

# CapitaLand Malaysia Mall Trust

(5180 | CMMT MK) Real Estate | Real Estate Investment Trust

**Maintain NEUTRAL**

## Operating in a challenging landscape

**Adjusted Target Price: RM0.69**  
(previously RM1.01)

### KEY INVESTMENT HIGHLIGHTS

- **1QFY20 earnings below expectations**
- **Net profit fell 40.7%yoy to RM19.3m**
- **FY20 likely a challenging year**
- **Earnings forecast cut by 40%/39% for FY20E/FY21F**
- **Maintain NEUTRAL with an adjusted TP of RM0.69**

**1QFY20 earnings below expectations.** CapitaLand Malaysia Mall Trust's (CMMT) 1QFY20 core net income of RM19.3m came in at 15% of ours and 17% of consensus' full year estimates. The shortfall can be attributed to the escalation of the Covid-19 in the country, which has resulted in a slower traffic in its malls. No dividend was announced as expect because distributions are made in 2Q and 4Q. CMMT has introduced a dividend reinvestment plan in order to preserve its cash flow.

**Net profit fell -40.7%yoy to RM19.3m** while revenue dropped by -15%yoy to RM74.5m. This was mainly due to the Covid-19 pandemic which reduces footfall at CMMT's malls leading up to the movement control order (MCO), where only 12% of its tenants operating as essential services providers. Shopper traffic was down by 20.4%yoy to 11.1 million. Rental income were lower on-year for all of its malls: Gurney Plaza at -12.9%, East Coast Mall (ECM) at -11.2%, Sungei Wang Plaza (SWP) at -3.1%, 3 Damansara property at -18.4% and The Mines at 27.9%. Notably, SWP net property income fell to -RM0.3m due to higher maintenance and marketing expenses at JUMPA.

**Rental reversion for CMMT's portfolio was -1.1%** in 1QFY20. Gurney Plaza and ECM continue to garner positive rental reversion at 4.2% and 4.6% respectively. The Mines shopping mall recorded the steepest negative rental reversion at -19.6% followed by SWP at -17.7%. Rental reversion at 3 Damansara was unchanged. Portfolio occupancy rate slipped to 90.9% compared to 93.8% in 4QFY19.

**FY20 likely a challenging year.** Given the challenging operating environment for shopping malls that is hit further by the Covid-19, we expect CMMT's rental reversion to stay in the negative single-digit territory. We think that the REIT manager will continue to prioritise maintaining occupancy rate and would try to support their tenants to stay afloat. Management has announced RM35m in rental relief to support its tenants up to end of FY20. That includes the 14-day rental waiver from 18 to 31 March followed by further rental relief to certain tenants in a staggered manner. Support also comes in non-monetary form such as marketing and free parking. In facing the adversity, management guided that they will hold back on non-essential asset

### RETURN STATISTICS

Price @ 21 <sup>st</sup> May 2020 (RM)	0.81
Expected share price return (%)	-14.8
Expected dividend yield (%)	5.2
<b>Expected total return (%)</b>	<b>-9.6</b>

### SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-5.3	-9.8
3 months	-11.0	-11.9
12 months	-28.3	-20.8


### KEY STATISTICS

FBM KLCI	1452.11
Syariah compliant	No
Issue shares (m)	2051.7528
Estimated free float (%)	36.89
Market Capitalisation (RM'm)	1664.86
52-wk price range	RM0.73 - RM1.13
Beta vs FBM KLCI (x)	0.59
Monthly velocity (%)	0.00
Monthly volatility (%)	11.72
3-mth average daily volume (m)	0.43
3-mth average daily value (RM'm)	0.38
Top Shareholders (%)	
CapitaLand Ltd	34.59
Skim Amanah Saham Bumiputera	17.10
KWAP	12.70

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enhancement initiatives as well as cutting back on marketing expenses. AEI budget may be in the range of RM20m. On top of that, the 15% electricity discount from April to September announced by the government will be fully passed on to eligible tenants. Updating on the recent situation at the malls, about three quarters of its tenants have been operating since the conditional MCO was announced with shopper traffic recovering to about a third of the pre-MCO level.

**Earnings forecast cut by 40%/39% for FY20E/FY21F** as we turn more cautious for the outlook of CMMT's Klang Valley malls. This is also in-line with CMMT's commitment to help their tenants through the challenging times. We believe that the business environment may even be more challenging in 2Q while recovery may take time. In the event some retailers consolidate their brick and mortar operations, some of the neighbourhood locations may have to be foregone. We are wary if some of the malls under CMMT may be posed with such risks. On a more positive note, we believe that Gurney Plaza and ECM should be holding up well as they are the leading malls in the states they operate in.

**Maintain NEUTRAL with an adjusted TP of RM0.69 (previously RM1.01).** Our TP is derived from DDM valuation with required rate of return adjusted to 8.1% from 8.4% previously. We have imputed lower risk free rate in-line with lower key rates. We maintain our **NEUTRAL** call on CMMT due to its challenging business outlook while we believe that the unit price should be supported by its NAV, which stood at RM1.24 per unit. Dividend yield is expected at 5.2%. 

## INVESTMENT STATISTICS

FYE Dec (RM m)	FY18	FY19	FY20E	FY21F	FY22F
Gross Revenue	350.1	342.3	322.1	325.9	337.8
Net Rental Income	215.0	202.1	163.2	163.4	171.6
Net Investment Income	220.8	177.7	168.8	170.0	178.3
Net Income	135.6	72.6	77.9	78.7	86.1
Core Net Income	135.7	103.3	77.9	78.7	86.1
Realised EPU (sen)	6.56	3.54	3.80	3.84	4.20
Core EPU (sen)	6.56	5.03	3.80	3.84	4.20
Gross DPU (sen)	7.90	6.25	4.64	4.69	5.07
Net DPU (sen)	7.11	5.63	4.18	4.22	4.56
Net Distribution Yield	8.8%	6.9%	5.2%	5.2%	5.6%
Core PER	12.3	16.1	21.3	21.1	19.3
NAV per unit	1.27	1.24	1.24	1.24	1.24
P/NAV	0.64	0.83	0.83	0.83	0.83
Core ROE	5.0%	3.9%	2.9%	2.9%	3.2%
Core ROA	3.2%	2.5%	1.9%	1.9%	2.1%

Source: Company, MIDFR

## CMMT: 1QFY20 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY20	%YoY	%QoQ	3MFY20	%YoY
Gross Revenue	74.53	-15%	-13%	74.5	-15%
Net Rental Income	39.36	-25%	-21%	39.4	-25%
Net Investment Income	39.99	-25%	-25%	40.0	-25%
Net Income	19.27	-41%	-12%	19.3	-41%
Core Net Income	19.27	-41%	-14%	19.3	-41%
Realised EPU (sen)	0.94	-41%	-12%	0.9	-41%
Core EPU (sen)	0.94	-41%	-14%	0.9	-41%
Gross DPU (sen)	0.98	-43%	-36%	1.0	-43%

Source: Company, MIDFR

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Malaysian Industrial Development Finance Bhd (MIDF) has an interest in CapitaLand Malaysia Malls REIT Management Sdn Bhd, the manager of CMMT.

### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

<b>BUY</b>	Total return is expected to be >10% over the next 12 months.
<b>TRADING BUY</b>	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
<b>NEUTRAL</b>	Total return is expected to be between -10% and +10% over the next 12 months.
<b>SELL</b>	Total return is expected to be <10% over the next 12 months.
<b>TRADING SELL</b>	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

<b>POSITIVE</b>	The sector is expected to outperform the overall market over the next 12 months.
<b>NEUTRAL</b>	The sector is to perform in line with the overall market over the next 12 months.
<b>NEGATIVE</b>	The sector is expected to underperform the overall market over the next 12 months.