Paramount's Putrajaya land buy a positive on sound take-up potential

PETALING JAYA: The earnings visibility and track record-driven take-up prospects of Paramount Corp Bhd's recent acquisition should adequately justify the investment and remain supportive of long-term shareholder value, despite gearing likely to trend higher in the interim.

Earlier this week, Paramount entered into a sale and purchase agreement (SPA) via its wholly owned subsidiary, Phoenix Blanc Sdn Bhd, to acquire 2.62 acres of freehold land in Putrajaya for a total consideration of RM40mil.

Paramount said it plans to develop the site into a transit-oriented mixed development (TOD) with an estimated gross development value (GDV) of RM323mil.

The project, funded via a combination of internal funds and bank borrowings, is targeted for launch around one year following the SPA completion, indicatively in 2027.

TA Research said as at the end of September 2025, Paramount's gearing had already edged above management's comfort threshold of 0.75 times, following the completion of the Singapore-listed Envictus acquisition.

"While leverage would temporarily exceed the group's preferred range, we view this as manageable, particularly given management's willingness to selectively stretch gearing for value-accretive and strategically aligned opportunities," the research house said in a report.

On the whole, TA Research said it is positive on the acquisition, underpinned by its strategic TOD location, reasonable entry valuation and approvals-in-hand status, which supports a shorter launch timeline.

"The acquisition implies a land cost-to-GDV ratio of 12%, which is within Paramount's historical comfort range.

"Importantly, the approvals in place help reduce execution risk and support clearer earnings visibility, consistent with management's focus on development-ready sites with shorter launch timelines," it said.

TA Research said the acquisition lifts Paramount's total GDV replenishment since 2025 to RM2.6bil, in line with management's strategy to replenish up to RM6bil of GDV over the financial year 2025 (FY25) to FY26 to support launches over the next five years.

"The Putrajaya site also broadens the group's exposure to TOD-centric developments, which typically benefit from stronger demand resilience and pricing support due to superior accessibility," the research house said.

TA Research noted the group continues to prioritise land acquisitions near its existing developments to shorten turnaround time and leverage brand familiarity.

TA Research maintained its "buy" call on Paramount with an unchanged target price of RM1.46 per share.