Maybank Kim Eng

CapitaLand Mall Trust (CT SP)

A Slower Recovery

BUY

Share Price	SGD 1.89
12m Price Target	SGD 2.40 (+27%)
Previous Price Target	*SGD 2.70*

REITs

Singapore

1Q20 operationally in line, 6.5% dividend yield

CMT's 1Q20 was in line operationally (to both consensus and MKE), even as DPU fell 70.5% YoY as it retained SGD69.6m of income. We lowered earnings by 6-15% to reflect its rental-relief package, lower occupancies and near-term rent pressure. Its shares have retreated further than the market in three months and YTD. Near-term DPU visibility remains low, but even after factoring in our cuts, valuations are undemanding at 6.5% FY21 dividend yield and 0.9x P/B. Its balance sheet meanwhile is sound with low 33.3% leverage, 4.6x interest cover and SGD2.9-4.4b in debt headroom for deals. Maintain BUY with lower DDM-based SGD2.40 TP (COE of 6.4% and long-term growth of 1.5%).

Lower occupancies, rental reversion at +1.6%

Its 1Q20 revenue and NPI rose 6.0% YoY and 5.9% YoY, helped by the opening of Funan in Jun 2019, which partially offset the amortisation of its rental rebates to tenants affected by Covid-19. Excluding Funan, revenue would have declined by 2.2% YoY. Its portfolio occupancy fell QoQ from 99.3% to 98.5%, with stable performance except for Clarke Quay (100% to 95.9%). Rental reversion was at +1.6% (against +0.8% for FY19), but the outlook remains weak with slower shopper traffic and tenant sales, down 9.1% YoY and 7.5% YoY due to the enforcement of social distancing measures. Supermarkets were a lone bright spot, with sales up 13.1% YoY.

Eyeing a weaker 2Q, slower FY20-21E growth

Almost all its retail tenants are expected to receive 100% of rent rebates for Apr and May from its SGD114m relief package (which also includes a pass-through of the government's tax rebates), while security deposits (3-5 months) would have been drawn down to offset Mar rentals. We see additional support for its tenants after the 'circuit breaker' ends, and possibly a restructuring of leases; management is open to receiving higher GTO rent (currently 6-7%) and rental instalment plans. We expect its suburban malls to be more resilient in terms of both occupancy and rental reversion in 2H; recovery of its downtown assets is challenged by absence of tourists. We estimate an added budget to support selected tenants (or a month's rent) could lower FY20E DPU further by 7%.

FYE Dec (SGD m)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue	698	787	728	807	812
Net property income	494	558	500	562	565
Core net profit	429	462	407	469	472
Core EPU (cts)	12.0	12.5	11.0	12.7	12.8
Core EPU growth (%)	3.3	4.1	(11.9)	15.2	0.5
DPU (cts)	11.5	12.0	10.6	12.3	12.3
DPU growth (%)	3.1	4.0	(11.5)	15.8	0.5
P/NTA (x)	1.1	1.2	0.9	0.9	0.9
DPU yield (%)	5.1	4.9	5.6	6.5	6.5
ROAE (%)	9.2	8.8	5.0	5.4	5.8
ROAA (%)	3.9	4.0	3.5	4.0	4.0
Debt/Assets (x)	0.32	0.30	0.30	0.30	0.30
Consensus DPU	-	-	12.6	13.0	na
MKE vs. Consensus (%)	-	-	(16.1)	(5.6)	na

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Company Description

CapitaLand Mall Trust operates as a real estate investment trust.

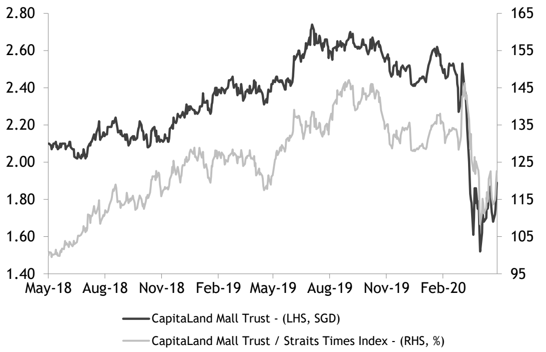
Statistics

52w high/low (SGD)	2.74/1.52
3m avg turnover (USDm)	38.2
Free float (%)	66.5
Issued shares (m)	3,546
Market capitalisation	SGD6.7B
	USD4.7B

Major shareholders:

CapitaLand Ltd.	28.0%
NTUC Enterprise Co-operative Ltd.	5.5%
The Vanguard Group, Inc.	2.0%

Price Performance



	-1M	-3M	-12M
Absolute (%)	9	(25)	(22)
Relative to index (%)	2	(10)	1

Source: FactSet

Co. Reg No: 198700034E MICA (P) : 099/03/2012

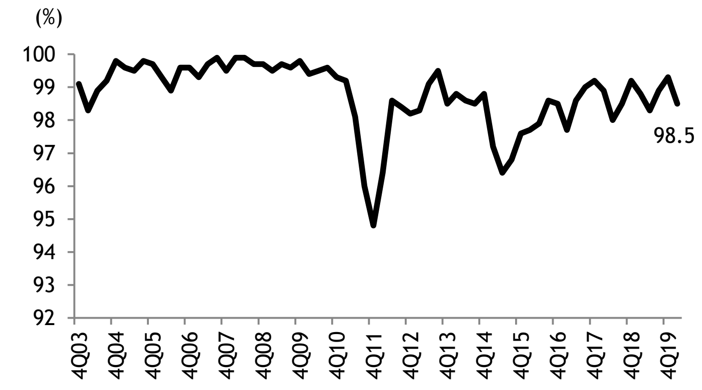
Fig 1: Summary 1Q20A financials and comparison

FYE 31 Dec	1Q19 (SGD m)	4Q19 (SGD m)	1Q20 (SGD m)	Change (% YoY)	Change (% QoQ)	YTD19 (SGD m)	% of FYE	FY20E (SGD m)
Gross revenue	**192.7**	**203.4**	**204.3**	**6.0**	**0.5**	**204.3**	**24.3**	**839.3**
Property expenses	(52.6)	(62.6)	(62.6)	19.0	0.0	(62.6)	23.8	(262.8)
Net property income	**140.1**	**140.7**	**148.3**	**5.9**	**5.4**	**148.3**	**25.7**	**576.4**
Borrowing costs	(27.8)	(30.0)	(28.8)	3.6	(3.9)	(28.8)	24.5	(117.4)
Distributable income to unitholders	**106.3**	**114.6**	**31.6**	**(70.3)**	**(72.4)**	**31.6**	**6.9**	**460.8**
Distribution per unit (SGD cts)	**2.88**	**3.11**	**0.85**	**(70.5)**	**(72.7)**	**0.9**	**6.8**	**12.49**
NAV per unit (SGD)	2.04	2.11	2.11					
Aggregate leverage (%)^	34.4	32.9	33.3	(110)	40			
All-in financing cost (%)^	3.2	3.2	3.2	0	0			
Occupancy (%)^	98.8	99.3	98.5	(30)	(80)			
Rental reversion (%)^	1.2	0.8	1.6	40	80			
NPI margin (%)^	72.7	69.2	72.6	(10)	338			

^Change in basis points

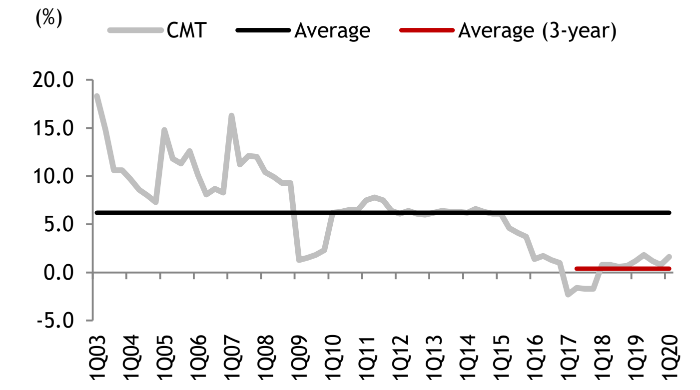
Source: Company data, Maybank Kim Eng

Fig 2: Occupancy (4Q03 to 1Q20) - declined QoQ, mainly due to weaker performance at Clarke Quay



Source: Company data

Fig 3: Rental reversion (1Q03 to 1Q20) - rose to +1.6% from +0.8% for FY19



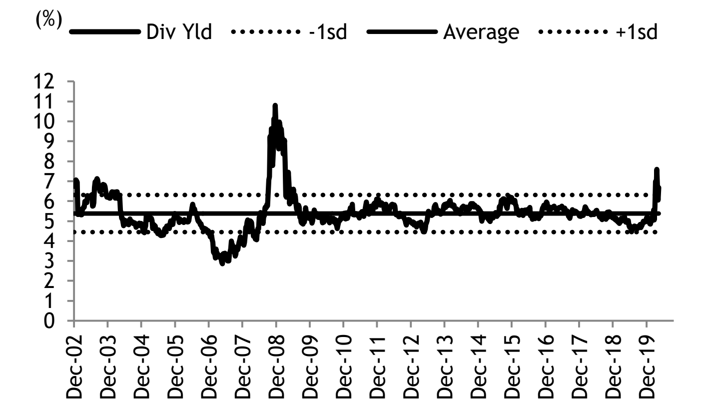
Source: Company data

Fig 4: Forecast changes

	FY20E (old)	FY21E (old)	FY20E	FY21E	FY20E (% change)	FY21E (% change)
Revenue (SGDm)	839.3	854.7	727.9	806.8	-13.3	-5.6
NPI (SGDm)	576.4	594.4	499.8	561.6	-13.3	-5.5
DPU (SGD)	12.5	13.1	10.6	12.3	-15.2	-6.2

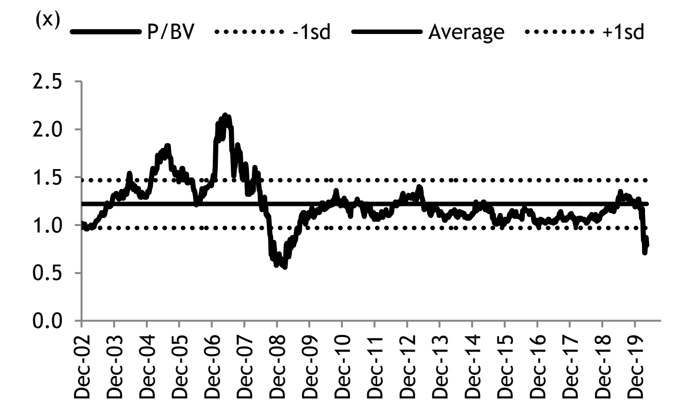
Source: Maybank Kim Eng

Fig 5: DPU yield at close to +2SD above its 17-year historical average



Source: Company data, Bloomberg, Maybank Kim Eng

Fig 6: P/BV has declined similarly, and it's now at GFC lows



Source: Company data, Bloomberg, Maybank Kim Eng

Fig 7: S-REITs valuation comparison

Company	Rating	Price (SGD)	TP (SGD)	Upside (%)	Yield (%)	Total return (%)	MC (SGD b)	ADTV (SGD m)	Free Float (%)	BVPS (SGD)	P/BV (x)	Dividend yield (%) 18	19	20E	21E	Gearing (D/A) (%)
Retail							**12.7**	**70.7**			**0.83**	**6.5**	**6.5**	**6.6**	**7.0**	**35**
Capita Mall Trust (CMT)	Buy	1.89	2.40	27.0	6.2	33.2	7.0	53.8	65	2.11	0.90	6.1	6.2	5.6	6.5	33
Frasers Ctr Trust (FCT)	Hold	2.13	2.30	8.0	5.7	13.6	2.4	11.0	63	2.21	0.96	5.6	5.7	5.3	6.4	37
Starhill Global (SGREIT)	Hold	0.50	0.75	50.0	9.0	59.0	1.1	2.3	62	0.88	0.57	9.1	9.0	9.2	9.4	37
SPH REIT	Hold	0.82	0.80	(1.8)	6.9	5.1	2.2	3.6	29	1.12	0.73	6.8	6.9	5.6	6.3	29
Retail & Office							**11.1**	**68.4**			**0.89**	**5.9**	**6.0**	**6.8**	**7.0**	**35**
Suntec REIT (SUN)	NR	1.40					3.9	27.0	63	2.13	0.66	7.2	7.2	7.1	6.6	38
Mapletree Comm. (MCT)	Buy	1.96	2.15	9.7	4.1	13.7	6.5	41.3	68	1.75	1.12	4.7	4.1	4.1	4.9	33
Lendlease REIT (LREIT)	NR	0.58					0.7		74	n.a.	n.a.	n.a.	6.8	9.2	9.4	35
Office							**13.2**	**52.9**			**0.78**	**6.8**	**6.6**	**6.8**	**6.9**	**35**
Capita Comm. (CCT)	NR	1.61					6.2	33.4	71	1.84	0.87	5.5	5.6	5.6	5.7	36
Keppel REIT (KREIT)	NR	1.06					3.6	13.8	55	1.34	0.79	5.7	5.7	5.9	5.6	36
OUE Comm. (OUECT)	NR	0.41					2.2	1.7	27	0.62	0.66	8.4	7.7	8.4	8.6	40
Industrial							**30.5**	**174.6**			**1.14**	**8.0**	**7.7**	**8.0**	**8.2**	**37**
Ascendas REIT (AREIT)	Buy	2.97	3.35	12.8	5.5	18.3	10.7	68.8	80	2.16	1.38	5.4	5.5	5.9	6.1	36
Mapletree Ind. (MINT)	Buy	2.55	2.95	15.7	4.9	20.6	5.6	28.7	70	1.62	1.58	4.8	4.9	5.2	5.3	38
Mapletree Log. (MLT)	Hold	1.80	1.85	2.8	4.7	7.4	6.8	37.3	69	1.21	1.49	4.4	4.7	4.7	4.8	39
ARA Logos Trust (ALLT)	Buy	0.54	0.80	48.1	10.7	58.9	0.6	1.7	100	0.59	0.92	10.9	10.7	11.2	11.7	41
AIMS APAC (AAREIT)	Buy	1.15	1.60	39.1	9.1	48.2	0.8	2.5	68	1.37	0.84	8.9	9.1	9.1	9.4	35
Keppel DC REIT (KDCREIT)	NR	2.35					3.8	22.7	76	1.14	2.05	3.1	3.3	3.8	3.9	32
ESR REIT	NR	0.34					1.2	11.3	67	0.43	0.79	11.5	11.7	11.6	11.8	42
Soilbuild BS REIT (SBREIT)	NR	0.38					0.5	1.0	69	0.58	0.66	14.7	11.2	11.7	11.8	39
Sabana SC REIT (SSREIT)	NR	0.33					0.3	0.7	74	0.57	0.58	n.a.	8.2	9.0	9.2	32
Hospitality & Residential							**5.9**	**23.1**			**0.69**	**8.7**	**8.6**	**8.0**	**8.9**	**37**
Ascott Res. Trust (ART)	Hold	0.90	1.40	56.4	7.9	64.3	2.8	12.0	60	1.06	0.84	8.0	7.9	8.5	8.8	35
CDL HT (CDLHT)	Buy	0.98	1.70	74.4	9.9	84.3	1.2	8.0	62	1.52	0.64	9.5	9.9	7.8	9.7	37
Far East HT (FEHT)	Buy	0.52	0.70	34.6	7.5	42.1	1.0	2.1	39	0.86	0.60	8.2	7.5	6.8	7.7	40
Frasers HT (FHT)	Buy	0.50	0.75	51.5	9.3	60.8	0.9	0.9	38	0.72	0.68	8.9	9.3	8.8	9.5	36
Offshore REITs							**15.3**	**53.3**			**0.78**	**8.5**	**8.6**	**8.7**	**8.9**	**36**
Sasseur REIT (SASSR)	Buy	0.74	0.95	29.3	8.9	38.1	0.9	3.1	20	0.89	0.82	8.2	8.9	8.2	8.6	28
Dasin Retail Trust (DASIN)	NR	0.80					0.5	0.3	27	1.37	0.59	9.0	n.a.	n.a.	n.a.	37
Mapletree N. Asia (MAGIC)	NR	0.95					3.1	11.9	62	1.41	0.67	8.2	8.3	8.1	8.2	39
Capita Retail China (CRCT)	NR	1.35					1.7	7.0	64	1.54	0.87	7.5	7.5	7.7	8.1	36
Lippo Malls Ind. RT (LMIRT)	NR	0.15					0.4	1.5	63	0.28	0.51	n.a.	n.a.	n.a.	n.a.	36
Manulife US REIT (MUST)	Buy	0.73	1.15	58.6	8.2	66.9	1.6	6.0	93	0.83	0.87	8.4	8.2	8.7	8.8	38
Prime US REIT (PRIME)	Buy	0.74	1.10	48.6	8.5	57.2	1.1	1.9	52	0.86	0.86	n.a.	8.5	8.8	9.5	34
Keppel P.O. US REIT (KORE)	NR	0.64					0.8	2.2	81	0.89	0.72	9.5	9.4	9.8	9.9	37
IREIT Global (IREIT)	NR	0.69					0.4	2.3	47	0.84	0.82	n.a.	n.a.	n.a.	n.a.	39
BHG Retail REIT (BHGREIT)	NR	0.63					0.3	0.0	33	0.83	0.76	n.a.	n.a.	n.a.	n.a.	36
Frasers Log. & Ind. (FLT)	NR	1.06					2.4	13.4	55	0.91	1.17	6.6	6.4	6.5	6.6	35
EC World REIT (ECWREIT)	NR	0.65					0.5	1.0	52	0.85	0.76	9.5	9.4	10.0	9.9	39
Cromwell REIT (CEREIT)	NR	0.40					1.6	2.7	51	0.53	0.75	10.0	10.4	10.1	10.1	37
Healthcare							**2.6**	**5.9**			**1.26**	**7.3**	**7.4**	**7.4**	**7.4**	**36**
Parkway Life REIT (PREIT)	NR	3.30					2.0	3.6	64	1.93	1.71	3.9	4.0	4.0	4.0	37
First REIT	NR	0.80					0.6	2.3	73	1.00	0.80	10.8	10.8	10.9	10.8	35
Total REITs							**91**	**449**			**0.89**	**7.6**	**7.5**	**7.6**	**7.9**	**36**
S-REIT yield spread														**4.0**		
FSTREI Index														4.9		
SGS 10Y bond yield														0.9		

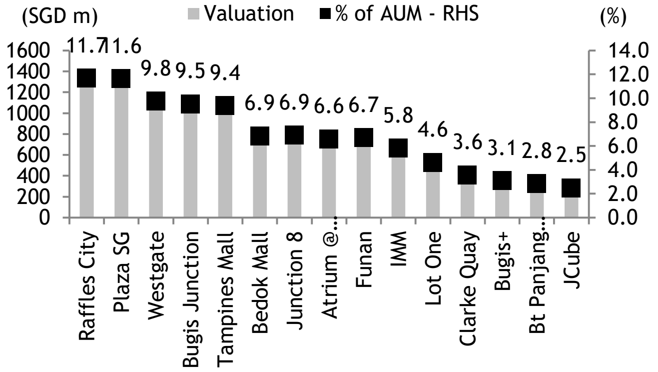
Prices as of 30 Apr 2020. NR = Not Rated.

Source: Bloomberg, FactSet, Companies, Maybank Kim Eng

Value Proposition

- Singapore's first REIT, listed on the SGX in Jul 2002. It is the largest retail sector REIT with 15 properties valued at SGD11.8b at end-Dec 2019.
- Backed by sponsor CapitaLand (CAPL SP, Not-rated), one of Asia's largest real-estate players with a global portfolio valued at SGD131.9b as of end-Dec 2019 after its Ascendas-Singbridge merger.
- Sponsor offers a ROFR pipeline based on a book value estimated at about 20-25% of its AUM.
- Acquisitions/ AEIs offer growth optionality with new retail concepts but overall retail sales outlook remains weak.

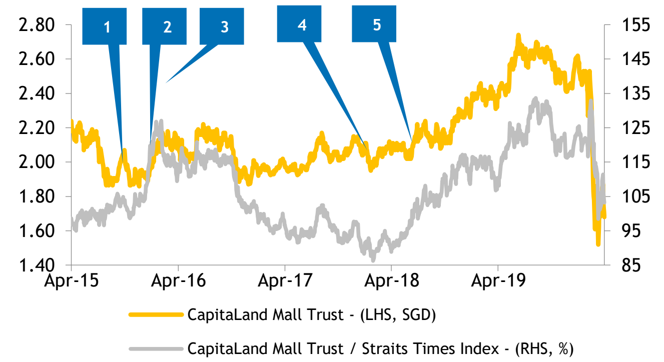
AUM breakdown (as of end-Dec 2019)



Source: Company

Price Drivers

Historical share price trend



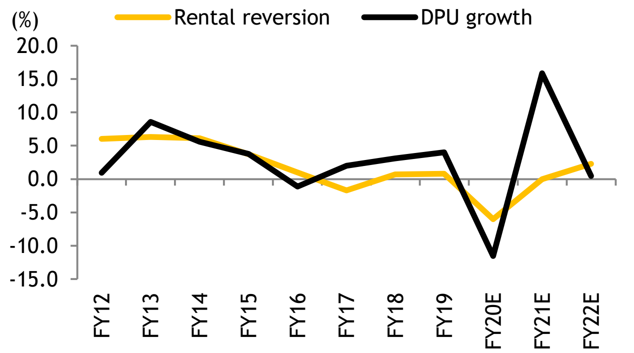
Source: Company, FactSet, Maybank Kim Eng

1. Jul-15: Acquires Bedok Mall from sponsor for SGD780m at 5.1% NPI yield, extending its presence in the eastern part of Singapore beyond Tampines Mall.
2. Oct-15: Divests Rivervale Mall for SGD190.5m at 64% premium to last valuation (at end Jun-15).
3. Dec-15: Announces plan to redevelop Funan DigitaLife Mall into an integrated development to unlock about 388k sf of untapped GFA.
4. Aug-17: Divests Funan's serviced residences component to Ascott based on agreed land value of SGD90.5m, resulting in a net gain of SGD20.6m.
5. Aug-18: Acquires remaining 70% interest in Westgate for SGD789.6m from its sponsor at 4.3% NPI yield.

Financial Metrics

- We forecast DPUs for FY20 to dip 11% YoY on lower rental income, weaker occupancies, near-term rent pressure, and to recover by 15% YoY in FY21.
- We expect rental growth to stay at low single digits from FY21-22E as demand faces structural challenges from e-commerce competition and sales leakage.

Rental reversion and DPU growth profile



Source: Company

Swing Factors

Upside

- Earlier-than-expected pick-up in leasing demand for retail space driving improvement in occupancy.
- Better-than-anticipated rental reversions.
- Accretive acquisitions or redevelopment projects.

Downside

- Prolonged slowdown in economic activity could reduce demand for retail space, resulting in lower occupancy and rental rates.
- Termination of long-term leases contributing to weaker portfolio tenant retention rate.
- Sharper-than-expected rise in interest rates could increase cost of debt and negatively impact earnings, with higher cost of capital lowering valuations.

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FYE 31 Dec	FY18A	FY19A	FY20E	FY21E	FY22E
Key Metrics					
Price/DPU(x)	19.6	20.5	17.8	15.4	15.3
P/BV (x)	1.1	1.2	0.9	0.9	0.9
P/NTA (x)	1.1	1.2	0.9	0.9	0.9
DPU yield (%)	5.1	4.9	5.6	6.5	6.5
FCF yield (%)	5.6	5.6	6.5	7.4	7.4
INCOME STATEMENT (SGD m)					
Revenue	697.5	786.7	727.9	806.8	811.8
Net property income	**493.5**	**558.2**	**499.8**	**561.6**	**564.7**
Management and trustee fees	(75.3)	(84.1)	(81.2)	(86.8)	(87.3)
Net financing costs	(98.2)	(118.5)	(117.4)	(115.5)	(116.9)
Associates & JV	129.0	89.2	65.1	66.3	67.4
Exceptionals	199.0	215.1	12.9	(10.2)	20.3
Other pretax income/expenses	10.7	7.1	7.1	7.1	7.1
Pretax profit	**656.5**	**665.0**	**383.8**	**419.8**	**452.5**
Income tax	0.4	0.0	0.0	0.0	0.0
Minorities	5.0	5.0	5.0	5.0	5.0
Discontinued operations	5.0	5.0	5.0	5.0	5.0
Total return avail to unitholders	**661.9**	**670.0**	**388.8**	**424.8**	**457.5**
Distributable inc to unitholders	410.7	441.6	390.8	453.0	455.5
BALANCE SHEET (SGD m)					
Cash & Short Term Investments	348.5	202.2	178.5	154.9	131.4
Accounts receivable	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	2.8	3.3	3.3	3.3	3.3
Inverstment properties	10,075.6	10,415.8	10,326.1	10,349.4	10,398.2
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investment in Associates & JVs	1,020.5	840.9	983.5	990.0	1,001.5
Other assets	54.3	269.5	269.5	269.5	269.5
Total assets	**11,501.7**	**11,731.7**	**11,760.8**	**11,767.1**	**11,803.9**
ST interest bearing debt	0.0	0.0	0.0	0.0	0.0
Accounts payable	199.3	166.9	166.9	166.9	166.9
LT interest bearing debt	3,627.8	3,560.9	3,560.9	3,560.9	3,560.9
Other liabilities	245.3	236.7	236.7	236.7	236.7
Total Liabilities	**4,072.4**	**3,964.4**	**3,964.4**	**3,964.4**	**3,964.4**
Shareholders Equity	7,429.3	7,767.2	7,796.4	7,802.7	7,839.5
Minority Interest	0.0	0.0	0.0	0.0	0.0
Total shareholder equity	**7,429.3**	**7,767.2**	**7,796.4**	**7,802.7**	**7,839.5**
Total liabilities and equity	**11,501.7**	**11,731.7**	**11,760.8**	**11,767.1**	**11,803.9**
CASH FLOW (SGD m)					
Cash flow from operations	**455.9**	**511.5**	**454.2**	**513.5**	**516.3**
Capex	(0.2)	(1.0)	(0.5)	(0.5)	(0.5)
Acquisitions & investments	(316.0)	(141.1)	(40.0)	(40.0)	(40.0)
Disposal of FA & investments	0.0	0.0	0.0	0.0	0.0
Dividend income from associates	72.3	76.9	65.1	66.3	67.4
Other investing cash flow	9.0	6.9	5.7	5.7	5.7
CF from investing activities	**(235.0)**	**(58.2)**	**30.2**	**31.5**	**32.6**
Dividends paid	(455.6)	(384.3)	(390.8)	(453.0)	(455.5)
Interest expense	(97.1)	(116.6)	(117.4)	(115.5)	(116.9)
Change in debt	(114.1)	(91.0)	0.0	0.0	0.0
Equity raised / (purchased)	271.6	(4.0)	0.0	0.0	0.0
Other financial activities	0.0	(3.7)	0.0	0.0	0.0
CF from financing activities	**(395.2)**	**(599.6)**	**(508.2)**	**(568.5)**	**(572.4)**
Effect of exchange rate changes	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Net cash flow	**(174.2)**	**(146.3)**	**(23.7)**	**(23.6)**	**(23.5)**

FYE 31 Dec	FY18A	FY19A	FY20E	FY21E	FY22E
Key Ratios					
Growth ratios (%)					
Revenue growth	2.2	12.8	(7.5)	10.8	0.6
Net property income growth	3.2	13.1	(10.5)	12.4	0.6
Core net profit growth	4.0	7.6	(11.9)	15.3	0.5
Distributable income growth	3.8	7.5	(11.5)	15.9	0.5
Profitability ratios (%)					
Net property income margin	70.8	71.0	68.7	69.6	69.6
Core net profit margin	61.6	58.7	55.9	58.2	58.1
Payout ratio	95.7	95.6	96.0	96.5	96.5
DuPont analysis					
Total return margin (%)	94.9	85.2	53.4	52.6	56.4
Gross revenue/Assets (x)	0.1	0.1	0.1	0.1	0.1
Assets/Equity (x)	1.5	1.5	1.5	1.5	1.5
ROAE (%)	9.2	8.8	5.0	5.4	5.8
ROAA (%)	3.9	4.0	3.5	4.0	4.0
Leverage & Expense Analysis					
Asset/Liability (x)	2.8	3.0	3.0	3.0	3.0
Net gearing (%) (excl. perps)	44.1	43.2	43.4	43.7	43.7
Net interest cover (x)	4.2	4.0	3.5	4.1	4.1
Debt/EBITDA (x)	8.7	7.5	8.6	7.5	7.5
Capex/revenue (%)	0.0	0.1	0.1	0.1	0.1
Net debt/ (net cash)	3,279.3	3,358.7	3,382.4	3,406.0	3,429.4
Debt/Assets (x)	0.32	0.30	0.30	0.30	0.30

Source: Company; Maybank

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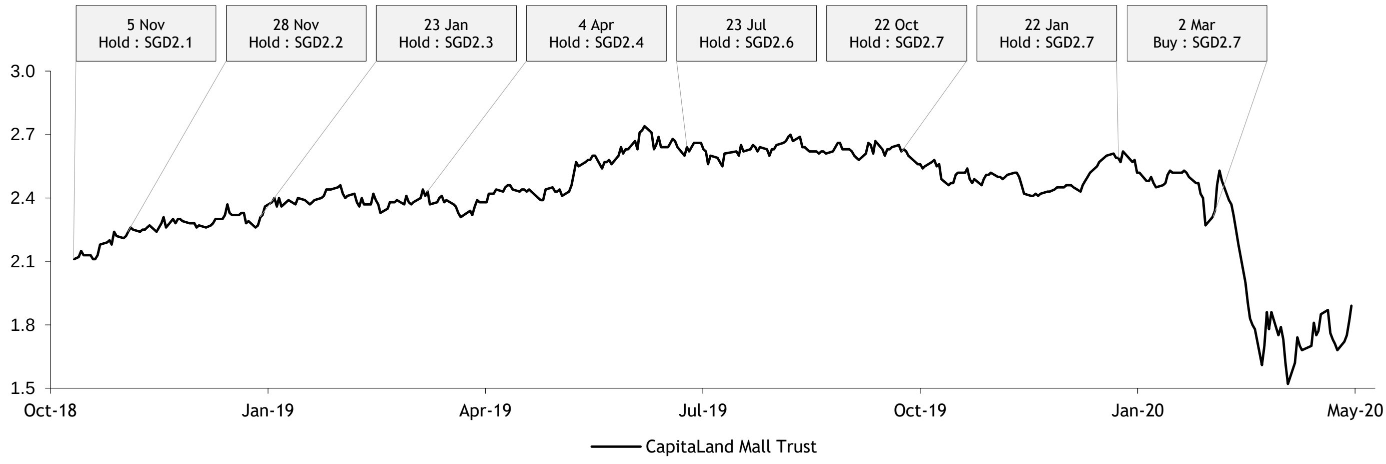

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