

CapitaLand Malaysia Mall Trust

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

Maintain NEUTRAL

Earnings hurt by new wave of coronavirus

Unchanged Target Price: RM0.63

KEY INVESTMENT HIGHLIGHTS

- **FY20 earnings within our expectation**
- **Lower earnings on sequential basis due to new wave of Covid-19 infections**
- **FY20 earnings dragged by rental assistance support**
- **Maintain NEUTRAL with an unchanged TP of RM0.63**

FY20 earnings within our expectation. CapitaLand Malaysia Mall Trust's (CMMT) FY20 core net income of RM61.1m came in above consensus estimate but within our expectation, making up 99% our full year estimate. Note that we have excluded revaluation loss and deferred tax in our core net income calculations. CMMT announced distribution per unit (DPU) of 0.86sen for 4QFY20, bringing total DPU to 3sen in FY20 which translates into gross yield of 4.8%.

Lower earnings on sequential basis due to new wave of Covid-19 infections. Sequentially, 4QFY20 core net income fell to RM15.39m (-41%qoq) while gross revenue dropped to RM66.94m (-4.4%qoq). The weaker earnings were due to lower contribution from Gurney Plaza, East Coast Mall, Sungei Wang, 3 Damansara Property, The Mines which were mainly owing to resurgence of Covid-19 cases and re-imposition of CMCO that hampered shopper traffic. Meanwhile, CMMT recorded revaluation loss of RM157.85m in FY20, mainly led by revaluation loss of Sungei Wang Plaza (-RM62.2m), 3 Damansara Property (-RM46.9m) and The Mines (-RM36.7m).

Earnings dragged by rental assistance support. 4QFY20 core net income fell by 52%yoy to RM15.39m, bringing cumulative earnings in FY20 to RM61.1m (-50%yoy). The weaker earnings were mainly due to targeted rental waivers and rebates extended to non-essential services tenants during MCO and CMCO. Besides, decline in earnings was also attributed to negative rental reversion of -11.8% in FY20. The Mines recorded steepest negative rental reversion of -33.1%, followed by Sungei Wang Plaza (-23.1%) and 3 Damansara Property (-16.8%). Meanwhile, occupancy rate of CMMT's retail assets remained stable at 87.6% in 4QFY20 compared to occupancy rate of 87.4% in 3QFY20.

Maintain NEUTRAL with an unchanged TP of RM0.63. We make no changes to our earnings forecast. We maintain our TP for CMMT at RM0.63, based on Dividend Discount Model (DDM). We see unexciting earnings outlook for CMMT due to negative rental reversion and potential rental waiver to tenants during MCO 2.0. Hence, we maintain our Neutral call on CMMT.

RETURN STATISTICS

Price @ 22 January 2021 (RM)	0.62
Expected share price return (%)	1.6
Expected dividend yield (%)	6.2
Expected total return (%)	7.8

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-2.8	-1.3
3 months	-3.7	3.4
12 months	-6.3	1.0

KEY STATISTICS

FBM KLCI	1,596.74
Syariah compliant	No
Issue shares (m)	2051.75
Estimated free float (%)	37.06
Market Capitalisation (RM'm)	1,279.58
52-wk price range	RM0.59-1.02
Beta vs FBM KLCI (x)	0.56
Monthly velocity (%)	9.22
Monthly volatility (%)	8.69
3-mth average daily volume (m)	1.79
3-mth average daily value (RM'm)	1.13
Top Shareholders (%)	
CapitaLand Ltd	34.45
Amanah Saham Nasional Bhd	17.03
Employees Provident Fund Board	13.12
KWAP	11.43

Analyst(s)

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INVESTMENT STATISTICS

FYE Dec (RM m)	FY18	FY19	FY20F	FY21F	FY22F
Gross Revenue	350.1	342.3	261.4	301.3	312.3
Net Rental Income	215.0	202.1	133.5	156.6	164.0
Net Investment Income	220.8	177.7	(17.9)	163.3	170.7
Net Income	135.6	72.6	(84.5)	79.1	85.7
Core Net Income	135.7	122.8	61.1	79.1	85.7
Realised EPU (sen)	6.56	3.54	(4.09)	3.83	4.15
Core EPU (sen)	6.56	5.98	2.96	3.83	4.15
Gross DPU (sen)	7.90	6.25	3.00	4.29	4.62
Net DPU (sen)	7.11	5.63	2.70	3.86	4.16
Net Distribution Yield	11.5%	9.1%	4.4%	6.2%	6.7%
Core PER	9.4	10.4	21.0	16.2	14.9
NAV per unit	1.27	1.24	1.24	1.24	1.24
P/NAV	0.49	0.83	0.83	0.83	0.83
Core ROE	5.0%	4.7%	2.4%	3.1%	3.2%
Core ROA	3.2%	3.0%	1.5%	2.0%	2.1%

Source: Company, MIDFR

CMMT: 4QFY20 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY20	%YoY	%QoQ	FY20	%YoY
Gross Revenue	66.94	-22%	-4.4%	261.4	-24%
Net Rental Income	34.03	-32%	-16%	133.5	-34%
Net Investment Income	-123.55	N/A	N/A	-17.9	N/A
Net Income	-130.19	N/A	N/A	-84.5	N/A
Core Net Income	15.39	-52%	-41%	61.1	-50%
Realised EPU (sen)	-6.37	N/A	- N/A	-4.1	N/A
Core EPU (sen)	0.75	-52%	-41%	3.0	-46%
Gross DPU (sen)	0.86	-43%	-24%	3.0	-52%

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.