

03 June 2015 | Corporate Update

## CapitaMalls Malaysia Trust

*New tenancy agreement with StorHub*

### INVESTMENT HIGHLIGHTS

- **To lease out part of Sungei Wang Plaza Level 6 to StorHub.**
- **Occupancy rate for Sungei Wang Plaza will improve slightly to 96.0% but minimal impact on CNI for FY15 and FY16.**
- **Acquisition of Tropicana City Mall and Tropicana Office Tower on track and is likely to complete by 3Q15.**
- **Maintain NEUTRAL with unchanged Target Price of RM1.66.**

#### **To lease out part of Sungei Wang Plaza Level 6 to StorHub.**

CapitaMalls Malaysia Trust (CMMT) has entered into a tenancy agreement with StorHub Self Storage (SWP) Sdn. Bhd. ("StorHub"). We gather that CMMT will lease out to StorHub part of Level 6 of Sungei Wang Plaza ("SWP") for a term of three years at a monthly gross rental income of RM63,185.60. There is also an option for StorHub to renew the tenancy for a further three terms of three years at a revised rental to be mutually agreed. Note that StorHub is a self storage operator and is an indirect wholly-owned subsidiary of CapitaLand Limited (the biggest shareholder of CMMT).

**Occupancy rate for Sungei Wang Plaza will improve slightly to 96.0%.** We expect Sungei Wang Plaza's occupancy rate to increase to 96.0%, up from 95.0% in 1Q15 after leasing out part of Level 6 of SWP to Storhub. This will raise the overall occupancy rate on blended basis for the Trust to 98.0% from 97.8%.

Factoring in the additional rental income, both our FY15 and FY16 core net income forecasts will increase by a marginal +0.3% to RM148.0m and RM155.3m respectively. Overall, we are positive on the newsflow but the earnings impact will be minimal.

**Acquisition of Tropicana City Mall and Tropicana Office Tower is on track.** Separately, CMMT's acquisition of Tropicana City Mall (TCM) and Tropicana Office Tower (TCOT) is expected to complete by 3Q15. Proposals for placement of new units to raise up to RM395.5m to fund its purchase of both TCM and TCOT (which have been priced at RM565.0m) are ongoing. We have yet to factor in these proposals into FY15 and FY16 earnings forecasts pending the announcement of the final private placement price.

**Maintain NEUTRAL with an unchanged Target Price of RM1.66.** Our Target Price is based on Dividend Discount Model (Required rate of return: 7.8%, Perpetual growth rate: 2.1%). The Target Price is unchanged as the impact to FY15 dividend is small (less than 1% increase).



*Maintain NEUTRAL*

**Unchanged Target Price: RM1.66**

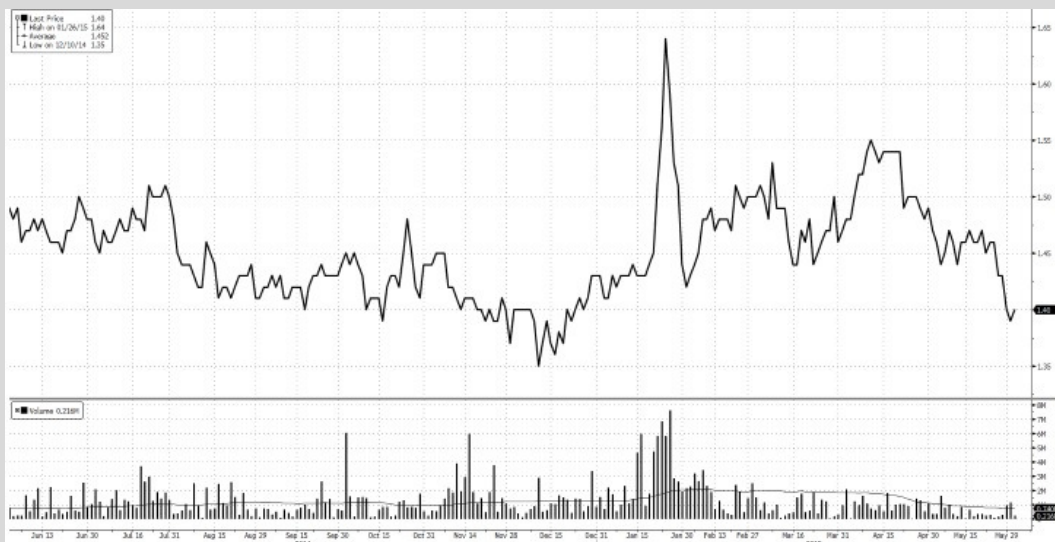
RETURN STATS	
Price (2 Jun 2015)	RM1.40
Target Price	RM1.66
Expected Share Price Return	+18.7%
Expected Dividend Yield	+5.7%
<b>Expected Total Return</b>	<b>+24.4%</b>

STOCK INFO	
KLCI	1,741.37
Bursa / Bloomberg	5180 / CMMT MK
Board / Sector	Main / REITs
Syariah Compliant	No
Issued shares (mil)	1,778.98
Par Value (RM)	1.00
Market cap. (RM'm)	2,490.57
Price over NA	1.11
52-wk price Range	RM1.34 - RM1.66
Beta (against KLCI)	0.67
3-mth Avg Daily Vol	0.77m
3-mth Avg Daily Value	RM1.15m
Major Shareholders	
CapitaLand Limited	35.1%
Skim ASB	11.2%
EPF	10.1%

**INVESTMENT STATISTICS**

FYE Dec (RM'm, unless otherwise stated)	FY12	FY13	FY14	FY15F	FY16F
Gross Revenue	289.2	305.1	315.4	322.6	334.3
Net Rental Income	196.0	208.6	208.9	212.0	219.9
Net Investment Income	313.4	294.1	300.1	217.2	225.1
Net Income	250.5	229.7	236.4	148.0	155.3
Core Net Income	137.0	148.5	149.7	148.0	155.3
Realised EPU (sen)	14.19	12.98	13.31	8.33	8.74
Core EPU (sen)	7.76	8.39	8.43	8.33	8.74
Gross DPU (sen)	8.44	8.85	8.94	8.83	9.26
Net DPU (sen)	7.60	7.97	8.05	7.95	8.33
Net Distribution Yield	5.4%	5.7%	5.7%	5.7%	5.9%
Core PER	18.0	16.7	16.6	16.8	16.0
NAV per unit	1.20	1.24	1.29	1.29	1.29
P/NAV	1.17	1.12	1.09	1.09	1.09
Core ROE	6.7%	6.9%	6.7%	6.5%	6.8%

Source: Company, MIDF Research Forecast

**DAILY PRICE CHART**

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Income Statement						Balance Sheet					
FY Dec (RM m)	2012A	2013A	2014A	2015E	2016E	FY Dec (RM m)	2012A	2013A	2014A	2015E	2016E
Revenue	289	305	315	323	334	Plant and Equipment	2	2	2	2	2
EBITDA	196	209	209	212	220	Investment Properties	2936	3079	3233	3268	3277
Fair Value Gain on Inv Prop	113	81	87	0	0	Receivables	24	15	13	13	14
Interest Income	4	4	5	5	5	Cash	159	150	157	123	115
Interest Expense	-42	-41	-41	-46	-46	<b>Total Assets</b>	<b>3122</b>	<b>3246</b>	<b>3405</b>	<b>3406</b>	<b>3408</b>
Management fee	-19	-20	-21	-21	-22	LT Debts	816	817	817	817	817
Other fees	-1	-3	-2	-2	-2	ST Debts	54	91	145	145	145
Pretax Income	250	230	236	148	155	Tenant's Deposits	78	83	85	85	85
Taxation	0	0	0	0	0	Payables	57	54	70	71	74
Net Profit	250	230	236	148	155	<b>Total Liability</b>	<b>1005</b>	<b>1044</b>	<b>1117</b>	<b>1119</b>	<b>1121</b>
<b>Core Net Income</b>	<b>137</b>	<b>148</b>	<b>150</b>	<b>148</b>	<b>155</b>	Unitholders' capital	1815	1824	1832	1832	1832
<b>Distributable Income</b>	<b>149</b>	<b>157</b>	<b>158</b>	<b>157</b>	<b>164</b>	Undistributed Profit	301	379	455	455	455
						<b>Total Equity</b>	<b>2117</b>	<b>2203</b>	<b>2287</b>	<b>2287</b>	<b>2287</b>
						<b>Equity + Liability</b>	<b>3122</b>	<b>3246</b>	<b>3405</b>	<b>3406</b>	<b>3409</b>
Cashflow Statement						Key Ratios					
FY Dec (RM m)	2012A	2013A	2014A	2015E	2016E	FY Dec (RM m)	2012A	2013A	2014A	2015E	2016E
Pretax Income	250	230	236	148	155	Revenue Growth	25.3%	5.5%	3.4%	2.3%	3.6%
Fair Value Gain on Inv Prop	-113	-81	-87	0	0	Core Net Income Growth	26.1%	8.4%	0.9%	-1.2%	4.9%
Depr. & Amort.	1	1	1	1	1	Distributable Income Growth	26.2%	5.0%	1.1%	-1.0%	4.8%
Interest Expense	42	41	41	46	46	EBITDA Margin	67.8%	68.4%	66.2%	65.7%	65.8%
Interest Income	-4	-4	-5	-5	-5	Core Net Income Margin	47.4%	48.7%	47.5%	45.9%	46.4%
Working Cap Changes	-18	1	4	3	2	Core ROE	6.7%	6.9%	6.7%	6.5%	6.8%
Others	8	9	9	9	9	Core ROA	4.5%	4.7%	4.5%	4.3%	4.6%
<b>Operating CF</b>	<b>166</b>	<b>195</b>	<b>200</b>	<b>202</b>	<b>209</b>	Debt To Asset (x)	27.9%	28.0%	28.3%	28.3%	28.2%
Capex	-27	-50	-51	-30	-10	Debt To Equity (x)	41.1%	41.2%	42.1%	42.1%	42.1%
Interest Income	4	4	5	5	5	Distribution yield (%)	5.4%	5.7%	5.7%	5.7%	5.9%
Others	-2	-1	-1	-1	-1	Core PER (x)	18.0	16.7	16.6	16.8	16.0
<b>Investing CF</b>	<b>-25</b>	<b>-47</b>	<b>-48</b>	<b>-26</b>	<b>-6</b>	NAV per unit	1.20	1.24	1.29	1.29	1.29
Distribution to unitholders	-94	-152	-160	-157	-164	P/NAV	1.17	1.12	1.09	1.09	1.09
Issue of Shares	0	0	0	0	0						
Net Borrowing/Repayment	45	37	54	0	0	Key Drivers And Assumptions					
Interest paid	-45	-39	-40	-46	-46	FY Dec (RM m)	2012A	2013A	2014A	2015E	2016E
Others	-6	-6	0	0	0	Total Net Lettable Area NLA (m sqft)	2.49	2.50	2.54	2.54	2.54
<b>Financing CF</b>	<b>-101</b>	<b>-160</b>	<b>-146</b>	<b>-203</b>	<b>-211</b>	Blended Rental Rate	7.93	8.29	8.41	8.54	8.85
Net change in cash	40	-12	6	-27	-8	Blended Occupancy Rate	98.4%	99.0%	97.7%	98.0%	98.0%
Cash @ Beginning	115	155	144	150	123						
<b>Cash @ End</b>	<b>155</b>	<b>144</b>	<b>150</b>	<b>123</b>	<b>115</b>						

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	<i>Negative</i> total return is expected to be -15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% 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.