

26 July 2018 | 2QFY18 Results Review

CapitaLand Malaysia Mall Trust

Subdue 1HFY18 earnings

INVESTMENT HIGHLIGHTS


- 1HFY18 earnings largely within estimates
- 2QFY18 CNI fell by 16% as revenue declined by 5%
- Better second half expected
- Maintain NEUTRAL with unchanged TP of RM1.11

1HFY18 earnings largely within estimates. CapitaLand Malaysia Mall Trust's (CMMT) 1HFY18 core net income (CNI) of RM70.7m was largely in-line with our full year expectation, making up 44.4% of our full year forecast and 44.9% of consensus'. A DPU of 2.0 was announced, which is also within our estimates.

2QFY18 CNI fell by 16% as revenue declined by 5%. The lower NPI from CMMT's Klang Valley assets and higher operating expenses dampened 2QFY18's core net income (CNI). Lower gross revenue was registered for the 3 Damansara property (previously Tropicana City) (-9.4%), Sungei Wang Plaza (SWP) (-30.3%) and The Mines (-9.7%) compared with the previous corresponding year. The lower revenue is attributed to the portfolio occupancy rate that is lower at 91.7% compared to 93.7% in 1QFY18. Operating expenses that increased by 6.2% yoy are mainly due to higher assessment fees for the properties and marketing expenses for the renaming of 3 Damansara. Finance costs also increased as average interest rate came in at 4.47% vs 4.44% qoq.

Portfolio rental reversion improved marginally at +0.3% yoy. For 1HFY18 rental reversion was positive for Gurney Plaza (+4.6%) and East Coast Mall (+1.8%). All the Klang Valley assets recorded negative rental reversion with SWP at -12.0%, The Mines at -5.0%, 3 Damansara mall at -4.0% and the office tower at -5.1%.

Better second half expected as we expect occupancy rates to improve due to completion of refurbishment at the 3 Damansara mall and new tenants that are scheduled to move into the office tower next month. We also expect better occupancy rate at The Mines following the completion of the asset enhancement initiative there, which is expected to be completed by year-end. This is also accompanied by the removal of overhang before the 14th General Election and also the GST free period from now until end-August. Coupled with improving consumer sentiment, the year-end holiday, sales and festive season, we expect shopper traffic and footfall to improve in 2HFY18.

Maintain NEUTRAL with unchanged TP of RM1.11. We make no changes to our earnings assumption CMMT's 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 (25 July 2018)	RM1.24
Target Price	RM1.11
Expected Share Price Return	-10.8%
Expected Dividend Yield	+6.1%
Expected Total Return	-4.7%

STOCK INFO	
KLCI	1,763.78
Bursa / Bloomberg	5180/CMMT MK
Board / Sector	Main / REIT
Syariah Compliant	No
Issued shares (mil)	2,040.64
Market cap. (RM'm)	2,530.39
Price over NA	0.94
52-wk price Range	RM0.98 – RM1.83
Beta (against KLCI)	0.58
3-mth Avg Daily Vol	0.49m
3-mth Avg Daily Value	RM0.59m
Major Shareholders (%)	
CapitaMalls Asia Ltd	34.84
Skim ASB	11.98
EPF	10.55
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	6.2%	6.1%	6.0%	6.1%	6.2%
Core PER	16.2	15.4	16.0	15.8	15.6
NAV per unit	1.32	1.32	1.32	1.32	1.32
P/NAV	0.94	0.94	0.94	0.94	0.94
Core ROE	6.3%	6.1%	5.9%	6.0%	6.0%
Core ROA	4.1%	4.0%	3.8%	3.9%	3.9%

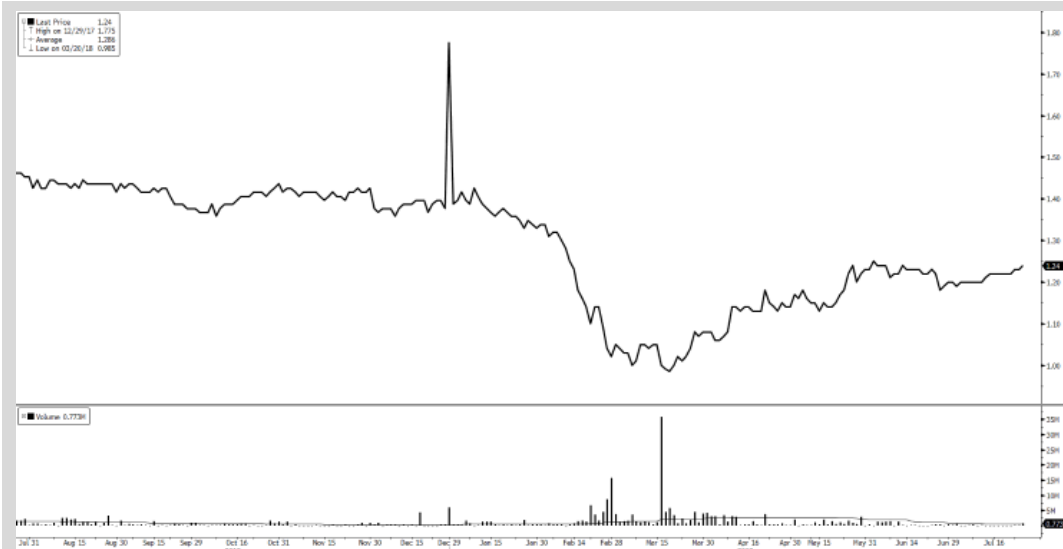
Source: Company, MIDF Research

CMMT: 2QFY18 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY18	%YoY	%QoQ	FY18	%YoY
Gross Revenue	87.35	-5%	-3%	177.1	-4%
Net Rental Income	53.36	-11%	-6%	110.4	-8%
Net Investment Income	53.44	8%	-8%	111.8	1%
Net Income	32.19	14%	-14%	69.4	2%
Core Net Income	33.44	-16%	-10%	70.7	-12%
Realised EPU (sen)	1.58	14%	-14%	3.4	1%
Core EPU (sen)	1.64	-16%	-10%	3.5	-12%
Gross DPU (sen)	2.00	-3%	-1%	4.0	-3%

Source: Company, MIDF Research

DAILY PRICE CHART



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Source: Bloomberg

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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.