

CapitaLand M'sia Mall Trust

Challenging for Non-prime Retail

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1HFY21 realised distributable income (RDI) of RM18.2m came in within our estimate (at 45%) but below consensus (at 26%) on weaker-than-expected top-line while the outlook for coming quarters remains challenging. 1HFY21 dividend of 0.86 sen is also within (45%). Maintain FY21-22E CNP of RM40-98m. Maintain MARKET PERFORM and TP of RM0.580 based on FY22E valuation (on a +1.0SD spread) given its challenging asset profile.

1HFY21 realised distributable income (RDI) of RM18.2m came in within our estimate at 45% but below consensus' at 26%, on a weaker-than-expected top-line (at 40%) and weaker-than-expected net margin of 17% (vs. 25%). The declared 1HFY21 GDPU of 0.86 sen which included a 0.02 sen non-taxable portion is also deemed within (45%) our FY21 target of 1.9 sen, implying 3.0% yield.

Results' highlight. YoY-Ytd, top-line was down by 12% due to rental relief and negative portfolio reversions as the Group tried to balance occupancy and rental reversions. All in, RDI was down by 12.6% on the back of lower financing cost (-19.3%). QoQ, top-line was down by 7% on marginally weaker portfolio occupancy to 83.9% (from 85.1%) and negative reversions (-11.5%). RDI was up by 39%, supported by lower operating cost (-17%) and financing cost (-9.7%). Gearing remained stable at 0.35x which is below MREITs' statutory gearing limit of 0.60x.

Outlook. The outlook for non-prime retail remains challenging with the worsening impact of the Covid-19 pandemic in the Klang Valley thus far in FY21. However, recent efforts to speed up the daily vaccination rate would aid recovery for this troubled segment. We expect 3QCY21 to see significant rental relief efforts, but do expect a recovery in 4QCY21. 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 its non-Klang Valley based malls (at 61% of total, namely Gurney Plaza and East Coast Mall which are less affected by Covid-19 at this juncture). The Group will be looking to diversify its asset class beyond retail possibly targeting industrial, and office assets.

Maintain FY21-22E CNP of RM40-98m. We expect the weak rental reversion environment to linger at -9%/-5% in FY21/FY22 as the current climate prioritises occupancy over reversions and given the fact that CMMT does not own prime malls. FY21E/FY22E GDPU/NDPU of 1.9-4.7sen / 1.7-4.2 sen imply gross yield of 3.0%/7.5% and net yield of 2.7%/6.8%, respectively.

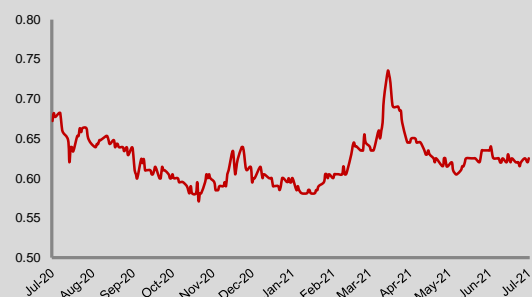
Maintain MARKET PERFORM and Target Price of RM0.580 on FY22E GDPU of 4.7 sen and an unchanged 4.5ppt spread (+1.0SD) to our 10-year MGS target of 3.6%. The applied spread is the highest among retail MREITs under our coverage (1.0ppt to 1.6ppt) given the weakness of CMMT's asset profile from negative 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 : RM0.625
Target Price : RM0.580 ↔

Share Price Performance



KLCI 1,527.62
YTD KLCI chg -6.1%
YTD stock price chg 0.0%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	CMMT MK EQUITY
Market Cap (RM m)	1,319.1
Shares Outstanding	2,110.5
52-week range (H)	0.76
52-week range (L)	0.59
3-mth avg daily vol:	619,900
Free Float	37%
Beta	0.6

Major Shareholders

CMMT Investment	35.2%
Amanah Saham Nasional	17.2%
Employees Provident Fund	13.6%

Summary Earnings Table

FY Dec (RM m)	2020A	2021E	2022E
Turnover	261	230	328
EBIT	128	105	165
PBT	-102	40	98
Net Profit (NP)	61	40	98
Core NP (RDI)	62	40	98
Consensus (NP)	n.a.	69	84
Earnings Revision	n.a.	n.a.	n.a.
Core EPS (sen)	3.0	2.0	4.7
Core EPS growth (%)	-54	-35	142
NDPS (sen)	2.7	1.7	4.2
NAV/Share (RM)	1.2	1.2	1.2
Core PER (x)	20.9	32.0	13.3
Price/NAV (x)	0.5	0.5	0.5
Gearing (x)	0.4	0.3	0.4
Net. Div Yield (%)	4.3	2.7	6.8

*Core NP refers to RDI



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Results Highlights

FYE 31 Dec (RM m)	2Q21	1Q21	QoQ	2Q20	YoY	6MFY20	6MFY21	YoY-Ytd %
Gross Rental Income	52.7	56.7	-7.0%	49.9	5.7%	124.4	109.4	-12.1%
Operating Costs	(26.3)	(31.7)	-17.2%	(30.5)	-13.9%	(65.7)	(58.0)	-11.7%
Net Rental Income	26.4	24.9	6.1%	19.4	36.5%	58.7	51.3	-12.6%
Interest Income	0.3	0.3	5.2%	0.4	-16.2%	1.0	0.6	-40.5%
Total Trust Income	26.7	25.2	6.1%	19.7	35.5%	59.7	51.9	-13.0%
Expenditure	(5.2)	(4.6)	12.9%	(4.4)	18.6%	(9.8)	(9.8)	0.1%
Financing Costs	(11.7)	(12.9)	-9.7%	(15.1)	-23.0%	(30.4)	(24.6)	-19.3%
Fair Value Adjustments	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
Pretax Income	9.9	7.7	28.4%	0.2	5037.5%	19.5	17.5	-9.8%
Taxation	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
Income after Tax	11.5	7.7	49.5%	0.2	5883.9%	19.5	19.2	-1.5%
Realised Distribution Income (RDI)	10.6	7.6	39.4%	0.6	1615.7%	20.8	18.2	-12.6%
Realized Net Income	11.5	7.7	49.5%	0.2	5883.9%	19.5	19.2	-1.5%
EPU (sen)	0.74	0.57	29.8%	0.20	270.0%	1.38	1.31	-5.1%
GDPU (sen)	0.50	0.36	38.9%	0.03	1566.7%	1.01	0.86	-14.9%
NAV/unit (RM)	1.16	1.16		1.25		1.25	1.16	
Gearing (x)	0.35	0.36		0.34		0.34	0.35	
Net Rental Margins	50%	44%		39%		47%	47%	
RDI Margins	20%	13%		1%		17%	17%	

Source: Company, Kenanga Research

Occupancy Rates

Assets	1Q21 31/03/2021 ¹	2Q21 31/06/2021 ¹
Gurney Plaza	96.3%	95.0%
Sungei Wang Plaza	62.3%	66.1%
The Mines	82.5%	78.1%
East Coast Mall	96.9%	97.1%
3 Damansara ²	82.2%	78.4%
CMMT (Retail)	86.1%	84.5%
3 Damansara Office Tower ²	57.4%	65.9%
CMMT Portfolio (Retail & Office)	85.1%	83.9%

1. Based on committed leases

2. The occupancy of 3 Damansara property is 76.2% as at 30 June 2021.

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)	Compliant	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.	Price (RM)		
STOCKS UNDER COVERAGE																		
AXIS REIT	1.95	2,820.6	Y	12/2021	3.6%	2.5%	11.9%	1.6%	21.7	19.5	19.5	1.5	1.5	6.2%	4.5%	2.15	OP	
CAPITALAND MALAYSIA MALL TRUST	0.625	1,319.1	N	12/2021	-12.0%	42.3%	-33.9%	141.6%	20.9	32.0	13.3	0.5	0.5	2.6%	2.7%	0.580	MP	
IGB REIT	1.68	5,991.9	N	12/2021	12.6%	1.8%	21.7%	1.7%	24.0	21.0	21.0	1.6	1.6	6.2%	4.4%	1.70	MP	
KLCCP STAPLED GROUP	6.81	12,294.3	Y	12/2021	4.9%	6.9%	8.2%	10.3%	22.7	20.6	18.9	0.9	0.9	5.4%	4.3%	7.35	OP	
SENTRAL REIT	0.900	964.6	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%	0.940	OP	
PAVILION REIT	1.38	4,205.9	N	12/2021	9.1%	7.9%	51.7%	13.1%	34.5	23.0	19.7	1.1	1.1	2.5%	4.0%	1.30	MP	
SUNWAY REIT	1.40	4,794.7	N	12/2021	7.6%	5.0%	-21.3%	21.7%	17.5	23.3	17.5	0.9	0.9	5.4%	4.0%	1.45	MP	
Simple Average					4.1%	9.9%	5.6%	27.3%	21.8	21.8	17.3	1.0	1.0	4.8%	4.4%			
* 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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