdy footfall.

It added that foreign tourists traditionally accounted for 30 per cent of Pavilion KL's shopper mix, half of which were Chinese tourists.

"Combined with the guided positive mid-single digit rental reversion for its crown jewel Pavilion KL Mall, we think Pavilion REIT still has sufficient room to deliver a decent year-on-year (YoY) growth," it noted.

HLIB Research has raised its FY23 and FY24 forecasts for Pavilion REIT by 2.7 per cent and 4.8 per cent, respectively.

After earnings adjustment and rolling over its valuation base year, the bank has maintained a 'Buy' call on the stock with a higher target price of RM1.62 from RM1.47.

HLIB Research said its target price is based on FY24 distribution per unit (DPU) on a targeted yield of 5.4 per cent, derived from the five-year historical average yield spread between Pavilion REIT and 10-year Malaysian Government Securities (MGS).