

19 April 2021

# CapitaLand M'sia Mall Trust

## Tougher for Non-Prime Malls

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1QFY21 realised distributable income (RDI) of RM7.6m came in below our estimate (8%) and (10%) of consensus on a weaker-than-expected top-line while the outlook for coming quarters remains challenging. No dividends, as expected. Lower FY21-22E CNP by 9-5% on weaker-than-expected reversions. Maintain MARKET PERFORM but on a marginally higher TP of RM0.605 (from RM0.590) as we roll forward our valuation base to FY22E (on a +0.5SD spread) given its challenging asset profile.

1QFY21 realised distributable income (RDI) of RM7.6m came in below our estimate at 8% and consensus' at 10% of FY21E, on a weaker-than-expected top-line (at 18%), on the back of high operating cost (28% of our FY21 estimate) which clamped RDI margin at 13% (vs. our expectations of 30%). No dividends, as expected.

**Results' highlight.** YoY-Ytd, top-line was down by 24% due to weakness from all assets from the re-imposition of MCO 2.0 (from 13<sup>th</sup> Jan to 4<sup>th</sup> March) which also coincided with the Chinese New Year period. All in, CNP was down by 60% as cost did not decline in tandem with top-line, resulting in weak RDI margin of 13% (vs. 27% in 1QFY20). QoQ, top-line was down by 15% due to similar reasons mentioned above, while RDI declined by 58% due to high fixed cost (-3.6%). Gearing remained stable at 0.36x which is below MREITs' gearing limit of 0.60x.

**Outlook.** We expect gradual earnings improvement in the coming quarters in light of the vaccination roll-outs nationwide, with improvement in earnings geared more towards 2HFY21. However, for now, we believe that the near-term outlook for CMMT remains challenging and rather subdued with the current MCO, and recent rise in daily Covid-19 cases. The Group may still utilise rental assistance but the quantum is expected to be less than that in FY20. FY21 will see a large number of leases up for expiry at 41% of NLA which is risky in a challenging year, but the bulk of these expiries are in non-Klang Valley malls (at 61% of total, namely Gurney Mall and East Coast Mall which are less affected by Covid-19 at this juncture).

**Lower FY21-22E CNP by 9-5% to RM87-98m on the back of slightly weaker rental reversions of -9%/-5% in FY21/FY22 (vs. -5%/-2% previously)** as we believe the Group will be prioritising occupancy over reversions given its challenging mall portfolio and the fact that CMMT does not own prime malls. FY21E/FY22E GDU/NDPU of 4.2-4.7sen / 3.8-4.2 sen imply gross yield of 6.3%/7.0% and net yield of 5.6%/6.3%.

**Maintain MARKET PERFORM on a marginally higher Target Price of RM0.605 (from 0.590) as we roll forward our valuation base to FY22E** on an unchanged 4.5ppt spread (+0.5SD) to our 10-year MGS target of 3.3%. The applied spread is the highest among retail MREITs under our coverage (0.9ppt to 1.6ppt) given the weakness of CMMT's asset profile from negative reversions as CMMT does not own any prime retail malls unlike its peers, making it tougher to weather this pandemic while the concern of retail space oversupply still lingers.

**Risks to our call include:** (i) bond yield contraction/expansion, (ii) higher/lower-than-expected rental reversions, and (iii) higher/lower-than-expected occupancy rates.

## MARKET PERFORM ↔

Price : RM0.670  
Target Price : RM0.605 ↑

### Share Price Performance



KLCI 1,608.38  
YTD KLCI chg -1.2%  
YTD stock price chg 7.2%

### Stock Information

Shariah Compliant	No
Bloomberg Ticker	CMMT MK EQUITY
Market Cap (RM m)	1,411.1
Shares Outstanding	2,106.2
52-week range (H)	0.90
52-week range (L)	0.59
3-mth avg daily vol:	1,019,179
Free Float	37%
Beta	0.6

### Major Shareholders

CMMT Investment	35.3%
Amanah Saham Nasional	17.2%
Employees Provident Fund	13.4%

### Summary Earnings Table

FY Dec (RM m)	2020A	2021E	2022E
Turnover	261	307	328
EBIT	128	152	165
PBT	-102	87	98
Net Profit (NP)	61	87	98
Core NP (RDI)	62	87	98
Consensus (NP)	n.a.	76	86
Earnings Revision	n.a.	-9%	-5%
Core EPS (sen)	3.0	4.2	4.7
Core EPS growth (%)	-54	41	12
NDPS (sen)	2.7	3.8	4.2
NAV/Share (RM)	1.2	1.2	1.2
Core PER (x)	22.4	15.9	14.2
Price/NAV (x)	0.6	0.5	0.5
Gearing (x)	0.4	0.3	0.4
Net. Div Yield (%)	4.0	5.6	6.3

\*Core NP refers to RDI



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**Results Highlights**

FYE 31 Dec (RM m)	1Q21	4Q20	QoQ	1Q20	YoY
Gross Rental Income	56.7	66.9	-15.4%	74.5	-24.0%
Operating Costs	(31.7)	(32.9)	-3.6%	(35.2)	-9.8%
<b>Net Rental Income</b>	<b>24.9</b>	<b>34.0</b>	<b>-26.8%</b>	<b>39.4</b>	<b>-36.7%</b>
Interest Income	0.3	0.3	4.4%	0.6	-54.4%
<b>Total Trust Income</b>	<b>25.2</b>	<b>34.3</b>	<b>-26.5%</b>	<b>40.0</b>	<b>-37.0%</b>
Expenditure	(4.6)	(5.1)	-10.3%	(5.4)	-14.9%
Financing Costs	(12.9)	(13.8)	-6.3%	(15.3)	-15.7%
Fair Value Adjustments	0.0	(157.9)	n.m.	0.0	n.a.
<b>Pretax Income</b>	<b>7.7</b>	<b>(142.5)</b>	<b>-105.4%</b>	<b>19.3</b>	<b>-60.1%</b>
Taxation	0.0	12.3	n.m.	0.0	n.a.
<b>Income after Tax</b>	<b>7.7</b>	<b>(130.2)</b>	<b>-105.9%</b>	<b>19.3</b>	<b>-60.1%</b>
<b>Realised Distribution Income (RDI)</b>	<b>7.6</b>	<b>17.8</b>	<b>-57.5%</b>	<b>20.1</b>	<b>-62.4%</b>
Realized Net Income	7.7	15.4	-50.1%	19.3	-60.1%
EPU (sen)	0.57	-6.10	-109.3%	1.18	-51.7%
GDPU (sen)	0.36	0.86		0.98	
NAV/unit (RM)	1.16	1.18		1.25	
Gearing (x)	36%	35%		34%	
Net Rental Margins	44%	51%		53%	
RDI Margins	13.4%	26.7%		27.0%	

Source: Company, Kenanga Research

**Occupancy Rates**

Assets	1Q 2020 31/3/2020 <sup>1</sup>	2Q 2020 30/06/2020 <sup>1</sup>	3Q 2020 30/06/2020 <sup>1</sup>	4Q 2020 31/12/2020 <sup>1</sup>	1Q21 31/03/2021 <sup>1</sup>
Gurney Plaza	99.2%	97.6%	98.1%	98.6%	96.3%
Sungei Wang Plaza	75.5%	71.5%	66.2%	64.2%	62.3%
The Mines	85.8%	82.4%	85.8%	85.2%	82.5%
East Coast Mall	99.0%	94.9%	95.7%	97.4%	96.9%
3 Damansara <sup>2</sup>	86.7%	85.8%	80.2%	81.2%	82.2%
<b>CMMT (Retail)</b>	<b>90.5%</b>	<b>87.9%</b>	<b>87.4%</b>	<b>87.6%</b>	<b>86.1%</b>
3 Damansara Office Tower <sup>2</sup>	100.0%	100.0%	57.4%	57.4%	57.4%
<b>CMMT Portfolio (Retail &amp; Office)</b>	<b>90.9%</b>	<b>88.3%</b>	<b>86.4%</b>	<b>86.6%</b>	<b>85.1%</b>

Source: Company, Kenanga Research

**Rental Reversions**

From 1 January 2021 to 31 March 2021 (Excluding newly created and reconfigured units)		
	No. of new leases/renewals	Variance over preceding rental <sup>2,3,4</sup> (%)
Gurney Plaza	23	-2.00
East Coast Mall	15	-2.5
The Mines	8	-47.8
3 Damansara	11	-32.0
Sungei Wang Plaza (SWP)	15	-20.0
<b>CMMT Portfolio (Retail)</b>	<b>72</b>	<b>-13.1</b>
Tropicana City Office Tower	1	3.9
<b>CMMT Portfolio</b>	<b>73</b>	<b>-11.7</b>

Source: Company, Kenanga Research

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### Peer Comparison

Name	Last Price	Market	Shariah	Current	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div.Yld. (%)	Target	Rating
	(RM)	Cap (RM'm)	Compliance	FYE	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	Price (RM)	
STOCKS UNDER COVERAGE																		
AXIS REIT	1.91	2,762.8	Y	12/2021	3.6%	2.5%	11.9%	1.6%	21.2	19.1	19.1	1.5	1.5	6.2%	4.6%		2.25	OP
CAPITALAND MALAYSIA MALL TRUST	0.670	1,411.1	N	12/2021	17.3%	6.9%	42.3%	12.5%	22.3	15.9	14.2	0.5	0.5	2.6%	5.6%		0.605	MP
IGB REIT	1.72	6,130.0	N	12/2021	12.6%	1.8%	21.7%	1.7%	24.6	21.5	21.5	1.6	1.6	6.2%	4.3%		1.85	OP
KLCCP STAPLED GROUP	6.94	12,529.0	Y	12/2021	4.9%	6.9%	8.2%	10.3%	23.1	21.0	19.3	1.0	1.0	5.4%	4.2%		7.55	OP
SENTRAL REIT	0.905	970.0	N	12/2021	3.0%	2.6%	1.0%	0.7%	11.3	12.9	11.3	0.7	0.7	5.3%	6.9%		0.975	OP
PAVILION REIT	1.41	4,297.3	N	12/2021	9.1%	7.9%	51.7%	13.1%	35.3	23.5	20.1	1.1	1.1	2.5%	3.9%		1.30	MP
SUNWAY REIT	1.53	5,240.0	N	12/2021	1.5%	12.2%	-10.5%	24.4%	15.3	17.0	15.3	1.0	1.0	5.4%	4.6%		1.15	UP
Simple Average					7.9%	5.7%	20.1%	8.7%	21.9	18.4	17.1	1.1	1.0	4.8%	4.9%			

\* Core NP and Core PER

Source: Bloomberg, Kenanga Research

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### Stock Ratings are defined as follows:

#### Stock Recommendations

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

#### Sector Recommendations\*\*\*

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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