

Pavilion REIT remains on a growth path

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KUALA LUMPUR: Analysts are reiterating their call to accumulate stock in [Pavilion Real Estate Investment Trust](#)  (REIT) on a positive earnings outlook.

The REIT yesterday announced its latest quarterly performance, which yielded a net profit of RM67.1mil, representing 6.7% year-on-year (y-o-y) growth, driven by a 25.8% jump in revenue to RM201.3mil.

Year-to-date, Pavilion REIT also saw a 13% y-o-y rise in net earnings to RM150.3mil, supported by a one-third growth in revenue to RM419.8mil.

Hong Leong Investment Bank (HLIB) Research said the REIT's results came in below its and street estimates at 41% and 44% of their annual projections respectively, due to lower-than-expected gross revenue.

The research firm lowered its target price to Rm1.60 from RM1.63 after cutting its earnings forecasts, but maintained a "buy" call on the REIT.

"As we enter 2H24, management still maintains a positive outlook for the remaining two quarters due to stronger tourist arrivals; and (positive rental reversions for PBJ leading to higher contributions to the group.

"Other than improving Chinese tourist arrivals thanks to the extension of the visa free travel, management guided higher number of tourists from the Middle East and the West as well," said HLIB.

It noted higher shopper footfall and potentially higher contribution from Pavilion Bukit Jalil to help sustain earnings over the near- to mid-term.

"Over 70% of the 54% of tenancies in Pavilion Bukit Jalil set to expire in 2024 have indicated an interest to renew their leases, with management targeting 5-10% rental reversions for the mall," it added.

MIDF Research, meanwhile, said the REIT's first-half result came in within its forecast. It maintained its earnings forecast for FY24-26 as it expects earnings to be driven by positive rental growth in Pavilion KL Mall, as well as growing contribution from Pavilion Bukit Jalil.

The research firm maintained "buy" on Pavilion REIT with an unchanged target price of RM1.60. It said net distribution yield is estimated at 5.8%.

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