Paradigm REIT (PARADIGM)

Where Lifestyle Meets Long-Term Value

- **Paradigm REIT is a Malaysian real estate investment trust with a geographically diversified portfolio, principally involved in the investment of income-generating retail assets. Its portfolio comprises of three retail malls, namely Bukit Tinggi Shopping Centre, Paradigm Mall PJ, and Paradigm Mall JB, with a combined Gross Lettable Area (GLA)/ Net Lettable Area (NLA) of 2,973,954 sqft.**
- **We project 3-year earnings CAGR of 11.7%, with distributable income expected to reach RM114.9m-138.5m over the next three years. This growth is underpinned by the (i) strong footfall and occupancy level across all three malls, (ii) upcoming planned assets injections within the Sponsor's portfolio, and also (iii) proactive asset management strategies to drive rental growth and tenant retention.**
- **We assign a fair value of RM1.21 per share for PARADIGM, indicating an 21.0% upside from the IPO price of RM1.00. This valuation is based on a PE multiple of 16.0x pegged to mid-FY26f Distribution Per Unit (DPU) of 7.55 sen.**

Investment highlights

Geographically diversified portfolio with large catchment population. Paradigm REIT owns a retail portfolio spanning three key urban townships across Malaysia, namely Klang, Petaling Jaya, and Johor Bahru, positioning it as a geographically diversified Malaysian retail REIT. Each mall benefits from strong connectivity via major highways and is situated within densely populated mature neighbourhoods, with primary trade areas drawing from 456k to 635k residents. (i) Bukit Tinggi Shopping Centre in Klang serves a mature and populous area, (ii) Paradigm Mall PJ is a high-visibility landmark in a prime Petaling Jaya location with nearby offices ensuring steady footfall, while (iii) Paradigm Mall JB is strategically located within the Iskandar growth corridor, tapping into cross-border traffic from Singapore and a rapidly developing Johor Bahru catchment.

Fig #1 Portfolio Overview of Paradigm REIT

	Selangor		Johor Bahru
			
	Bukit Tinggi Shopping Centre	Paradigm Mall Petaling Jaya	Paradigm Mall Johor Bahru
Appraised Value[1]	RM680 million	RM600 million	RM1,157 million
Occupied Gross Lettable Area (GLA)/Net Lettable Area (NLA)	~1.0 million sqft GLA	~0.7 million sqft NLA	~1.3 million sqft NLA
Occupancy Rate as at 31 March 2025	100.0%	97.7%	99.3%
Average Weighted Average Lease Expiry (WALE) by NLA[2]	N/A	1.54 years	1.56 years
Number of Tenants as at 31 March 2025	AEON as Master Lessee (Ancillary area: 9 tenants)	273	449
Net Property Income Yield (NPI Yield) [3]	FYE2023: 5.3% FYE2024: 5.8% FYE2025F[4]: 5.8%	FYE2023: 5.2% FYE2024: 5.9% FYE2025F[4]: 6.6%	FYE2023: 4.2% FYE2024: 6.3% FYE2025F[4]: 7.1%

Source: Paradigm REIT

High occupancy levels support stable rental income. All three malls under Paradigm REIT have demonstrated consistently strong average occupancy rates from FY22 to March 2025, reflecting resilient tenant demand. Bukit Tinggi Shopping Centre maintained full occupancy at 100% since FY22. Paradigm Mall PJ sustained a high and stable occupancy rate of above 97.0% throughout the period, while Paradigm Mall JB showed a marked improvement from 87.9% in FY22 to 99.3% as at 31 March 2025. We

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Non-Rated

Unit price	**RM1.00**
Target price	**RM1.21**
Previous TP	**-**
Capital upside	21.0%
Dividend return	7.1%
Total return	28.1%

Company profile

Paradigm REIT is primarily involved in income-generating retail and commercial properties in Malaysia, with an initial portfolio comprising three major malls in Klang, Petaling Jaya, and Johor Bahru.

Stock information	
Bursa Code	5338
Bloomberg ticker	PARADIGM MK
Listing market	MAIN
Unit issued (m)	1600.0
Market Cap (m)	1600.0
Shariah compliant	NO
MITI allocation	YES

Major shareholders	**%**
WCT Holdings Berhad	60.7

Earnings snapshot

FYE (Dec)	FY24	FY25f	FY26f
Distributable Income (m)	99.4	114.9	126.7
DPU (sen)	6.1	7.2	7.9
P/E (x)	16.4	13.9	12.6

Timetable of IPO

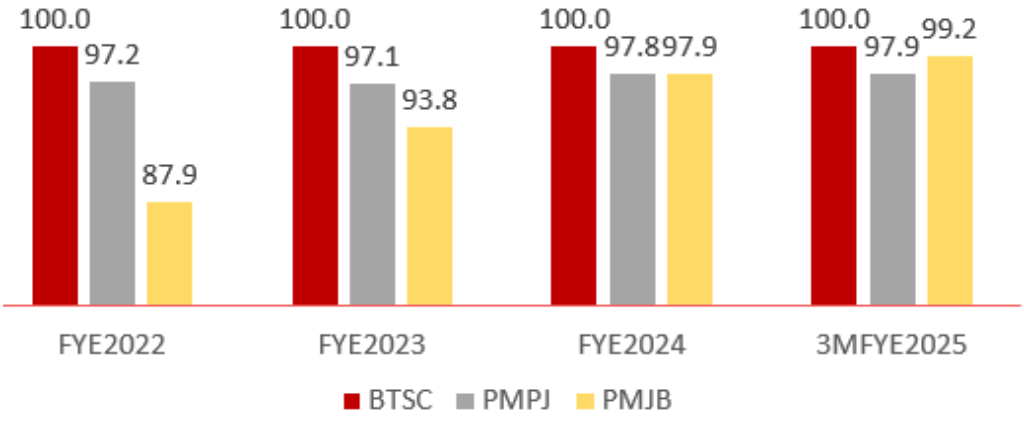
Opening of application	16 May
Closing of application	23 May
Balloting of application	28 May
Allotment of the IPO shares	9 June
Listing on the MAIN market	10 June

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believe the rising occupancy at Paradigm Mall JB to sustain given the JSSEZ initiatives between 2 countries, translating into higher footfall in the mall. These high occupancy levels across the portfolio underpin rental stability and support recurring income visibility for Paradigm REIT.

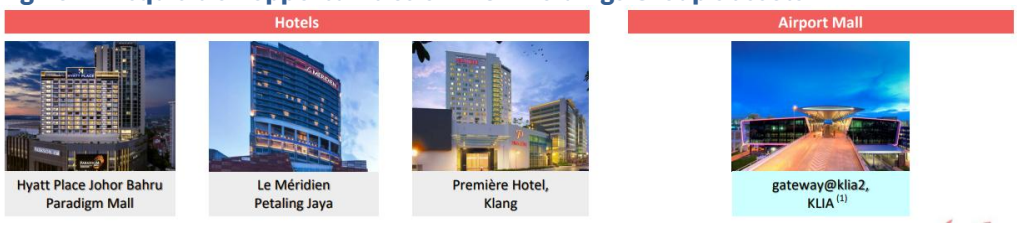
Fig #2 Average occupancy rate across all three malls



Source: Paradigm REIT

Potential assets injection. Paradigm REIT stands to benefit from potential acquisition opportunities within its Sponsor's portfolio, including Le Méridien Petaling Jaya, Hyatt Place Johor Bahru Paradigm Mall, and Première Hotel in Klang, all of which are expected to be injected into the REIT in the coming years. Additionally, the Sponsor holds concession assets in high-footfall transport hubs including SkyPark Terminal in Subang and gateway@klia2 in Sepang, with the latter also be a potential target for injection into the REIT in the coming years.

Fig #3 Acquisition opportunities of WCT Holdings Group's assets



Subjected to Right of First Refusal:

- Right (but not obligation) to purchase any relevant assets in the event WCTH Group proposes to sell / dispose, or receives any offer from a 3rd party to purchase (if WCTH Group is willing to consider) the relevant assets or any part(s) thereof;
- Provides access to future acquisition opportunities of WCTH Group's properties and is expected to expand the Paradigm REIT's asset pipeline

Source: Paradigm REIT

Proactive asset management to drive rental growth and tenant retention. Paradigm REIT collaborates closely with the Property Manager to optimise tenant mix, attract high-performing retailers, and execute interactive marketing campaigns that boost footfall and sales. Similarly, continuous asset enhancement initiatives such as space reconfiguration, facility upgrades, and improved aesthetics had been continuously performed to ensure better leaseability, higher rental rates, and long-term asset value accretion.

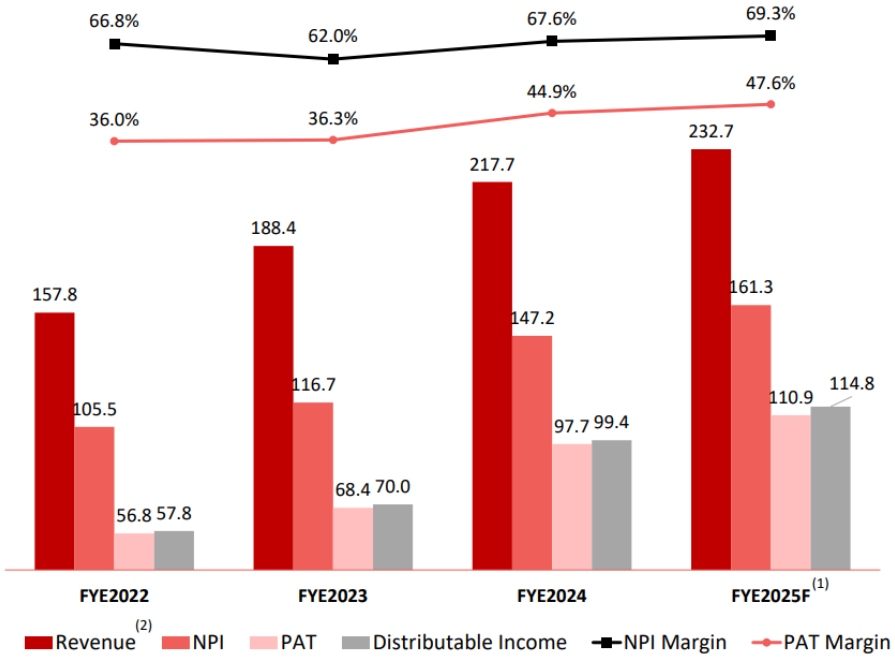
Established sponsor WCT Holdings Berhad. Paradigm REIT is backed by WCT Holdings Berhad (WCT), a Main Market-listed group with an established track record across engineering and construction, property development, and property investment and

management. As the Sponsor, WCT holds an 80.0% stake in the REIT Manager, providing strong operational, financial, and strategic support.

Company background

Paradigm REIT is a diversified real estate investment trust aiming to deliver stable income and long-term NAV growth through investments in income-generating retail, commercial, office, industrial, hospitality, and permissible non-real estate assets. At IPO, its portfolio comprises three major retail malls, namely Bukit Tinggi Shopping Centre (Klang), Paradigm Mall PJ (Petaling Jaya), and Paradigm Mall JB (Johor Bahru), with a combined total GLA/NLA of 2,973,954 sqft.

Fig #4 Revenue and profit of Paradigm REIT

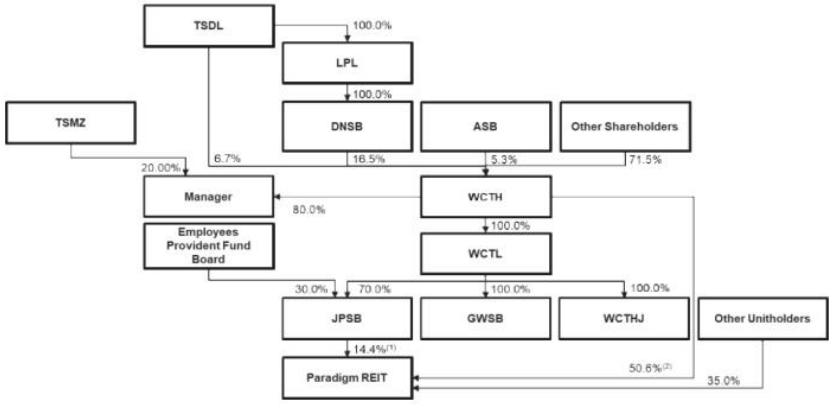


(1) Annualised NPI forecast for 294-day forecast period 2025 (13 March 2025 to 31 December 2025); FYE2025F is calculated by multiplying the NPI forecast by a factor of 365/294.

(2) Revenue excludes other income, which includes interest income from rental arrears, forfeiture of deposits, fit-out fees, and car park clamping fees.

Source: Paradigm REIT

Fig #5 Post-IPO shareholding structure



Source: WCT Holdings Berhad

Fig #6 Corporate milestones

Year	Milestones
1981	• Incorporation of WCT Earthworks and Building Contractors Sdn Bhd
1995	• Listed and quoted on the Second Board of Bursa Malaysia Securities Berhad as WCT Engineering
1999	• Transferred to the Main Board of Bursa Malaysia Securities Berhad – Construction Sector
2007	• First investment property , Bandar Bukit Tinggi Mall, Klang, Malaysia, was completed and launched.
2012	• Completion and launch of Paradigm Mall, Petaling Jaya
2017	• Completion and launch of Paradigm Mall, Johor Bahru
2025	• Listing of Paradigm REIT to the Bursa Malaysia Main Market

Source: WCT Holdings Berhad, M+ Research

Fig #7 Utilisation of proceeds

Paradigm REIT will not be issuing any new units under the offering, hence Paradigm REIT will not receive any cash from the offering. Estimated listing expenses of approximately RM7.4m to be incurred will be funded through the Medium Term Notes (MTN) Programme undertaken by Paradigm Capital and internally generated funds of Paradigm REIT from the subject properties. The expenses will be fully settled within 1 month from the listing.

Estimated Listing expenses	RM'000
Professional and advisory fees	6,984
Regulatory fees	318
Printing, investor relations and other related expenses	83
Total	**7,385**

Source: Paradigm REIT

Business overview

(i) Paradigm Mall Johor Bahru (51.5% of FY24 revenue)

Paradigm Mall JB is a retail mall comprising 6 retail levels with a mezzanine floor and a level of cinema and convention centre along with basement and elevated car park levels. Paradigm Mall JB opened in 2017 and is located at Lot 32665, Jalan Mewah Ria 2, Taman Bukit Mewah, 81200 Johor Bahru, Johor. As at 31 March 2025, Paradigm Mall JB has an occupancy rate of 99.3% and a total NLA of 1,292,956 sqft. The property houses 449 number of tenants and has an indoor version of Escape Challenge amusement park.

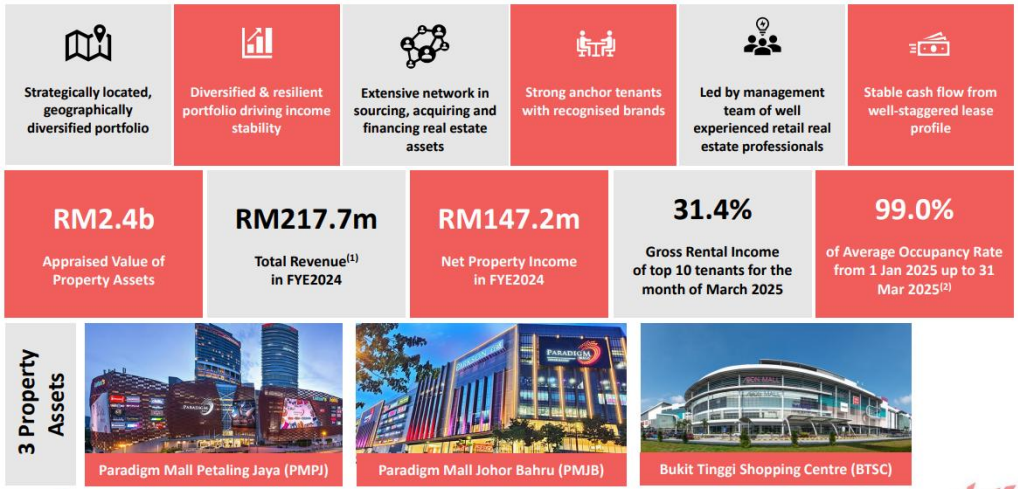
(ii) Paradigm Mall Petaling Jaya (27.0% of FY24 revenue)

Paradigm Mall PJ is a retail mall comprising 6 retail levels with a lower ground floor and 2 basement car park levels along with 2 retail levels sited below the existing Le Meridien Petaling Jaya and The Azure Residences. Paradigm Mall PJ opened in 2012 and is located at No. 1, Jalan SS7/26A, Kelana Jaya, 47301 Petaling Jaya, Selangor. As at the LPD, Paradigm Mall PJ has an occupancy rate of 97.7% and a total NLA of 680,048 sqft. The property also enjoys 273 number of tenants, with notable brands include Escape PJ, H&M, Nandos and GSC etc.

(iii) Bukit Tinggi Shopping Centre (21.5% of FY24 revenue)

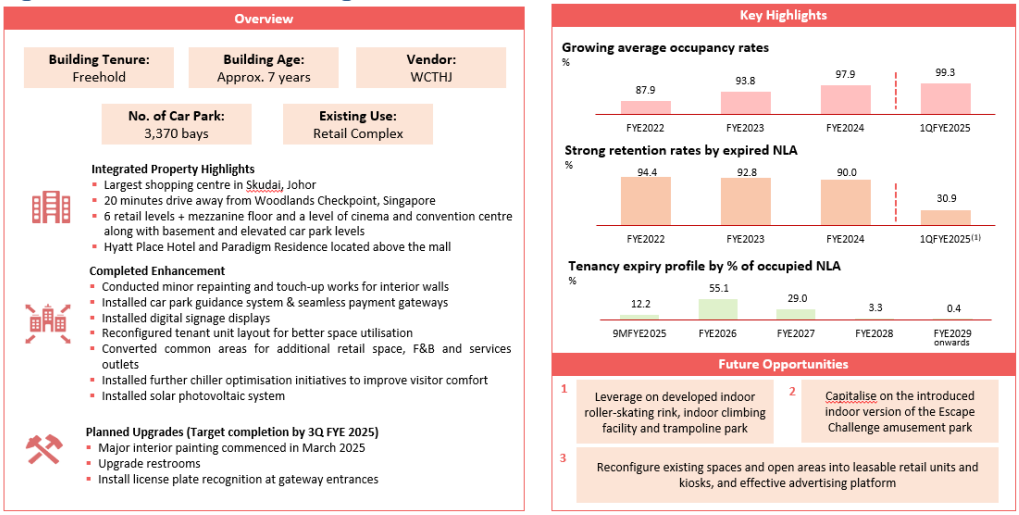
Bukit Tinggi Shopping Centre is a retail mall comprising 3 levels of retail area with a mezzanine floor and car park facilities at the surface, basement, elevated and rooftop levels. Bukit Tinggi Shopping Centre opened in 2008 and is located at No. 1, Persiaran Batu Nilam 1/KS 6, Bandar Bukit Tinggi 2, 41200 Klang, Selangor. As at the LPD, the property enjoys a 100% occupancy rate and has a total GLA of 1,000,950 sqft. AEON serves as the master lessee, with 9 tenants on the ancillary area. Meanwhile, approximately 98,622 sqft of Level 3 car park will be converted to indoor go-kart circuit as well, with target commencement on end of 2Q25.

Fig #8 Business Overview of Paradigm REIT



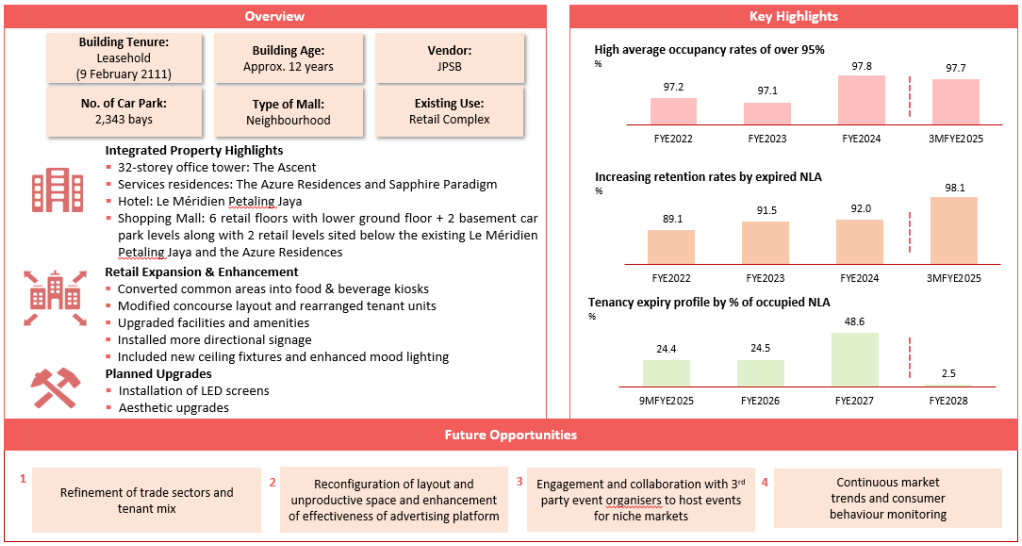
Source: Paradigm REIT

Fig #9 Overview of Paradigm Mall Johor Bahru



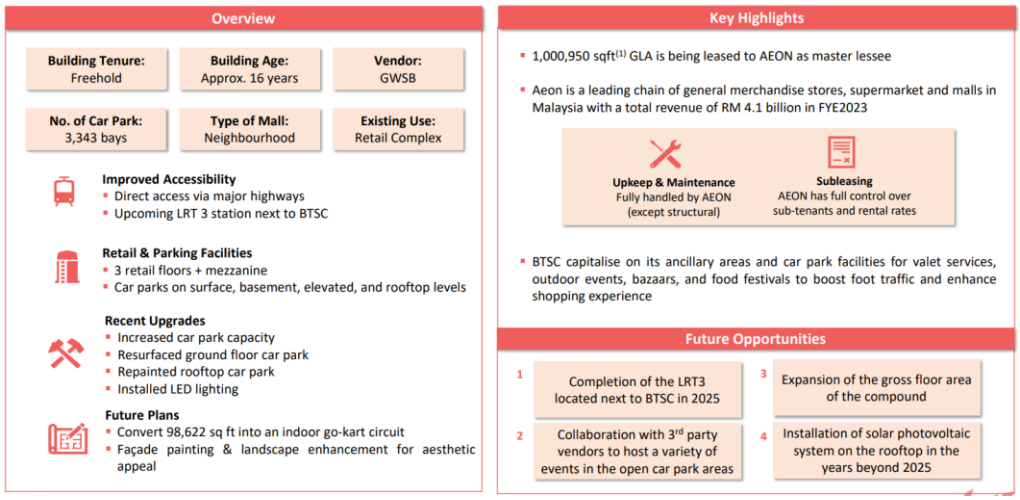
Source: Paradigm REIT

Fig #10 Overview of Paradigm Mall Petaling Jaya



Source: Paradigm REIT

Fig #11 Overview of Bukit Tinggi Shopping Centre



Source: Paradigm REIT

Financials

The group reported a RM28.6m or 15.0% YoY growth in revenue, increasing from RM190.2m in FY23 to RM218.7m in FY24, which was contributed by all four segments.

- **Rental income segment**:
  - Paradigm Mall JB saw an increase in rental income of RM17.6m, driven by bulk renewals at higher base rent as well as higher percentage rent due to higher tenants' sales.
  - Similarly, Paradigm Mall PJ also contributed to the increase in rental income of RM2.4m, following successful renewals of existing tenants and securing of new leases.
  - Increase in rental income from Bukit Tinggi Shopping Centre of RM2.5m was mainly due to higher rental rate per sq ft effective from 24 November 2023 accrued from AEON.
- **Car park income segment:**
  - The increase in car park income of RM2.3m, of which RM1.0m is attributable to Paradigm Mall JB, RM0.8m to Paradigm Mall PJ and RM0.5m to Bukit Tinggi Shopping Centre.

- The increase is mainly due to higher visitation, increase in season pass applications, implementation of motorcycle parking fee, and also implementation of premium parking fee at Paradigm Mall JB since August 2024.

- **Advertising and promotional income segment:**
  - There's also an increase in advertising and promotional income of RM3.6m and RM0.8m attributable to Paradigm Mall JB and Paradigm Mall PJ respectively due to greater demand for advertisement spaces and promotion booths.
- **Other income segment:**
  - Other income consists of interest income from rental arrears, forfeiture of deposits, fit-out fee and car park clamping fees. For FY24, the increase in total revenue was offset by the decrease in other income of RM0.8m, mainly due to one-off non-recurring back charge of repair costs of a retail lot in the FY23.

Earnings forecasts. Moving forward, we project a 3-year earnings CAGR of 11.7%, with distributable income expected to reach RM114.9m, RM126.7m, and RM138.5m over the next three years, largely supported by the (i) strong footfall and occupancy level across all three malls, (ii) upcoming planned assets injections within the Sponsor's portfolio, and also (iii) proactive asset management strategies to drive rental growth and tenant retention.

Fig #12 Financial Highlights

FYE Dec (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Revenue	190.2	218.7	236.8	252.1	268.5
Net Property Income	116.7	147.2	164.6	176.4	187.9
Net Investment Income	117.7	148.2	165.6	177.5	188.9
PBT	68.4	97.7	114.9	126.7	138.5
PAT	68.4	97.7	114.9	126.7	138.5
Net Profit Attributed To Unitholders	68.4	97.7	114.9	126.7	138.5
Distributable Income	70.0	99.4	114.9	126.7	138.5
% change YoY – Distributable Income	21%	43%	18%	10%	9%
DPU (sen)	4.3	6.1	7.2	7.9	8.7
Yield (%)	-	-	7%	8%	9%
P/E (x)	23.4	16.4	13.9	12.6	11.6
BVPS (RM/share)	-	-	1.0	1.0	1.0
P/B (x)	-	-	1.0	1.0	1.0
ROE (%)	-	-	14%	8%	9%
Net Gearing (times)	-	-	0.3	0.3	0.3

M+ Research

Valuations

We assign a fair value of RM1.21 per share for PARADIGM, representing a 21.0% upside from its IPO price of RM1.00. This valuation is based on a P/E ratio of 16.0x, pegged to the mid-FY26F DPU of 7.55 sen. We believe the ascribed P/E is justified, as the peer average historical P/E and forward P/E ratios ranges between 15.4x-22.0x.

Fig #13 Peer comparison

Company	Market Group	FYE	Price (RM)	Market Cap (RM'm)	P/E (x)	Forward P/E (x)	ROE (%)	NP Margin (%)
Paradigm REIT	**MAIN**	**Dec**	**1.00**	**1,600.0**	***16.4**	****12.4**	****14.6**	***44.7**
Pavilion Real Estate Investmen	MAIN	Dec	1.49	5,459.9	13.1	16.0	8.5	48.5
Sunway Real Estate Investment	MAIN	Dec	1.99	6,815.4	11.2	17.3	9.7	68.4
IGB Real Estate Investment Tru	MAIN	Dec	2.25	8,148.6	13.8	19.9	14.2	92.6
KLCCP Stapled Group	MAIN	Dec	8.88	16,031.4	32.2	18.3	9.2	29.1
Axis Real Estate Investment Tr	MAIN	Dec	1.90	3,839.5	16.1	19.0	7.0	64.9
Capitaland Malaysia Trust	MAIN	Dec	0.64	1,869.7	9.6	12.5	6.8	41.2
YTL Hospitality REIT	MAIN	Jun	1.06	1,806.7	10.5	12.0	6.0	32.0
Al-'Aqar Healthcare REIT	MAIN	Dec	1.24	1,041.1	17.9	16.3	5.5	49.4
Sentral REIT	MAIN	Dec	0.77	914.6	11.6	11.3	5.7	40.5
KIP REIT	MAIN	Jun	0.85	674.8	11.3	11.7	6.9	46.3
UOA Real Estate Investment Tru	MAIN	Dec	0.82	550.6	16.3	12.3	3.5	31.9
Atrium Real Estate Investment	MAIN	Dec	1.32	350.5	8.1	N/A	12.6	93.3
Hektar Real Estate Investment	MAIN	Dec	0.44	308.5	12.6	11.4	3.5	19.6
AmanahRaya Real Estate Investm	MAIN	Dec	0.42	240.8	133.5	N/A	0.2	2.3
Al-Salam Real Estate Investmen	MAIN	Dec	0.35	203.0	38.4	21.9	0.8	6.7
AmFIRST Real Estate Investment	MAIN	Mar	0.29	195.6	7.0	N/A	3.0	23.5
Tower Real Estate Investment T	MAIN	Jun	0.28	137.4	10.7	N/A	1.9	15.3
Avg ex-Paradigm REIT				**8,058.9**	**22.0**	**15.4**	**9.7**	**60.7**

*Source: M+ Research (*FY24, **FY26f)*

Investment risks

Tenancy concentration and expiry risk. Failure to renew key leases or delays in securing new tenants could lead to increased vacancies, reduced occupancy rates, and lower rental income, affecting distributions to unitholders.

Master lease renewal uncertainty. AEON is the sole lessee of Bukit Tinggi Shopping Centre and contributes significantly to income stability. However, there is no guarantee that AEON will renew the lease beyond 2032, or that any renewal will be on current terms. Inability to secure a comparable replacement tenant may lead to a material loss of rental income and impact Paradigm REIT's financial performance.

Exposure to retail property competition. Subject properties are located in areas with competing malls and mixed-use developments. The entry of new retail supply or refurbishment of nearby properties may weaken Paradigm REIT's competitive positioning. Inability to maintain asset appeal or match market rental rates may lead to tenant attrition or rental pressure.

Concentration of rental income. The top 10 tenants contribute approximately 31.4% of gross rental income as of March 2025. The loss, insolvency, or non-renewal of key tenants could result in prolonged vacancies or less favourable lease terms, thereby adversely impacting revenue, footfall, and distribution capacity.

Capital expenditure and asset enhancement risks. Periodic refurbishment and upgrading are necessary to maintain competitiveness. If Paradigm REIT is unable to secure sufficient funding for planned or unplanned capex, it may face limitations in carrying out enhancements or complying with regulations, leading to reduced asset value and rental income.

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Stock recommendation guide

BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
TRADING SELL	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
NOT RATED	No recommendation is assigned

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