

CapitaLand Malaysia Mall Trust

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

Maintain NEUTRAL

Unexciting earnings

Unchanged Target Price: RM1.01

KEY INVESTMENT HIGHLIGHTS

- **FY19 earnings deemed within expectations**
- **Unexciting earnings in FY19**
- **Stable portfolio occupancy rate**
- **Earnings forecast unchanged**
- **Maintain NEUTRAL with an unchanged TP of RM1.01**

FY19 earnings deemed within expectations. CapitaLand Malaysia Mall Trust's (CMMT) FY19 core net income of RM103.3m which accounts for 93% and 87% of our and consensus full year estimates. Nevertheless, we deemed FY19 earnings within expectations as earnings were distorted by deferred tax liabilities. A DPU of 1.52sen was announced, bringing cumulative DPU to 6.3sen in FY19 and translates into gross distribution yield of 6.2%.

Unexciting earnings in FY19. 4QFY19 core net income eased by 33%yoy to RM22.52m, bringing cumulative core net income to RM103.3m (-24%yoy) in FY19. The lower core net income was in line with lower revenue (-2%yoy) which could be mainly attributed to decline in rental income from Sungei Wang Plaza (SWP) (-10.6%), 3 Damansara (-4.9%) and The Mines (-15.5%). On the other hand, Gurney Plaza and East Coast Mall (ECM) recorded higher rental income of +2.9% and +5.7% respectively. Meanwhile, earnings in FY19 were further weighed by higher maintenance expenses (+8.4%yoy), higher utilities expenses (+2.9%yoy) and deferred tax liabilities.

Stable portfolio occupancy rate. CMMT's portfolio occupancy rate showed sequential improvement from 92.4% in 3QFY19 to 93.8% in 4QFY19. Meanwhile, we expect overall occupancy rate at SWP to improve following the opening of Jumpa. Note that Jumpa's soft launch was on September 25. On the other hand, CMMT recorded negative rental reversion of 5.7% in FY19 mainly owing to negative rental reversions of The Mines and SWP.

Maintain NEUTRAL with an unchanged TP of RM1.01. We make no changes to our earnings forecast. We also keep of TP of RM1.01. Our TP derived from DDM valuation and our perpetual growth rate of 1.2% is maintained. We maintain Neutral call on CMMT due to its unexciting earnings.

RETURN STATISTICS

Price @ 22 nd January 2020 (RM)	1.01
Expected share price return (%)	0.0
Expected dividend yield (%)	6.4
Expected total return (%)	6.4

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-1.94	0.31
3 months	1.00	-4.37
12 months	-5.61	0.98

KEY STATISTICS

FBM KLCI	1577.98
Syariah compliant	No
Issue shares (m)	2051.8
Estimated free float (%)	34.8
Market Capitalisation (RM'm)	2072.27
52-wk price range	RM0.9-RM1.14
Beta vs FBM KLCI (x)	0.4
Monthly velocity (%)	11.0
Monthly volatility (%)	11.7
3-mth average daily volume (m)	0.5
3-mth average daily value (RM'm)	0.47
Top Shareholders (%)	
CapitaLand Ltd	34.65
Skim Amanah Saham Bumiputera	11.92
Kumpulan Wang Persaraan	11.9

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INVESTMENT STATISTICS

FYE Dec (RM m)	FY17	FY18	FY19F	FY20F	FY21F
Gross Revenue	368.9	350.1	342.3	365.2	373.9
Net Rental Income	237.1	215.0	202.1	215.7	219.3
Net Investment Income	246.8	220.8	177.7	222.4	226.0
Net Income	162.1	135.6	72.6	128.8	131.8
Core Net Income	157.9	135.7	103.3	128.8	131.8
Realised EPU (sen)	7.98	6.56	3.54	6.28	6.42
Core EPU (sen)	7.77	6.56	5.03	6.28	6.42
Gross DPU (sen)	8.24	7.90	6.25	7.18	7.33
Net DPU (sen)	7.41	7.11	5.63	6.46	6.60
Net Distribution Yield	7.3%	7.0%	5.6%	6.4%	6.5%
Core PER	13.0	15.4	20.1	16.1	15.7
NAV per unit	1.32	1.27	1.24	1.24	1.24
P/NAV	0.77	0.80	0.83	0.83	0.83
Core ROE	5.9%	5.0%	3.9%	4.8%	4.9%
Core ROA	3.8%	3.2%	2.5%	3.1%	3.2%

Source: Company, MIDFR

CMMT: 4QFY19 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY19	%YoY	%QoQ	FY19	%YoY
Gross Revenue	85.80	-1%	3%	342.3	-2%
Net Rental Income	49.84	-7%	1%	202.1	-6%
Net Investment Income	53.12	-5%	6%	177.7	-20%
Net Income	21.86	-37%	-23%	72.6	-46%
Core Net Income	22.52	-33%	-21%	103.3	-24%
Realised EPU (sen)	1.07	-37%	-23%	3.5	-47%
Core EPU (sen)	1.10	-33%	-21%	5.0	-24%
Gross DPU (sen)	1.52	-23%	1%	6.3	-21%

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

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	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.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <10% over the next 12 months.
TRADING SELL	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

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