

20 March 2024

# CapitaLand Malaysia Trust

## Penang Malls Ring the Cash Register

By Clement Chua | [clement.chua@kenanga.com.my](mailto:clement.chua@kenanga.com.my)

The group's prospects will continue to be buoyed by its Penang portfolio, while it is making efforts to turn around its Klang Valley assets, although they are unlikely to sway earnings meaningfully in the near-to-medium term. We opine a re-rating will hinge on the progress on its portfolio rationalisation. We maintain our forecasts, TP of RM0.58 and MARKET PERFORM call.

We came away from a recent engagement with CLMT feeling mixed on its prospects. The key takeaways are as follows:

- Penang focus.** In the immediate term, the group will continue to focus on its malls in Penang (i.e. Queensbay Mall (QBM) and Gurney Plaza) which contributed to 76% of its total income in FY23 (with the balance coming largely from East Coast Mall, Kuantan). In view of a booming economy in Penang driven by FDIs and the roll-out of various mega public infrastructure projects, we believe this should allow for more favourable rental reversions in the near-to-medium term given that the occupancy rate for these assets are nearly 100%.
- Heightened competition in KL.** There is much room for improvement for its malls in the Klang Valley. The Mines was the only mall that was able to generate positive cash flows in FY23 while Sungei Wang and 3 Damansara were still in the red. Not helping either is competition for footfall posed by new and upcoming shopping malls such as Exchange TRX, Pavilion Damansara Heights (Phase 1), Merdeka Mall 118 and Pavilion Damansara Heights Phase 2. On a brighter note, the occupancy at Sungei Wang picked up to 87.2% in Dec 2023 with new tenants (vs. 78.4% in Sep 2023).
- May expand foothold in Johor.** It is evaluating opportunities in Johor, having recently acquired various industrial assets in the state.

**Forecasts.** Maintained.

**Valuations.** We also maintain our TP of RM0.58 based on an unchanged target yield of 7.5% (derived from a 3.5% yield spread above our 10-year MGS assumption of 4.0%). The yield spread is on the higher range applied within our sector peers (average 2.0%) owing to the group's less optimum assets in the Klang Valley. There is no adjustment to our TP based on ESG which is given a 3-star rating as appraised by us (see Page 4).

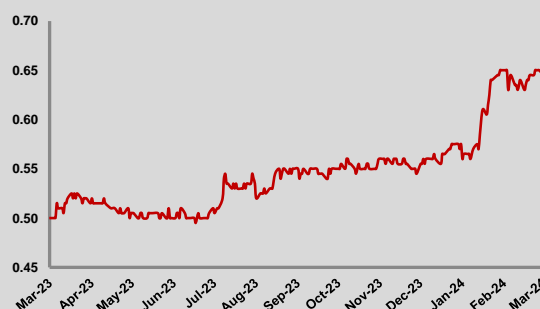
**Investment case.** CLMT will likely continue to see solid performances from its Penang assets, namely QBM. However, its less prime asset profile amid weakened consumer spending and incoming shopping mall supplies may put a strain to its retail-centric portfolio for its Klang Valley assets (namely Sungei Wang and 3 Damansara). Maintain **Market Perform**.

**Risks to our call include:** (i) elevated risk-free rate, weighing on REIT valuation, (ii) lower-than-expected rental reversions, and (iii) lower-than-expected occupancy rates.

## MARKET PERFORM ↔

Price : RM0.645  
Target Price : RM0.58 ↔

### Share Price Performance



KLCI	1,544.96
YTD KLCI chg	6.2%
YTD stock price chg	15.2%

### Stock Information

Shariah Compliant	No
Bloomberg Ticker	CLMT MK Equity
Market Cap (RM m)	1,767.6
Shares Outstanding	2,740.5
52-week range (H)	0.66
52-week range (L)	0.49
3-mth avg. daily vol.	2,100,794
Free Float	36%
Beta	0.6

### Major Shareholders

CMMT Investment	36.1%
Employees Provident Fund	15.7%
Amanah Saham Nasional	13.0%

### Summary Earnings Table

FY Dec (RM m)	2023A	2024F	2025F
Turnover	395.4	420.5	430.2
Operating Profit	196.0	205.2	214.1
Profit Before Tax	166.3	120.9	127.5
<b>Net Profit (NP)</b>	<b>163.7</b>	<b>120.9</b>	<b>127.5</b>
<b>Core Net Profit</b>	<b>111.2</b>	<b>120.9</b>	<b>127.5</b>
Consensus (NP)	-	120.7	128.7
Earnings Revision	-	-	-
Core EPS (sen)	4.4	4.5	4.8
Core EPS Growth (%)	24	9	5
GDPU (sen)	4.2	4.3	4.4
NAV/Share (RM)	1.11	1.11	1.11
Core PER (x)	14.8	14.3	13.5
Price/NAV (x)	0.58	0.58	0.58
Gearing (x)	0.4	0.4	0.4
Net. Div Yield (%)	6.5	6.7	6.8

20 March 2024

## Income Statement

FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F
<b>Revenue</b>	<b>224.1</b>	<b>275.8</b>	<b>395.4</b>	<b>420.5</b>	<b>430.2</b>
EBITDA	90.0	137.7	197.7	206.9	216.0
Depreciation	-1.3	-1.4	-1.7	-1.7	-1.9
<b>Operating Profit</b>	<b>88.6</b>	<b>136.3</b>	<b>196.0</b>	<b>205.2</b>	<b>214.1</b>
Interest Income	1.2	2.0	2.8	3.0	3.2
Interest Expense	-48.1	-46.5	-84.8	-84.3	-86.6
Associate	0.0	0.0	0.0	0.0	0.0
Exceptionals/FV	-76.4	-41.1	55.1	0.0	0.0
PBT	-35.9	48.7	166.3	120.9	127.5
Taxation	5.5	1.7	-2.7	0.0	0.0
Minority Interest	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>-30.4</b>	<b>50.4</b>	<b>163.7</b>	<b>120.9</b>	<b>127.5</b>
<b>RNI</b>	<b>39.1</b>	<b>89.8</b>	<b>111.2</b>	<b>120.9</b>	<b>127.5</b>
<b>RDI</b>	<b>39.1</b>	<b>89.8</b>	<b>111.2</b>	<b>120.9</b>	<b>127.5</b>

## Balance Sheet

FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F
<b>Fixed Assets</b>	<b>3829</b>	<b>3895</b>	<b>3958</b>	<b>4018</b>	<b>4160</b>
Intangibles	0	0	0	0	0
Other FA	0	0	0	0	0
Inventories	0	0	0	0	0
Receivables	27	36	52	55	56
Other CA	0	0	0	0	0
Cash	232	262	34	33	-48
<b>Total Assets</b>	<b>4089</b>	<b>4193</b>	<b>4043</b>	<b>4106</b>	<b>4169</b>
Payables	51	68	78	66	53
ST Borrowings	-255	-216	50	50	50
Other ST Liability	51	43	0	0	0
LT Borrowings	1667	1667	1455	1525	1595
Other LT Liability	28	35	35	35	35
Minority Int.	0	0	0	0	0
<b>Net Assets</b>	<b>2547</b>	<b>2595</b>	<b>2424</b>	<b>2429</b>	<b>2435</b>
Share Capital	2391	2418	2424	2429	2434
Reserves	156	177	0	0	0
<b>Shareholders Equity</b>	<b>2547</b>	<b>2595</b>	<b>2424</b>	<b>2429</b>	<b>2435</b>

## Cashflow Statement

FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F
Operating CF	89	137	192	204	213
Investing CF	68	-67	-60	-60	1
Financing CF	-205	165	183	250	307
Net Change in Cash	-48	236	316	394	521
Free Cash Flow	156	69	130	141	210

## Financial Data & Ratios

FY Dec	2020A	2021A	2022A	2023F	2024F
<b>Growth (%)</b>					
Revenue	-14.3	23.1	43.4	6.3	2.3
EBITDA	-26.5	53.0	43.6	4.7	4.4
Operating Profit	-25.9	53.8	43.8	4.7	4.3
PBT	-62.9	-235.7	241.6	-27.3	5.4
Net Income	-64.0	-265.9	224.6	-26.1	5.4
Core Net Income	-36.6	129.4	23.9	8.7	5.4
<b>Profitability (%)</b>					
EBITDA Margin	46.8	40.1	49.9	50.0	49.2
Operating Margin	45.7	39.5	49.4	49.6	48.8
PBT Margin	(37.0)	(16.0)	17.7	42.1	28.8
Core Net Margin	23.6	17.5	32.5	28.1	28.8
Effective Tax Rate	(12.7)	(15.3)	3.6	(1.6)	0.0
ROE	2.8	(3.3)	(1.2)	2.0	6.5
ROA	1.8	(2.1)	(0.7)	1.3	4.0
<b>DuPont Analysis</b>					
Net margin (%)	(13.6)	18.3	41.4	28.8	29.6
Assets Turnover (x)	0.1	0.1	0.1	0.1	0.1
Leverage Factor (x)	1.6	1.6	1.6	1.7	1.7
ROE (%)	2.8	(3.3)	(1.2)	2.0	6.5
<b>Leverage</b>					
Debt/Asset (x)	0.35	0.35	0.37	0.38	0.39
Debt/Equity (x)	0.55	0.56	0.62	0.65	0.68
Net Debt/(Cash)	1180	1190	1472	1542	1693
Net Debt/Equity (x)	0.46	0.46	0.61	0.63	0.70
<b>Valuations</b>					
Core EPS (sen)	1.8	3.9	4.4	4.5	4.8
GDPS (sen)	(1.77)	4.01	4.17	4.31	4.36
NDPS (sen)	(1.59)	3.61	3.75	3.88	3.92
NAV/share (RM)	1.01	1.02	0.95	0.95	0.95
Core PER (x)	36.4	16.3	14.8	14.3	13.5
G. Div. Yield (%)	(2.7)	6.2	6.5	6.7	6.8
N. Div. Yield (%)	(2.5)	5.6	5.8	6.0	6.1
P/NAV (x)	0.6	0.6	0.7	0.7	0.7
EV/EBITDA (x)	170.5	24.1	10.3	12.9	13.1

Source: Kenanga Research

20 March 2024

### Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.				
<b>Stocks Under Coverage</b>																	
Axis REIT	MP	1.82	1.62	-11.0%	3,180.4	Y	12/2024	9.3	10.2	16.6%	0.6%	18.8	18.6	1.1	6.0%	8.7	4.8%
CapitaLand Malaysia Mall Trust	MP	0.645	0.580	-10.1%	1,767.6	N	12/2024	3.9	4.0	-284.4%	-19.5%	N.A.	10.7	0.7	5.0%	4.3	6.7%
IGB REIT	MP	1.74	1.68	-3.4%	6,273.4	N	12/2024	10.1	10.4	-2.5%	2.3%	16.6	16.3	1.6	9.8%	9.7	5.6%
KLCCP Stapled Group	OP	7.50	8.00	6.7%	13,540.0	Y	12/2024	40.2	41.6	13.6%	3.7%	16.8	16.2	1.0	5.2%	42.5	5.7%
Pavilion REIT	OP	1.30	1.51	16.2%	4,753.9	N	12/2024	8.0	8.5	20.6%	4.3%	13.4	12.9	1.0	7.2%	8.7	6.7%
SUNWAY REIT	OP	1.53	1.72	12.4%	5,240.0	N	12/2024	10.2	10.9	13.9%	6.3%	14.5	13.6	1.0	6.9%	10.6	6.9%
<b>SECTOR AGGREGATE</b>					<b>34,755.3</b>					<b>-5.1%</b>	<b>24.0%</b>	<b>18.7</b>	<b>15.0</b>	<b>1.1</b>	<b>6.7%</b>		<b>6.1%</b>

Source: Kenanga Research

20 March 2024

**Stock ESG Ratings:**

	Criterion	Rating				
<b>GENERAL</b>	Earnings Sustainability & Quality	★	★	★		
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	☆		
<b>SPECIFIC</b>	Effluent/Waste Management	★	★	☆		
	Water Management	★	★	★		
	Energy Efficiency	★	★	★		
	Green Buildings	★	★	★		
	Tenant Management	★	★	★		
	Supply Chain Management	★	★	★		
<b>OVERALL</b>		★	★	★		

☆ denotes half-star  
 ★ -10% discount to TP  
 ★★ -5% discount to TP  
 ★★★ TP unchanged  
 ★★★★ +5% premium to TP  
 ★★★★★ +10% premium to TP

**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.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published and printed by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**  
 Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
 Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)

