

25 April 2024

# CapitaLand Malaysia Trust

## A Penang Edge

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

CLMT's 1QFY24 core net profit and distribution per unit (DPU) met expectations. Queensbay Mall (QBM) will continue to drive the group's portfolio performance and cushion the weakness from its retail assets in the Klang Valley that are subject to intense competition. We maintain our forecasts, TP of RM0.58 and MARKET PERFORM call.

CLMT's 1QFY24 core net profit of RM33.5m met expectations at 28% of both our full-year forecast and the full-year consensus estimate. A proposed income distribution of 1.19 sen per unit is on track to meet our full-year DPU forecast of 4.4 sen.

**YoY**, its 1QFY24 revenue surged 43% mainly due to the full quarter contribution from QBM (due to its completion in 21 March 2023) coupled with a higher occupancy rate of 93% (vs. 89% a year ago). Its 1QFY24 core net profit surged by a sharper 67% to RM33.5m as its operating expenses (including those of QBM) rose at a slower pace of 22% (vs. 43% at the top line).

**QoQ**, its 1QFY24 revenue increased by 3% likely due to positive rental reversions and the Chinese New Year festive shopping boost. However, its 1QFY24 core net profit was flattish as operating expenses are typically seasonally higher in 1Q periods.

**Outlook.** Its operating performance has improved as reflected in: (i) a higher occupancy rate of 92.4% for its retail assets (from 88.3% in 1QFY23), (ii) 9% and 16% growth rates for shopper traffic and tenant sales, respectively, and (iii) a 9% rental reversion for its malls in 1QFY24.

Nonetheless, it is mindful of cautious consumer spending due to elevated costs of living and recent service tax hike. CLMT is less affected by the entry of new malls in Klang Valley as it derives bulk of its earnings from its malls in Penang.

**Forecasts.** Maintained.

**Valuations.** We also maintain our TP of RM0.58 based on a 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).

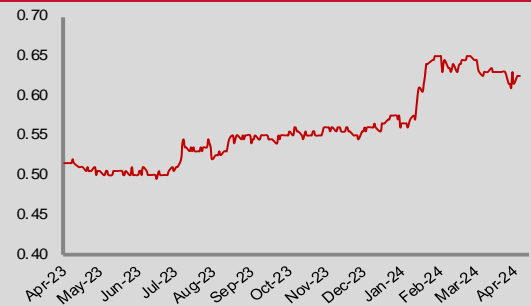
**Investment case.** CLMT will likely continue to see solid performances from its Penang assets. However, its less prime asset profile amid weakened consumer spending and the influx of new malls may put a strain to its retail assets in the Klang Valley (namely, Sungei Wang and 3 Damansara). Maintain **MARKET PERFORM**.

**Risks to our call include:** (i) elevated risk-free rate, weighing on REIT valuation, (ii) over-supply of retail malls especially resulting in depressed rentals and occupancy rates; and (iii) further deterioration in consumer spending.

## MARKET PERFORM ↔

Price : **RM0.625**  
Target Price : **RM0.58** ↔

### Share Price Performance



KLCI	1,571.48
YTD KLCI chg	8.0%
YTD stock price chg	11.6%

### Stock Information

Shariah Compliant	No
Bloomberg Ticker	CLMT MK Equity
Market Cap (RM m)	1,766.0
Shares Outstanding	2,825.6
52-week range (H)	0.66
52-week range (L)	0.49
3-mth avg. daily vol.	2,791,180
Free Float	35%
Beta	0.7

### Major Shareholders

CMMT Investment	36.5%
Employees Provident Fund	15.3%
Amanah Saham Nasional	12.6%

### 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)	-	120.8	128.7
Earnings Revision	-	-	-
Core EPS (sen)	4.4	4.5	4.8
Core EPS Growth (%)	24	9	5
DPU (sen)	4.2	4.3	4.4
NAV/Share (RM)	1.11	1.11	1.11
Core PER (x)	14.4	13.8	13.1
Price/NAV (x)	0.56	0.56	0.56
Gearing (x)	0.4	0.4	0.7
Net. Div Yield (%)	6.7	6.9	7.0

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### Results Highlights

	1Q FY24	4Q FY23	QoQ Chg	1Q FY23	YoY Chg	3M FY24	3M FY23	YoY Chg
<b>FYE Dec (RM m)</b>								
Gross Rental Revenue	89.9	88.1	2.1%	61.7	45.7%	89.9	61.7	45.7%
Non-rental Revenue	22.0	20.5	7.5%	16.8	31.0%	22.0	16.8	31.0%
<b>Gross Revenue</b>	<b>111.9</b>	<b>108.5</b>	<b>3.1%</b>	<b>78.5</b>	<b>42.5%</b>	<b>111.9</b>	<b>78.5</b>	<b>42.5%</b>
Property Operating Expenses	-47.9	-45.5	5.3%	-39.2	22.1%	-47.9	-39.2	22.1%
<b>Net Property Income</b>	<b>64.0</b>	<b>63.0</b>	<b>1.5%</b>	<b>39.2</b>	<b>63.0%</b>	<b>64.0</b>	<b>39.2</b>	<b>63.0%</b>
Interest & Investment Income	0.6	65.8	-99.1%	-7.1	-108.2%	0.6	-7.1	-108.2%
<b>Net Investment Income</b>	<b>64.6</b>	<b>128.8</b>	<b>-49.9%</b>	<b>32.2</b>	<b>100.6%</b>	<b>64.6</b>	<b>32.2</b>	<b>100.6%</b>
Non-operating expenses	-31.1	-32.0	-2.9%	-20.1	54.2%	-31.1	-20.1	54.2%
<b>Profit before tax</b>	<b>33.5</b>	<b>96.8</b>	<b>-65.4%</b>	<b>12.0</b>	<b>178.2%</b>	<b>33.5</b>	<b>12.0</b>	<b>178.2%</b>
Taxation	0.0	0.0	0.0%	0.0	N.M.	0.0	0.0	N.M.
Minority interest	0.0	0.0	N.M.	0.0	N.M.	0.0	0.0	N.M.
<b>Net Profit</b>	<b>33.5</b>	<b>96.8</b>	<b>-65.4%</b>	<b>12.0</b>	<b>178.2%</b>	<b>33.5</b>	<b>12.0</b>	<b>178.2%</b>
<b>Distributable Income</b>	<b>33.6</b>	<b>32.7</b>	<b>2.9%</b>	<b>19.8</b>	<b>69.8%</b>	<b>33.6</b>	<b>19.8</b>	<b>69.8%</b>
<b>Core Net Profit</b>	<b>33.5</b>	<b>33.7</b>	<b>-0.6%</b>	<b>20.0</b>	<b>67.4%</b>	<b>33.5</b>	<b>20.0</b>	<b>67.4%</b>
Core Earnings Per Unit (sen)	1.19	1.23	-3.6%	0.75	58.3%	1.19	0.75	58.3%
Distribution Per Unit (sen)	1.19	1.19	0.0%	0.87	36.8%	1.19	0.87	36.8%
Net Asset Value Per Unit (RM)	0.98	1.00	-2.4%	0.97	0.8%	0.98	0.97	0.8%
<b>Key Operating Metrics:</b>								
Portfolio occupancy rate	93.1%	92.6%		89.2%		93.1%	89.2%	
Net property income margin	57.2%	58.1%		50.0%		57.2%	50.0%	
Pretax margin	29.9%	89.2%		15.3%		29.9%	15.3%	
Net Gearing	40.6%	40.7%		43.2%		40.6%	43.2%	

Source: Company, Kenanga Research

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### 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.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
<b>Stocks Under Coverage</b>																	
Axis REIT	MP	1.87	1.72	-8.0%	3,267.8	Y	12/2024	9.3	10.2	10.1%	9.8%	19.9	18.1	1.2	5.8%	8.7	4.7%
Capitaland Malaysia Mall Trust	MP	0.625	0.580	-7.2%	1,766.0	N	12/2024	3.9	4.0	-284.4%	-19.5%	N.A.	10.3	0.7	5.0%	4.3	6.9%
IGB REIT	MP	1.82	1.68	-7.7%	6,568.8	N	12/2024	10.1	10.4	-2.5%	2.3%	17.4	17.0	1.7	9.8%	9.7	5.3%
KLCCP Stapled Group	OP	7.54	8.00	6.1%	13,612.2	Y	12/2024	40.2	41.6	13.6%	3.7%	16.9	16.3	1.0	5.2%	42.5	5.6%
Pavilion REIT	OP	1.29	1.51	17.1%	4,717.3	N	12/2024	8.0	8.5	20.6%	4.3%	13.3	12.8	1.0	7.2%	8.7	6.7%
SUNWAY REIT	OP	1.54	1.72	11.7%	5,274.2	N	12/2024	10.2	10.9	13.9%	6.3%	14.6	13.7	1.0	6.9%	10.6	6.9%
<b>SECTOR AGGREGATE</b>					<b>35,206.3</b>					<b>-5.6%</b>	<b>24.9%</b>	<b>18.9</b>	<b>15.2</b>	<b>1.1</b>	<b>6.7%</b>		<b>6.0%</b>

Source: Kenanga Research

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**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.**

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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)

