

28 April 2022

Property | REITS

## CLMT (CMMT MK)

**Neutral** (from Sell)

### Better Than Expected; Upgrade To NEUTRAL

Target Price (Return): MYR0.58 (0.0%)  
 Price (Market Cap): MYR0.58 (USD284m)  
 ESG score: 3.00 (out of 4)  
 Avg Daily Turnover (MYR/USD) 0.19m/0.05m

- **U/G to NEUTRAL from Sell, new MYR0.58 TP from MYR0.50, with 0% upside and c.5% yield.** 1Q22 results exceeded our and consensus' expectations on the back of the gradual economic recovery and cessation of rental assistance. Rental reversion improved to -7% from -12.7% in FY21, although blended occupancy fell slightly due to the exit of an anchor tenant in 3 Damansara. We remain cautious on the REIT's prospects, as pressure on rental reversion and occupancy rates are expected to remain.

- **Earnings beat.** Core profit of MYR20.4m (169% YoY) far exceeded our expectations at 46.6% of our full-year estimates, and 30% of consensus'. 1Q22 revenue was higher by 19.3% YoY due to the reopening of the economy, with management guiding that they do not expect to give out rental rebates this year, thanks to the improved retail outlook. Compared to pre-pandemic numbers, revenue and net profit for the quarter were at 76% and 63% of 1Q19 numbers. CLMT declared a DPU of 0.95 sen for 1Q22 (1Q21: 0.36).

- **Rental reversion and occupancy still a concern.** Blended occupancy rate declined marginally to 79.5% in 1Q22 (4Q21: 82.5%) after the exit of an anchor tenant at 3 Damansara. East Coast Mall's rental reversion was a bright spot at 17%, raising the blended reversion from -12.7% in FY21 to -7.3% as of Mar 2022. 3 Damansara continues to struggle with its reversion rate at -38.6% (from -45.7% for FY21). Sungei Wang and 3 Damansara continue to be loss-making, with net property loss or NPL of MYR1.02m and MYR1.06m, albeit narrowing from MYR1.76m and MYR1.40m respectively in 4Q21.

- **Still a long way to go.** Tenant sales in the previous two quarters were above pre-pandemic levels, although footfalls remained around 66% following the surge in Omicron cases in February. While we are encouraged by the strong performance during the past two quarters, we remain cautious on the long-term outlook for the REIT. With the exception of Gurney Plaza and East Coast Mall, the REIT's other assets will likely continue to struggle amidst the retail supply glut in the Klang Valley area. We do not foresee rental reversions to turn positive on a blended basis anytime soon.

- **Upgrade to NEUTRAL.** We raise our FY22-24 earnings by 38-18% to account for the strong performance in 1Q22, with the REIT recovering better than expected. Our DDM-derived TP is raised to MYR0.58, and includes a 0% ESG premium/discount, based on our in-house proprietary methodology.

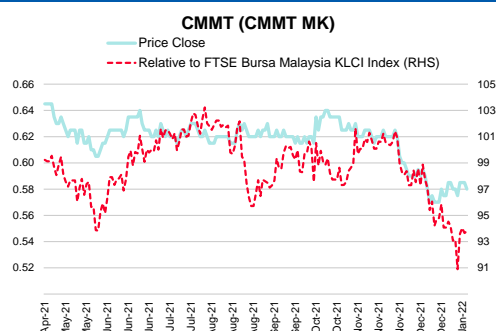
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#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	0.9	(1.7)	(5.7)	(7.9)	(6.5)
Relative	(0.3)	(8.6)	(7.4)	(11.4)	(6.1)
52-wk Price low/high (MYR)	0.57 – 0.74				



Source: Bloomberg

Forecasts and Valuation	Dec-20	Dec-21	Dec-22F	Dec-23F	Dec-24F
Total turnover (MYRm)	261	224	267	271	275
Net property income (MYRm)	134	103	142	145	147
Reported net profit (MYRm)	68.4	42.7	60.5	62.4	64.0
Total distributable income (MYRm)	69.1	41.3	63.5	65.5	67.2
DPS (MYR)	0.03	0.02	0.03	0.03	0.03
DPS growth (%)	(52.0)	(42.0)	62.7	3.1	2.6
P/B (x)	0.49	0.52	0.52	0.52	0.52
Dividend Yield (%)	5.2	3.0	4.9	5.0	5.2
Return on average equity (%)	2.7	1.8	2.5	2.6	2.7
Return on average assets (%)	1.7	1.1	1.5	1.6	1.6

Source: Company data, RHB

#### Overall ESG Score: 3.00 (out of 4)

##### E: GOOD

CLMT's regular dialogues with the Department of Environment and various city/municipal councils are commendable. For FY19, there was a 12% reduction in water usage and -14% in carbon intensity from the 2009 baseline which shows good emphasis placed on environmental welfare.

##### S: GOOD

CLMT's workforce is an almost equal proportion at 53 males to 47 females. In addition to being a signatory to the UN Global Compact, CapitaLand and CMMT jointly hosted the My Schoolbag program for its 9th year.

##### G: EXCELLENT

Active participation in the MRMA and engagement with Bursa shows CLMT's commitment for best practices. Its quarterly financial results announcements and briefings, as well as top management's availability is stellar for transparency.

#### Note:

Small cap stocks are defined as companies with a market capitalisation of less than USD0.5bn.

## Financial Exhibits

Asia	Financial summary	Dec-20	Dec-21	Dec-22F	Dec-23F	Dec-24F
Malaysia	Recurring EPS (MYR)	0.03	0.02	0.03	0.03	0.03
Property	EPS (MYR)	0.03	0.02	0.03	0.03	0.03
<b>CLMT</b>	DPS (MYR)	0.03	0.02	0.03	0.03	0.03
CMMT MK	BVPS (MYR)	1.18	1.11	1.11	1.11	1.11
Neutral	Return on average equity (%)	2.7	1.8	2.5	2.6	2.7
	Weighted avg adjusted shares (m)	2,057.82	2,097.35	2,130.86	2,130.86	2,130.86
<b>Valuation basis</b>						
Dividend discount model	<b>Valuation metrics</b>	<b>Dec-20</b>	<b>Dec-21</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
	Recurring P/E (x)	17.45	28.46	20.43	19.82	19.32
	P/E (x)	17.45	28.46	20.43	19.82	19.32
	P/B (x)	0.5	0.5	0.5	0.5	0.5
	FCF Yield (%)	(2.3)	3.5	11.8	12.4	12.8
	Dividend Yield (%)	5.2	3.0	4.9	5.0	5.2
	EV/EBITDA (x)	(11.99)	(17.43)	(12.46)	(12.53)	(12.66)
	EV/EBIT (x)	(11.99)	(17.43)	(12.46)	(12.53)	(12.66)
<b>Key drivers</b>						
Improvement in domestic consumer sentiment leading to strong consumer spending.						
<b>Key risks</b>						
Downside risks include prolonged weak domestic consumer sentiment						
<b>Company Profile</b>	<b>Income statement (MYRm)</b>	<b>Dec-20</b>	<b>Dec-21</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
CLMT specialises in retail assets that include Sg. Wang Plaza and Gurney Plaza. It is part of the renowned Singapore-based CapitaLand Group through its sponsor, CapitaMalls Asia.	Total turnover	261	224	267	271	275
	EBITDA	113	84	122	124	126
	Operating profit	113	84	122	124	126
	Net interest	(57)	(47)	(61)	(62)	(62)
	Pre-tax profit	56	37	60	62	64
	Taxation	12	5	0	0	0
	Recurring net profit	68	43	60	62	64
	<b>Cash flow (MYRm)</b>	<b>Dec-20</b>	<b>Dec-21</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
	Change in working capital	(0.3)	26.6	24.5	29.2	32.0
	Cash flow from operations	(27.9)	43.1	146.4	153.1	157.7
	Cash flow from investing activities	0.8	0.5	0.8	1.0	1.4
	Dividends paid	(61.1)	(40.5)	(60.5)	(62.4)	(64.0)
	Cash flow from financing activities	(56.4)	(73.1)	(107.7)	(110.0)	(111.9)
	Cash at beginning of period	84.6	71.9	251.0	290.4	334.6
	Net change in cash	(83.5)	(29.5)	39.4	44.2	47.2
	Ending balance cash	1.1	42.4	290.4	334.6	381.8
	<b>Balance sheet (MYRm)</b>	<b>Dec-20</b>	<b>Dec-21</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
	Total cash and equivalents	72	251	290	335	382
	Tangible fixed assets	3	3	4	4	4
	Total investments	3,895	3,895	3,895	3,895	3,895
	Total assets	3,999	3,948	3,969	3,990	4,012
	Short-term debt	141	141	141	141	141
	Total long-term debt	1,269	1,279	1,289	1,299	1,309
	Total liabilities	1,556	1,575	1,596	1,617	1,639
	Shareholders' equity	2,444	2,373	2,373	2,373	2,373
	Total equity	2,444	2,373	2,373	2,373	2,373
	Net debt	1,338	1,169	1,139	1,105	1,068
	Total liabilities & equity	3,999	3,948	3,969	3,990	4,012
	<b>Key metrics</b>	<b>Dec-20</b>	<b>Dec-21</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
	Revenue growth (%)	(23.6)	(14.3)	19.3	1.5	1.3
	Recurrent EPS growth (%)	(31.9)	(38.7)	39.3	3.1	2.6
	Operating EBITDA margin (%)	43.3	37.6	45.6	45.7	45.7
	Net profit margin (%)	26.2	19.1	22.6	23.0	23.3
	Dividend payout ratio (%)	90.5	86.7	99.8	99.8	99.8
	Interest cover (x)	1.93	1.75	1.94	1.96	1.97

Source: Company data, RHB

## Results at a Glance

Figure 1: CLMT REIT's results summary

FYE Dec (MYRm)	1Q21	4Q21	1Q22	QoQ (%)	YoY (%)	Comments
<b>Revenue</b>	<b>56.7</b>	<b>66.1</b>	<b>67.6</b>	<b>2.3</b>	<b>19.3</b>	Higher revenue YoY from improved retail sentiment and absence of MCO
<b>Net property income (NPI)</b>	<b>24.9</b>	<b>33.2</b>	<b>36.1</b>	<b>8.5</b>	<b>44.8</b>	
Interest expense	(12.9)	(11.8)	(10.9)	(8.2)	(15.9)	
Interest income	0.3	0.4	0.4	2.3	26.6	
EI	0.0	(76.4)	0.0	(100.0)	nm	
Others	(12.6)	(11.5)	(10.5)	(8.6)	(16.8)	
<b>Pretax profit</b>	<b>7.7</b>	<b>(57.9)</b>	<b>20.5</b>	<b>(135.5)</b>	<b>167.2</b>	
Tax	0.0	0.0	0.0	nm	nm	
Minority Interest	0.0	0.0	0.0	nm	nm	
<b>Net Profit</b>	<b>7.7</b>	<b>(57.9)</b>	<b>20.5</b>	<b>(135.5)</b>	<b>167.2</b>	
<b>Core Profit</b>	<b>7.6</b>	<b>17.7</b>	<b>20.4</b>	<b>15.6</b>	<b>169.7</b>	Above our and consensus' expectations
<b>Earnings Per Unit (sen)</b>	<b>0.36</b>	<b>0.87</b>	<b>0.96</b>	<b>11.0</b>	<b>164.1</b>	
<b>Dividends Per Unit (sen)</b>	<b>0.36</b>	<b>0.83</b>	<b>0.95</b>	<b>14.5</b>	<b>163.9</b>	
<i>NPI Margin (%)</i>	<i>44.0</i>	<i>50.3</i>	<i>53.4</i>			
<i>Pretax Margin (%)</i>	<i>13.6</i>	<i>(87.6)</i>	<i>30.4</i>			

Source: Company data, RHB

## Recommendation Chart

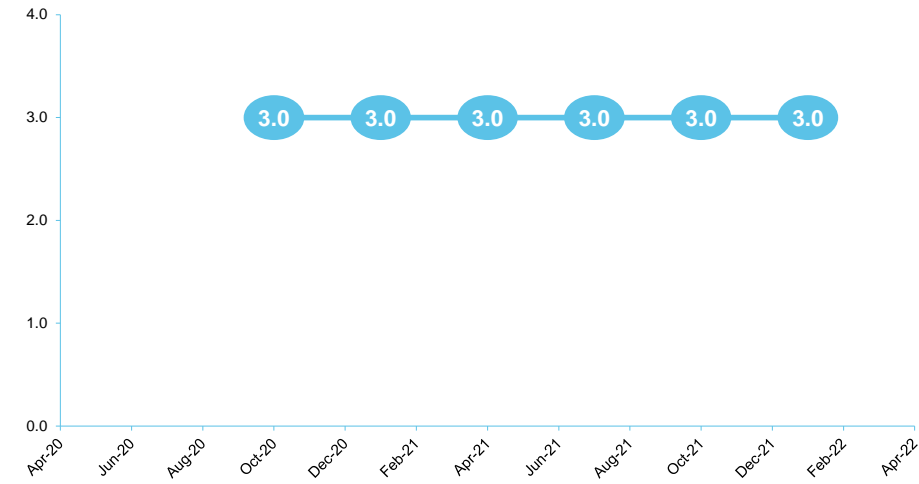


Source: RHB, Bloomberg

Date	Recommendation	Target Price
2022-01-28	Sell	0.50
2021-07-23	Sell	0.52
2021-04-19	Sell	0.56
2021-01-25	Neutral	0.56
2020-10-29	Neutral	0.60
2020-07-22	Sell	0.62
2020-05-22	Sell	0.71
2020-04-06	Sell	0.78
2020-01-23	Sell	0.91
2019-10-25	Sell	0.89

Source: RHB, Bloomberg

## ESG Rating History



Source: RHB

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<b>Trading Buy:</b>	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
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<b>Not Rated:</b>	Stock is not within regular research coverage

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