

CapitaLand M'sia Trust

Broadly Within, Better 4Q Ahead

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9MFY21 realised distributable income (RDI) of RM21.3m is deemed broadly within our estimates (at 53%) and 47% of consensus as we expected a weak 3Q21 while 4Q21 is anticipated to be a much stronger quarter with the reopening of the economy. No dividend, as expected. 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.

9MFY21 realised distributable income (RDI) of RM21.3m is deemed broadly within our estimate at 53% and consensus' at 47%, as we anticipated a weaker 3Q21 due to the MCO while 4Q21 is expected to be a much stronger quarter with the reopening of the economy. No dividend, as expected.

Results' highlight. YoY-Ytd, top-line was down by 19% due to the ongoing rental relief to aid struggling tenants and negative rental reversions (-10.3%) as the Group tried to optimise occupancy and rental. As a result, RDI was down by 51% despite lower financing cost (-19%). QoQ, top-line was down by 8% on rental relief and negative reversions, while operating cost was up by 15% on higher operating expenses. This caused RDI to decline by 70%. Gearing remained stable at 0.36x (vs. 0.35x in 2Q21) which is well below MREITs' statutory gearing limit of 0.60x.

Outlook. We do expect a recovery in 4QCY21 with the recent opening up of the economy and malls operating at 90% of NLA. FY21 will see a 18% of NLA up for expiry, but the bulk of these expiries are in its non-Klang Valley based malls (Gurney Plaza and East Coast Mall which are less affected by Covid-19 at this juncture) while FY22 will see 40% of leases expiring. 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 persist for now as occupancy will take priority over reversions and given CLMT's challenging asset profile as it does not own prime malls. As such we expect reversions of -9%/-5% in FY21/FY22. However, we do believe that FY22 will be a better year than FY21 given the rise in shopper traffic in recent weeks which should persist well into FY22. FY21E/FY22E GDPU/NDPU of 1.9-4.7sen / 1.7-4.2 sen imply gross yield of 3.0%/7.4% and net yield of 2.7%/6.6%, respectively.

Maintain MARKET PERFORM and TP 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%. Our applied spread is the highest among retail MREITs under our coverage (between 1.0ppt to 1.6ppt) given the weakness of CLMT's non-prime asset profile and constant negative rental reversions unlike its peers that mostly own prime retail. As such the pandemic has been particularly tough on CLMT, which is further exacerbated by the lingering concern of oversupply of retail space in the Klang Valley.

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 : RM0.635
Target Price : RM0.580 ↔

Share Price Performance



KLCI 1,591.62
YTD KLCI chg -2.2%
YTD stock price chg 1.6%

Stock Information

Shariah Compliant No
Bloomberg Ticker CMMT MK EQUITY
Market Cap (RM m) 1,351.4
Shares Outstanding 2,128.1
52-week range (H) 0.74
52-week range (L) 0.59
3-mth avg daily vol: 507,281
Free Float 37%
Beta 0.6

Major Shareholders

CMMT Investment 35.4%
Amanah Saham Nasional 17.1%
Employees Provident Fund 13.7%

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.	45	80
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)	21.2	32.5	13.5
Price/NAV (x)	0.5	0.5	0.5
Gearing (x)	0.4	0.4	0.4
Net. Div Yield (%)	4.2%	2.7%	6.6%

*Core NP refers to RDI

22 October 2021

Results Highlights

FYE 31 Dec (RM'm)	3Q21	2Q21	QoQ	3Q20	YoY	9MFY20	9MFY21	YoY-Ytd %
Gross Rental Income	48.7	52.7	-7.7%	70.0	-30.5%	194.5	158.0	-18.7%
Operating Costs	(30.1)	(26.3)	14.5%	(29.3)	2.8%	(95.0)	(88.1)	-7.2%
Net Rental Income	18.6	26.4	-29.7%	40.8	-54.4%	99.5	69.9	-29.7%
Interest Income	0.3	0.3	-9.0%	0.3	8.7%	1.2	0.9	-30.5%
Total Trust Income	18.8	26.7	-29.5%	41.0	-54.0%	100.7	70.8	-29.7%
Expenditure	(4.3)	(5.2)	-17.8%	(5.5)	-21.4%	(15.3)	(14.1)	-7.6%
Financing Costs	(11.7)	(11.7)	0.8%	(14.3)	-17.8%	(44.7)	(36.3)	-18.8%
Fair Value Adjustments	0.0	0.0	n.a.	0.0	n.a.	0.0	0.0	n.a.
Pretax Income	2.8	9.9	-71.4%	21.3	-86.7%	40.7	20.4	-50.0%
Taxation	0.0	0.0	n.a.	0.0	n.a.	0.0	0.0	n.a.
Income after Tax	2.8	11.5	-75.4%	21.3	-86.7%	40.7	22.0	-46.0%
Realised Distribution Income (RDI)	3.2	10.6	-69.8%	23.2	-86.3%	44.0	21.3	-51.5%
Realized Net Income	2.8	11.5	-75.4%	26.2	-89.2%	45.7	22.0	-51.9%
EPU (sen)	0.31	0.74	-58.1%	1.52	-79.6%	2.90	1.62	-44.1%
GDPU (sen)	0.15	0.50	-70.0%	1.13	-86.7%	2.14	1.01	-52.8%
NAV/unit (RM)	1.15	1.16		1.26		1.26	1.15	
Gearing (x)	0.36	0.35		0.34		0.34	0.36	
Net Rental Margins	38%	50%		58%		51%	44%	
RDI Margins	7%	20%		33%		23%	14%	

Source: Company, Kenanga Research

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22 October 2021

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.	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 TRUST	0.635	1,351.4	N	12/2021	-12.0%	42.3%	-33.9%	141.6%	21.2	32.5	13.5	0.5	0.5	2.6%	2.7%	0.580	MP	
IGB REIT	1.68	5,996.5	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	6.77	12,222.1	Y	12/2021	-4.4%	17.4%	-1.0%	20.6%	22.6	22.6	18.8	0.9	0.9	5.4%	4.0%	7.35	OP	
SENTRAL REIT	0.900	964.6	N	12/2021	3.0%	2.6%	1.0%	0.7%	11.3	11.3	11.3	0.7	0.7	5.3%	7.2%	0.935	OP	
PAVILION REIT	1.42	4,331.1	N	12/2021	-21.5%	50.0%	-20.7%	116.8%	35.5	46.9	21.6	1.1	1.1	2.5%	2.1%	1.30	MP	
SUNWAY REIT	1.46	5,000.2	N	12/2021	7.6%	5.0%	-21.3%	21.7%	18.3	29.2	18.3	1.0	1.0	5.4%	3.0%	1.35	MP	
Simple Average					-1.6%	17.4%	-6.0%	43.5%	22.1	26.1	17.7	1.0	1.0	4.8%	4.0%			
* Core NP and Core PER																		

Source: Bloomberg, Kenanga Research

22 October 2021

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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