

# Analysts Optimistic About Pavilion REIT Acquisition Of Banyan Tree KL And Pavilion Hotel KL

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Pavilion REIT has received **BUY** recommendations from MIDF Amanah Investment Bank (MIDF Research), RHB Investment Bank Bhd (RHB Research) and Maybank Investment Bank (Maybank IB), with target prices ranging between RM1.69 and RM1.74.

The analysts highlighted the recent acquisition of Banyan Tree Kuala Lumpur and Pavilion Hotel Kuala Lumpur for RM480 million, which are expected to be completed by the second half of 2025, will be accretive to earnings, though some caution over potential short-term dilution of earnings per unit (EPU) due to the funding structure.

RHB Research and Maybank IB raised concerns over the short-term dilutive impact on dividends per unit, which they believe will be offset by the strong long-term potential of the hotels and their operating synergies with Pavilion KL.

MIDF Research noted that the acquisition marks Pavilion REIT's diversification into the hotel segment, with the two hotels expected to generate a fixed annual rental income of RM33.5 million, yielding 7%. While MIDF Research predicts a 9% dilution in EPU post-placement of new units, it expects the acquisitions to boost the financial year of 2026 (FY26) earnings by 10.6%.

RHB Research, meanwhile, believes the acquisitions will provide a 7% yield and offer potential long-term synergies with Pavilion KL.

Maybank IB, also positive on the deal, increased their FY25 and FY26 earnings forecasts by 4% and 8% respectively, and expects a 0.7% accretion to EPU and 4.6% to DPU in FY25 and FY26.

All three analysts noted that the acquisitions would provide stability to Pavilion REIT's portfolio, with a focus on the positive outlook for Malaysia's hotel industry, driven by increased tourist arrivals.