

## DEALS OF 2023: BEST SHARE PLACEMENT

# Pavilion REIT's upsized RM720 million deal largest-ever among Malaysian REITs

bookrunner and joint underwriter, while AmInvestment Bank was a joint underwriter.

Despite the political uncertainties at the time, the IPO — launched just a day after the appointment of Datuk Seri Anwar Ibrahim as the country's 10th prime minister on Nov 24, 2022 — saw cornerstone and anchor investor demand exceeding the total IPO size by 3.3 times, and the final book-building tranche was oversubscribed by 7.7 times. Meanwhile, the retail offering was oversubscribed by 18.2 times.

The cornerstone investors included AHAM Capital, AIA, Eastspring, Great Eastern, Hong Leong Assurance, Kenanga Investors, Maybank Asset Management, Principal and CMY Capital, JP Morgan Asset Management and Lion Global.

In late September, ITMAX's substantial shareholder Datin Afinaliza Zainal Abidin, who is a non-independent executive director, disposed of almost 7% (or 71.9 million shares) in the company via her vehicle Ganda Sensasi Sdn Bhd for RM122.23 million, or RM1.70 per share, paring her stake to 10.6%.

Of the shares she sold, 20.5 million was taken up by ITMAX non-independent non-executive director Tan Sri Dr Tan Boon Hock and his son William Tan (managing director and CEO) via Sena Holdings Sdn Bhd. No information was provided about the remaining 51.4 million shares. Despite the shareholding changes, ITMAX's share price continued its upward momentum. ■

an area largely dominated by large Western multinational corporations — it was oversubscribed by 77.05 times by the Malaysian public. Of the 31.81 million shares made available to the public, it received 39,103 applications for 2.48 billion shares valued at RM1.56 billion, which Affin Hwang Investment Bhd (AHIB) said was an all-time ACE Market record in terms of public subscription value.

AHIB was the principal adviser, sponsor, sole placement agent and sole underwriter for the IPO exercise. Oppstar raised RM104.25 million from the IPO, which comprised a public issue of 165.48 million new shares.

Oppstar's revenue stood at RM29.71 million for the first half of the financial year ending March 31, 2024 (1HFY2024). There were no comparable year-ago results given that the company was only listed in March this year. For 2QFY2024, it posted a net profit of RM4 million, a 24.88% decline from RM5.33 million in the preceding quarter, as revenue shrank 10.54% to RM14.03 million.

Kenanga Research said Oppstar's net profit of RM9.34 million in 1HFY2024 fell short of expectations, accounting for only 33% of its full-year forecast and 32% of the full-year consensus estimate. "The variance against our forecast came largely from a sharper-than-expected decline in contributions from certain turnkey projects at their tail ends," it added. ■

	DETAILS	ADVISERS
Best deal	Pavillion Real Estate Investment Trust's RM720 million primary placement	Maybank Investment Bank (Joint principal adviser, joint global coordinator and joint bookrunner); CIMB Investment bank (joint principal adviser, joint global coordinator and joint bookrunner); Credit Suisse, now part of UBS Group (joint global coordinator and joint bookrunner); AmInvestment Bank (joint bookrunner); Kenanga Investment Bank (joint bookrunner); RHB Investment bank (joint bookrunner)
Notable mention	Khazanah Nasional Bhd's share placement in Tenaga Nasional Bhd (RM530.3 million) and Time dotCom (RM357.08 million); Permodalan Nasional Bhd's share placement in Malayan Banking Bhd (RM800.7 million)	CIMB Investment Bank (sole bookrunner for the Tenaga Nasional and Time dotCom deals); Maybank Investment Bank (sole placement agent for the Maybank deal)

BY **ADELINE PAUL RAJ**  
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**P**avilion Real Estate Investment Trust's (Pavilion REIT) private placement of 590.16 million new units in the second quarter — representing 19.3% of its existing unit base and 16.2% of the enlarged base post-placement — raised RM720 million for the retail-focused property trust, making it the largest-ever REIT primary placement in Malaysia.

It was also the year's largest primary placement in the country at the time of writing. The deal, done via an accelerated book-building exercise, was upsized by 44% from its base size of RM500 million, owing to strong demand.

The proceeds were used by Pavilion REIT to partially fund its RM2.2 billion acquisition of Pavilion Bukit Jalil Mall (PBJ) from Malton Bhd. It had on Nov 22, 2022, agreed to acquire PBJ from Malton's wholly-owned subsidiary Regal Path Sdn Bhd.

The issue price of RM1.22 per unit — fixed on May 16 — represented a discount of 6.6% to the five-day volume-weighted average market price of the units up to (and including) May 16 of RM1.31. It had been marketed to investors at a price range of RM1.21 to RM1.25.

The issue price was at a 5.4% discount to the last market close, which, according to one of the banks involved in the deal, was the tightest discount for a Malaysian REIT this year at the time of the transaction. The pricing of RM1.22 translated into an estimated FY2023 dividend yield of 7%, the bank says.

Unprecedented in previous primary placements, the joint bookrunners for the deal — which included Maybank Investment Bank, CIMB Investment Bank and Credit Suisse (now part of UBS Group) — are understood to have proactively engaged private banking clients at the early stage of the transaction, thus securing early commitments ahead of the placement launch. This led to strong pre-launch demand being sustained, which provided significant momentum for the transaction.

The base deal size of RM500 million was oversubscribed within an hour of the launch, which led to the deal being upsized.

It is commendable that, despite the relatively high interest rate environment, which typically has a negative impact on the sector, as well as persistent inflationary pressure, Pavilion REIT managed to

garner strong interest for the deal — an indication that investors were positive about its planned acquisition of PBJ and of the mall's growth prospects. The deal happened at a time when malls were only just recovering from the pandemic.

Pavilion REIT's acquisition of PBJ was part of its strategy to expand its portfolio of retail assets in the country. The portfolio also includes Pavilion Kuala Lumpur Mall, Elite Pavilion Mall, Intermark Mall, Da Men Mall and Pavilion Tower.

The REIT's unit price increased by 7.5% from the announcement of the acquisition/ placement on Nov 22 last year to the placement launch date on May 16, hitting a 52-week high of RM1.45 on Feb 3.

The bulk (or just over 70%) of the primary placement units were allocated to long-only funds, while 19% went to high-net-worth investors. The top 10 investors received more than 85% of the allocation. Almost 98% of the total allocation went to domestic investors.

The placement was completed on June 1 upon the listing of the new units, which saw Pavilion REIT's unit base enlarged to 3.65 billion. The counter closed flat at RM1.21 on the listing day, against the issue price of RM1.22.

The unit price has since fallen 2.5% to close at RM1.18 as at Dec 8 amid a weaker macroeconomic environment globally, giving the company a market capitalisation of RM4.31 billion. Its financial performance, however, remains solid.

Pavilion REIT registered a 15.4% rise in net profit to RM70.58 million for the third quarter of financial year ending Dec 31, 2023 (3QFY2023). For the cumulative nine months, its net profit rose 12.2% to RM203.53 million.

PBJ mall accounted for 18.2%, or RM22.15 million, of Pavilion REIT's net property income of RM121.35 million in 3QFY2023, making it the second-largest contributor after the Pavilion KL Mall (RM85.61 million).

## NOTABLE MENTION

Share placements by two large government-linked investment companies Khazanah Nasional Bhd and Permodalan Nasional Bhd (PNB) are notable mentions under the "best share placement" category, as both managed to cash in on part of their holdings on the back of strong price performances this year.

While some may argue that there is natural investor demand for index heavyweights such as Malayan Banking Bhd and Tenaga Nasional Bhd — both basically the bluest of blue chips — and an

investor favourite such as Time dotCom Bhd, there is still a need to price and time such placements well.

According to CIMB Investment Bank, the RM530.3 million placement of Khazanah's 54 million shares, or a 0.9% stake, in Tenaga was "Malaysia's and Asean's largest block trade in the utility sector for 2023 year to date". The offer price of RM9.82 was 1.6% lower than the RM9.98 closing price on Oct 17, 2023, marking the block trade's discount as "the tightest among all [Tenaga] block trades completed in the last decade". Post-pricing, Tenaga shares traded positively and closed at RM10.04 by midday, representing 2.2% gain on the offer price. Tenaga shares closed at RM9.91 on Dec 11.

The RM357.08 million Time dotCom share placement was also well-timed, with its stock price reaching an all-time high of RM5.56 the week before the trade. CIMB said it took advantage of the opportune market window and "tactically targeted a handful of investors with the ability to provide a meaningful size at an attractive discount" for the vendor (Khazanah). The transaction (initially 40 million shares, or 2.2% of outstanding shares) was upsized by 69% to 67.5 million, or 3.7% of outstanding shares, after the base deal was more than two times subscribed. The RM5.29 offer price was at a 2.6% discount to the RM5.43 closing price on Oct 9.

Meanwhile, PNB successfully raised RM800.7 million from placing out 93.1 million, or 0.8% of, Maybank shares — the largest-ever secondary placement in the local banking sector since the disposal of Aabar Investment PJS' entire 4.23% stake in RHB Bank Bhd for RM932.4 million in December 2020.

According to Maybank Investment Bank, the successful transaction followed a string of secondary placements involving banking stocks in 2022 totalling RM2.8 billion, where Maybank accounted for only RM185.8 million. Maybank IB said it was able to "identify pockets of strong demand from high-quality long-only investors", despite net outflows prior to the launch. The placement — priced at RM8.60, a 1.26% discount to the last close of RM8.71 on March 3 — was also launched "in a favourable window shortly after an upward revision in the average consensus target price from RM9.27 to RM9.30, following the release of Maybank's fourth-quarter results on Feb 27, 2023".

Maybank IB said it was able to firm up pricing and demand swiftly two days after the vendor (PNB) informed it of its intention to dispose. ■