

25 April 2018 | 1QFY18 Results Review

CapitaLand Malaysia Mall Trust

1QFY18 earnings in line

INVESTMENT HIGHLIGHTS


- **1QFY18 earnings within estimates**
- **Core net income fell 7% as revenue declined by 3%**
- **2HFY18 may be better**
- **Maintain NEUTRAL with unchanged TP of RM1.11**

1QFY18 earnings within estimates. CapitaLand Malaysia Mall Trust's (CMMT) 1QFY18 core net income (CNI) of RM37.3m was in-line with our full year estimates, making up 23.4% of our forecast and 22.9% of consensus'. A DPU of 2.02 was announced, which is also within expectation.

Core net income fell 7% as revenue declined by 3%. Lower NPI from CMMT's Klang Valley assets continues to be a drag for this quarter's CNI. Lower gross revenue was registered for Tropicana City Property (-7.8%), Sungei Wang Plaza (SWP) (-14.5%) and The Mines (-6.2%) compared with the previous year. The lower revenue and CNI are largely attributed to the lower portfolio occupancy rate at 93.7% compared to 95.4% in 4QFY17. The lower CNI is also attributed to higher interest rates that came in at 4.44% vs 4.41% qoq, leading to 2% rise in interest cost.

CMMT's portfolio rental reversion was at +2.2%, mainly boosted by Gurney Plaza (+4.6%). SWP's rental reversion has further narrowed to -5.8% (from -16.9% in the previous quarter) and is expected to be contained within the negative single digit range. Besides SWP, Tropicana City Mall also recorded a negative rental reversion of -5.5%.

2HFY18 may be better as we expect occupancy rates to improve as a result of the completion of refurbishment for Tropicana City Mall (TCM) and new tenants that occupy the office tower. There will be more F&B outlets for the ground floor of TCM while it adds a local beauty services provider, Nulnu, at level 2 of the mall. TCM is scheduled to be renamed at the end of 2Q. We also expect better occupancy rate at The Mines following the asset enhancement initiatives there, to be completed by year-end. This is also accompanied by the festive seasons in the second half, which may lead to higher shopper traffic and sales.

Maintain NEUTRAL with unchanged TP of RM1.11. We make no changes to our earnings assumption at this juncture as CMMT's 1QFY18 earnings were broadly within expectation. The TP is based on DDM valuation (required rate of return: 8.8%, perpetual growth rate: 1.2%). We maintain our Neutral stance on CMMT due to the unexciting earnings in the near-term. 

Maintain NEUTRAL
Maintain Target Price (TP): RM1.11

RETURN STATS	
Price (24 April 2018)	RM1.14
Target Price	RM1.11
Expected Share Price Return	-2.6%
Expected Dividend Yield	+6.6%
Expected Total Return	+4.0%

STOCK INFO	
KLCI	1,865.34
Bursa / Bloomberg	5180/CMMT MK
Board / Sector	Main / REIT
Syariah Compliant	No
Issued shares (mil)	2,040.64
Market cap. (RM'm)	2,326.32
Price over NA	0.86
52-wk price Range	RM0.98 – RM1.83
Beta (against KLCI)	0.90
3-mth Avg Daily Vol	2.63m
3-mth Avg Daily Value	RM2.80m
Major Shareholders (%)	
CapitaMalls Asia Ltd	34.89
Skim ASB	12.00
EPF	10.21
KWAP	8.48

INVESTMENT STATISTICS

FYE Dec (RM m)	FY15	FY16	FY17	FY18F	FY19F
Gross Revenue	344.8	372.6	368.9	371.2	374.9
Net Rental Income	226.4	242.5	237.1	239.3	242.2
Net Investment Income	302.0	252.3	246.8	246.0	248.8
Net Income	226.0	167.8	162.1	159.4	161.7
Core Net Income	155.1	163.7	157.9	159.4	161.7
Realised EPU (sen)	12.00	8.26	7.98	7.85	7.96
Core EPU (sen)	7.66	8.06	7.77	7.85	7.96
Gross DPU (sen)	8.60	8.43	8.24	8.37	8.49
Net DPU (sen)	7.74	7.59	7.41	7.53	7.64
Net Distribution Yield	6.8%	6.7%	6.5%	6.6%	6.7%
Core PER	14.9	14.1	14.7	14.5	14.3
NAV per unit	1.32	1.32	1.32	1.32	1.32
P/NAV	0.86	0.86	0.87	0.87	0.87
Core ROE	6.3%	6.1%	5.9%	6.0%	6.0%
Core ROA	4.1%	4.0%	3.8%	3.9%	3.9%

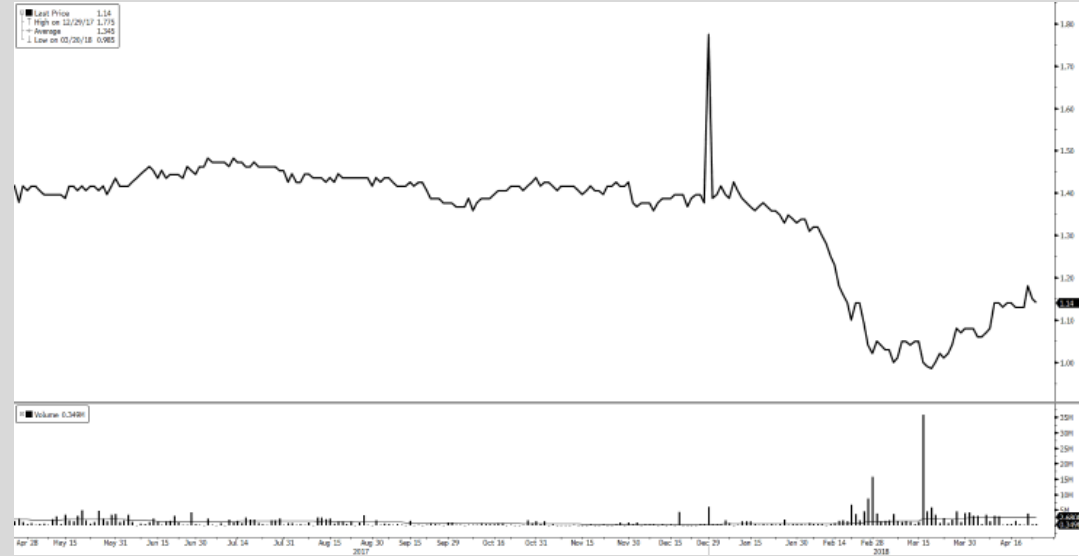
Source: Company, MIDF Research

CMMT: 1QFY18 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY18	%YoY	%QoQ	FY18	%YoY
Gross Revenue	89.73	-3%	-2%	89.7	-3%
Net Rental Income	57.05	-4%	-1%	57.1	-4%
Net Investment Income	58.34	-5%	-22%	58.3	-5%
Net Income	37.25	-7%	-31%	37.3	-7%
Core Net Income	37.25	-7%	-1%	37.3	-7%
Realised EPU (sen)	1.83	-8%	-31%	1.8	-8%
Core EPU (sen)	1.83	-8%	-1%	1.8	-8%
Gross DPU (sen)	2.02	-3%	1%	2.0	-3%

Source: Company, MIDF Research

DAILY PRICE CHART



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Source: Bloomberg

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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.