

# CapitaLand Malaysia Mall Trust

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

## Maintain NEUTRAL

**Revised Target Price: RM0.63**  
(previously RM0.69)

### Tenant retention is the focus

#### KEY INVESTMENT HIGHLIGHTS

- **1HFY20 earnings below expectations**
- **Net profit for 1HFY20 fell 63.0%yoy to RM19.5m**
- **2QFY20 likely the trough, focusing on maintaining occupancy rate**
- **Earnings forecast cut by 20% for FY20E**
- **Maintain NEUTRAL with an revised TP of RM0.63**

**1HFY20 earnings below expectations.** CapitaLand Malaysia Mall Trust's (CMMT) 1HFY20 core net income of RM19.5m came in at 25% of ours and 24% of consensus' full year estimates. The negative deviation can be attributed to the steeper than expected rental assistance given to tenants during the period. During the quarter, CMMT has announced an interim dividend of 1.0sen.

**Net profit for 1HFY20 fell -63.0%yoy to RM19.5m** as revenue fell -28%yoy to RM124.4m. This can be attributed to rental assistance of up to RM35m offered to its tenants. We understand that about 80% of the rental assistance budgeted earlier has been deployed and no further rental assistance is budgeted other than the RM35m allocated. Sungei Wang Plaza (SWP) net property income (NPI) in 1HFY20 fell to -RM1.4m from RM0.7m. Meanwhile, NPI for 3Damansara was -57%, The Mines at -54%, East Coast Mall at -37% and Gurney Plaza at -36%. Overall portfolio NPI was down by 43%yoy.

**2QFY20 core net income (CNI) dived -99%yoy to RM0.2m** while revenue slid by -41%yoy to RM50.0m. This was largely due to the significant rental waivers provided for the non-essential services tenants due the Movement Control Order (MCO). Topping that are lower car park income and lower occupancy rates due to the uncertainties caused by the pandemic. Sequentially, CNI plunged at a similar rate by -99% while revenue declined by -33%qoq. This was mainly due to longer operating period in 1Q compared to 2Q. Recall that the MCO started on 18 March while most non-essential businesses are allowed to re-open in early May. Monthly shopper traffic has been improving to more than 2 million in June from about 500,000 in April. We think that the second quarter might be the worst in view of the reopening of economy and resumption of consumer activities that include visiting the malls. On top of that, we believe that since much of the rental assistance has been deployed, rental income for coming quarters should also be recovering.

#### RETURN STATISTICS

Price @ 21 <sup>st</sup> July 2020 (RM)	0.71
Expected share price return (%)	-11.3
Expected dividend yield (%)	4.8
<b>Expected total return (%)</b>	<b>-6.5</b>

#### SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-11.3	-16.2
3 months	-10.7	-26.8
12 months	-31.7	-29.1


#### KEY STATISTICS

FBM KLCI	1,595.93
Syariah compliant	No
Issue shares (m)	2051.75
Estimated free float (%)	36.89
Market Capitalisation (RM'm)	1,459.32
52-wk price range	RM0.71 - RM1.11
Beta vs FBM KLCI (x)	0.60
Monthly velocity (%)	11.02
Monthly volatility (%)	11.72
3-mth average daily volume (m)	0.23
3-mth average daily value (RM'm)	0.18
Top Shareholders (%)	
CapitaLand Ltd	34.65
EPF	10.27
KWAP	6.91

**Analyst(s)**  
Ng **BEI SHAN**  
ng.bs@midf.com.my  
03 -2173 8461

**Negative rental reversion is highly likely to retain tenants.** Management updated that about 30% of its expiring lease has been renewed and that there is about 38% of lease expiring in 2HFY20. Rental reversion for CMMT's portfolio was -1.2% in 1HFY20 and we think that there is a possibility that it may be steeper in 2HFY20 as the REIT manager targets to maintain overall occupancy rate at close to 90%. As of end-June, portfolio occupancy rate stood at 88.3%. During the period, Gurney Plaza and ECM continue to garner positive rental reversion at 4.0% and 4.6% respectively. The Mines shopping mall's rental reversion was -22.6% while SWP's was at -22.6%. 3Damansara recorded rental reversion of -1.1%. Portfolio occupancy rate slipped to 88.3% in 2QFY20 from 90.9% in 1QFY20.

**Earnings forecast cut by 21% for FY20E due to the lower than expected income in 2Q20.** We believe that rental income may improve gradually from FY21 onwards. We maintain our FY21F forecast at RM79.0m at this juncture in anticipation of a gradual recovery. We believe that Gurney Plaza and ECM should be holding up well as they are the leading malls in the states they operate in. As for its Klang Valley malls, competition may remain intense due to the number of malls available.

**Maintain NEUTRAL with an revised TP of RM0.63 (previously RM0.69).** Our TP is derived from DDM valuation with required rate of return of 8.1%. We maintain our **NEUTRAL** call on CMMT due to its challenging business outlook but we believe that the unit price should be supported by its NAV, which stood at RM1.24 per unit. We opine that 2QFY20 might be CMMT's worst quarter and a gradual recovery over a period of time. Dividend yield expected at 4.8%. 

## INVESTMENT STATISTICS

FYE Dec (RM m)	FY18	FY19	FY20E	FY21F	FY22F
Gross Revenue	350.1	342.3	268.7	301.3	312.3
Net Rental Income	215.0	202.1	138.6	156.5	164.0
Net Investment Income	220.8	177.7	144.3	163.2	170.7
Net Income	135.6	72.6	61.5	79.0	85.7
Core Net Income	135.7	103.3	61.5	79.0	85.7
Realised EPU (sen)	6.56	3.54	3.00	3.85	4.18
Core EPU (sen)	6.56	5.03	3.00	3.85	4.18
Gross DPU (sen)	7.90	6.25	3.81	4.31	4.65
Net DPU (sen)	7.11	5.63	3.43	3.88	4.18
Net Distribution Yield	10.0%	7.9%	4.8%	5.5%	5.9%
Core PER	10.8	14.1	23.7	18.4	17.0
NAV per unit	1.27	1.24	1.24	1.24	1.24
P/NAV	0.56	0.83	0.83	0.83	0.83
Core ROE	5.0%	3.9%	2.3%	3.0%	3.2%
Core ROA	3.2%	2.5%	1.5%	1.9%	2.1%

Source: Company, MIDFR

## CMMT: 2QFY20 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY20	%YoY	%QoQ	6MFY20	%YoY
Gross Revenue	49.88	-41%	-33%	124.4	-28%
Net Rental Income	19.36	-62%	-51%	58.7	-43%
Net Investment Income	19.72	-6%	-51%	59.7	-20%
Net Income	0.19	-102%	-99%	19.5	-13%
Core Net Income	0.19	-99%	-99%	19.5	-63%
Realised EPU (sen)	0.01	-102%	-99%	1.0	-13%
Core EPU (sen)	0.01	-99%	-99%	1.0	-63%
Gross DPU (sen)	0.03	-98%	-97%	1.0	-69%

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.