

Pavilion REIT to raise RM720mil in largest ever private placement for M-REITs

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Proceeds of the placement will partially fund the RM2.2 billion acquisition of Pavilion Bukit Jalil.

Thamini Vijeyasingam - 17 May 2023, 9:29pm



All the condition precedents set out in the sale and purchase agreement for Pavilion Bukit Jalil between Pavilion REIT and Malton's wholly owned subsidiary Regal Path Sdn Bhd has been fulfilled on May 15. (Pavilion Bukit Jalil pic)

PETALING JAYA: Pavilion Real Estate Investment Trust's (Pavilion REIT) grand plan to raise gross proceeds of around RM720 million via a private placement to partially fund its RM2.2 billion acquisition of Pavilion Bukit Jalil (PBJ Mall) from Malton Bhd is coming to fruition.

Pavilion REIT said this is the largest private placement ever for Malaysian REITs (M-REITs).

In a Bursa Malaysia filing today, Pavilion REIT announced it had fixed the private placement issue price at RM1.22 per unit for the first placement tranche.

This follows the confirmation today that all the condition precedents set out in the sale and purchase agreement (SPA) for PBJ Mall between Pavilion REIT and Malton's wholly owned subsidiary Regal Path Sdn Bhd signed last November had been fulfilled on May 15.

The first tranche involves the issuance of approximately 590.164 million placement units. The second tranche of RM550 million is slated to be completed latest by the second quarter of 2025.

In a separate statement, Pavilion REIT Management Sdn Bhd CEO Philip Ho confirmed the first tranche placement had been oversubscribed.

"Following the fulfilment of all the condition precedents as set out in the SPA, we are thrilled about the oversubscription of the placement, which is expected to be completed on June 1, 2023.

"This is the largest private placement ever recorded for Malaysian REITs. This significant achievement paves the way for an exciting new chapter for Pavilion REIT and the M-REITs industry," Ho added.

According to the group, the issue price is a discount of 6.6% to the five-day volume-weighted average price (VWAP) including May 16 of RM1.31, following its book building exercise.

CIMB Investment Bank, Credit Suisse Securities (Malaysia) Sdn Bhd, Credit Suisse (Singapore) Ltd and Maybank Investment Bank acted as the joint global coordinators and joint bookrunners while AmInvestment Bank, Kenanga Investment Bank and RHB Investment Bank acted as the joint bookrunners for the first tranche placement.

The purchase price of RM2.2 billion is to be paid in two tranches. The first tranche of RM1.65 billion is to be paid upon the completion date of the transaction subject to several conditions.

A fundamental condition of the SPA was that at least 80% of PBJ Mall's total net lettable area (NLA) have commenced rental billing with an average total rental of the tenanted NLA of not less than RM9.50 per square foot per month.

"The current occupancy rate of more than 82% is reflective of the mall's position as a premier retail destination in the growing suburb of Bukit Jalil," the REIT said.

The acquisition of PBJ Mall is expected to raise Pavilion REIT's portfolio base to RM8.3 billion from RM6 billion currently and provide future growth opportunities for the trust.

Its current portfolio consists of Pavilion Kuala Lumpur Mall, Elite Pavilion Mall, Intermark Mall, DA MEN Mall, and Pavilion Tower.

Malton's executive chairman and major shareholder Desmond Lim is also the chairman and executive director of Pavilion REIT Management Sdn Bhd, the manager of Pavilion REIT.

The funds from the first tranche will be used for the repayment of Regal Path's bank borrowings, defray Pavilion REIT's transaction expenses, and other expenses for the placement exercise.

Apart from the shopping mall, the strategic link bridges, underpasses, tenancies, car park bays, utilities and ancillary components are included in the acquisition plan.

Units of Pavilion REIT were flat and closed at RM1.29 today, giving Pavilion REIT a market capitalisation of RM3.95 billion.