

CapitaMalls Asia Ltd

Focusing on execution

Bloomberg | Reuters | POEMS
CMA SP | CMAL.SI | CMA.SG
Industry: Property

Phillip Securities Research Pte Ltd

26 April 2013

Report type: Company results

Company Overview

CMA is a shopping mall developer, owner and manager. It has interests in and manages a pan-Asian portfolio over 90 shopping malls. Its principle business strategy is to invest in, develop and manage a diversified portfolio of real estate used primarily for retail purposes in Asia.

- 1Q13 revenue increased 30%y-y to \$91.5mn, PATMI increased 9.6%y-y
- Better results were attributable to higher fee income, contributions from newly acquired/opened malls, as well as improvement in existing portfolio
- We believe its current price has reflected the relevant improvement.
- Maintain Neutral with fair value unchanged at \$2.11

What is the news?

CMA reported a stronger set of quarterly results with revenue at \$91.5mn, +30%y-y, mainly due to new contribution from Olinas Mall which was acquired in Jul 2012 and The Star Vista which was opened in Sept 2012, as well as higher management fees. Contributions from assoc. co. and JCE were also higher, mainly due to gain (\$6.6mn) from warehousing of 2 malls to be sold to CMCDF III, better performance from CMT, ION Orchard, China Funds, Minhang Plaza and Hongkou Plaza. As a result, PATMI increased 9.6% y-y to \$73.2mn. Excluding a reval gain in 1q12, PATMI would have been 103%y-y higher.

Fig 1: Results summary

Income Statement	1Q13	1Q12	Y-Y %
(S\$ 'mn)			
Revenue	91.5	70.9	29.1%
Gross profit	60.2	41.3	45.8%
EBIT	99.8	87.7	13.7%
PBT	79.7	73.4	8.6%
PATMI	73.2	66.8	9.6%
Adj PATMI	73.2	36.1	102.8%

Source: Company

How do we view this?

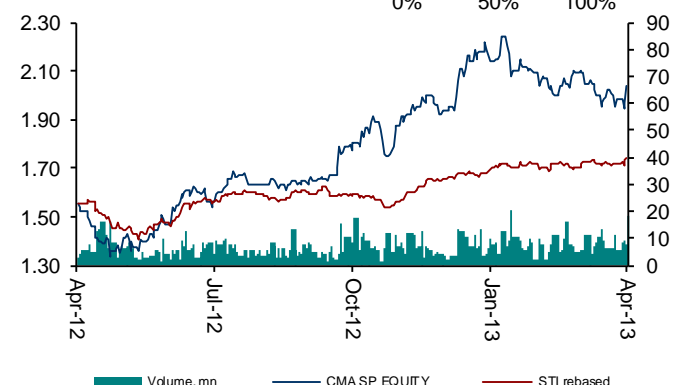
We note that the efforts of acquisitions and new mall completions in the past two years have started to bear fruits, as noted from its operating income. Coming 2Q13, sales from Bedok Residences, which is 95% sold, could be recognized progressively, will further strengthen its earnings.

Investment Actions?

We keep our estimates unchanged and maintain its RNAV at \$2.48 and fair value at \$2.11. Maintain Neutral. We believe the improvement has been reflected in its current share price.

CapitaMalls Asia Ltd

Rating	3	Neutral
- Previous Rating	3	Neutral
Target Price (SGD)	2.11	
- Previous Target Price (SGD)	2.11	
Closing Price (SGD)	2.04	
Expected Capital Gains (%)	3.4%	
Expected Dividend Yield (%)	1.6%	
Expected Total Return (%)	5.0%	
Raw Beta (Past 2yrs w weekly data)	1.30	
Market Cap. (USD mn / SGD mn)	6415 / 7940	
Enterprise Value (USD mn / SGD mn)	8043 / 9961	
3M Average Daily T/O (mn)	7.6	
52 week range (SGD)	1.32 - 2.26	
Closing Price in 52 week range		



Major Shareholders

	(%)
1. CapitaLand Ltd	65.4
2. Blackrock	0.7
3. Vanguard Group Inc	0.3

Key Financial Summary

FYE	12/11	12/12	12/13F	12/14F
Revenue (SGD mn)	246	361	350	367
Net Profit, adj. (SGD mn)	136	276	209	225
EPS, adj. (SGD)	0.03	0.07	0.05	0.06
P/E (X),adj.	58.4	28.7	37.9	35.3
BVPS (SGD)	1.60	1.67	1.69	1.72
P/B (X)	1.3	1.2	1.2	1.2
DPS (SGD)	0.03	0.03	0.03	0.03
Div. Yield (%)	1.5%	1.6%	1.6%	1.5%

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

Valuation Method

RNAV

Analyst

Bryan Go
gock@phillip.com.sg
+65 6531 1792

Healthy malls opening pipeline

2 malls in Singapore are on track for opening by end of this year: Bedok Mall (>70% pre-committed) and Westgate (>50% pre-committed). In China, CapitaMall Meilicheng in Chengdu will be opened on 28 Apr 2013 with ~90% occupancy rate.

Fig 2: Pipeline of malls opening

Country	Operational	To be opened in 2013	To be opened in 2014	To be opened in 2015 & beyond	Total
Singapore	17	2			19
China	49	2	1	8	60
Malaysia	5			1	6
Japan	8				8
India	2	1	2	4	9
	81	5	3	13	102

Source: Company

Fig 3: Reported revenue constitutes 26% of our FY13 estimate

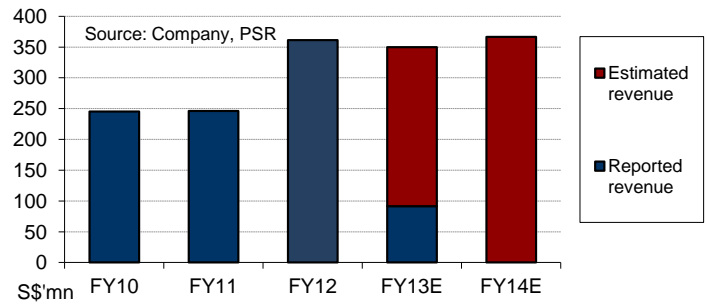


Fig 4: Reported 1Q13 adj PATMI form 35% of our FY13 estimate

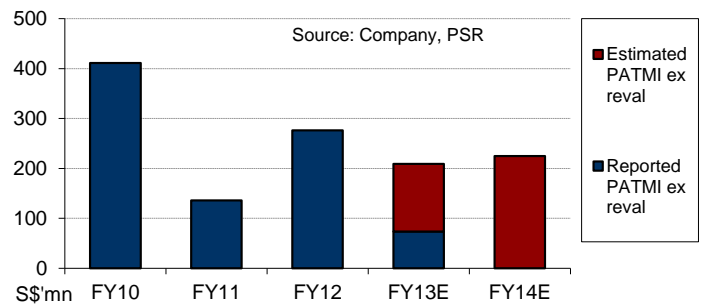


Fig 5: Results by geographical segment (4Q)

	Revenue			Earnings before interest & tax		
	1Q 2013 S\$'000	1Q 2012 S\$'000	Change %	1Q 2013 S\$'000	1Q 2012 S\$'000	Change %
Singapore ⁽³⁾	27,183	26,394	3.0	48,644	32,464	49.8
China	39,509	30,764	28.4	33,717	12,524	N.M.
Malaysia	10,313	9,506	8.5	11,027	11,352	(2.9)
Japan	13,277	3,141	N.M.	7,091	32,588	(78.2)
India	1,236	1,085	13.9	(706)	(1,183)	(40.3)
Total	91,518	70,890	29.1	99,773	87,745	13.7

Note : ⁽³⁾ EBIT includes headquarters cost of S\$10.8 million (1Q 2012: S\$14.8 million)

Source: Company

Fig 6: PATMI contribution

(S\$ mil)		1Q 2013 Contribution by Country					
		S'pore	China	M'sia	Japan	India	Total
Subs	Property Income	5	5	7	8	0	25
	Management Fee Business	13	5	0	0	0	18
	Others ¹	1	11	0	(1)	0	11
	Country Finance Cost, Tax and NCI	(2)	(5)	(1)	(1)	0	(9)
	Subsidiaries' Contribution	17	16	6	6	0	45
Assoc & JCE	Property Income - Operating / Newly Opened Malls ²	39	12	5	0	(1)	55
	Property Income - PUD	0	(1)	0	0	0	(1)
	Development Profits	2	0	0	0	0	2
	Others	0	1	0	0	0	1
	Assoc & JCE's Contribution	41	12	5	0	(1)	57
Total before Corporate, Treasury Finance Cost and Corporate Tax		58	28	11	6	(1)	102
Corporate Cost, Treasury Finance Cost & Corporate Tax ³							(29)
PATMI							73

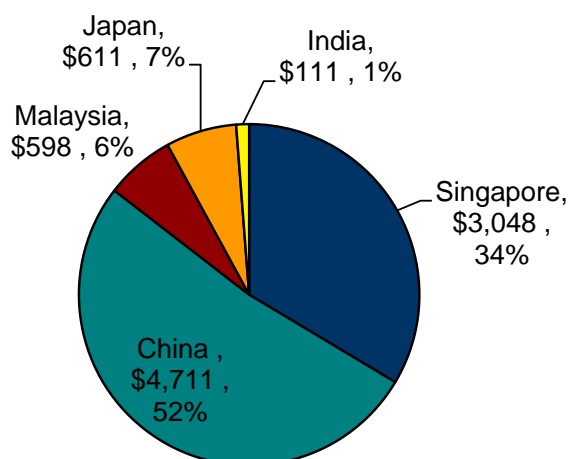
(1) Others in China included gain from warehousing of two assets to be sold to CMCDF III (S\$7 mil).

(2) Comprised operating malls (S\$13 mil) and pre-opening losses (S\$1 mil) for newly opened malls.

(3) Included corporate cost (S\$11 mil), treasury finance cost (S\$17 mil) and corporate tax (S\$1 mil).

Source: Company

Fig 7: Total assets by country, excluding cash holding



Source: Company

Fig 8: Estimated RNAV of CMA

RNAV				
	Stake	RNAV (S\$'mil)	Per share (S\$)	
SG				
Westgate	50.0%	635.39	0.16	
Bedok Town Centre	50.0%	452.57	0.12	
ION Orchard	50.0%	1428.91	0.37	
The Orchard Residences	50.0%	42.64	0.01	
The Star Vista (retail zone)	100.0%	377.13	0.10	
China				
CMCIF		1401.27	0.36	
CRCDF II		566.80	0.15	
CRIF		618.66	0.16	
RCCF		358.30	0.09	
CMCDF III		374.70	0.10	
Directly held / held with joint venture partners		1739.16	0.45	
Malaysia				
Queensbay Mall + JCE		311.90	0.08	
Japan				
		595.79	0.15	
India				
		85.83	0.02	
Listed entities @ book value				
		<u>NAV/share</u>		
CRCT	S\$ 1.29	27.4%	264.23	0.07
CMMT	RM 1.15	35.3%	287.93	0.07
CMT	S\$ 1.64	27.6%	1562.25	0.40
Fund and REIT management business	FY11 P/E @ 18x		1440.00	0.37
GAV				
		12543.44	3.23	
Less: FY13E net debt (cash) and committed Capex		2908.53	0.75	
RNAV				
		9634.90		
RNAV/share (S\$)		2.48		
Discount to RNAV		15%		
Fair value (S\$)		2.11		

Source: PSR

FYE Dec	FY10	FY11	FY12	FY13F	FY14F
Valuation Ratios					
P/E (X), adj.	19.3	58.4	28.7	37.9	35.3
P/B (X)	1.4	1.3	1.2	1.2	1.2
EV/EBITDA (X), adj.	73.9	38.3	34.6	79.9	77.0
Dividend Yield (%)	1.0%	1.5%	1.6%	1.6%	1.5%
Per share data (SGD)					
EPS, reported	0.14	0.12	0.14	0.05	0.06
EPS, adj.	0.11	0.03	0.07	0.05	0.06
DPS	0.02	0.03	0.03	0.03	0.03
BVPS	1.50	1.60	1.67	1.69	1.72
Growth & Margins (%)					
Growth					
Revenue	7.2%	0.3%	46.7%	-3.2%	4.8%
EBITDA	257.5%	92.8%	10.8%	-56.7%	3.8%
EBIT	303.5%	98.3%	10.6%	-59.4%	2.9%
Net Income, adj.	95.0%	-67.0%	103.7%	-24.3%	7.3%
Margins					
EBITDA margin	54.9%	105.5%	79.7%	35.6%	35.3%
EBIT margin	52.0%	102.7%	77.5%	32.5%	31.9%
Net Profit Margin	223.7%	200.8%	154.7%	61.8%	63.2%
Key Ratios					
ROE (%)	9.6%	7.6%	8.6%	3.2%	3.4%
ROA (%)	8.0%	6.1%	6.1%	2.0%	1.9%
Net Debt/(Cash)	(618)	254	2039	2909	3687
Net Gearing (X)	Net Cash	0.04	0.30	0.43	0.53
Income Statement (SGD mn)					
Revenue	245	246	361	350	367
EBITDA	135	260	288	125	129
Depreciation & Amortisation	(7)	(7)	(8)	(11)	(13)
EBIT	128	253	280	114	117
Net Finance (Expense)/Income	(26)	(33)	(70)	(94)	(157)
Other items	n/a	n/a	n/a	n/a	n/a
Associates & JVs	476	349	407	229	307
Profit Before Tax	578	569	617	248	266
Taxation	(29)	(74)	(58)	(32)	(35)
Profit After Tax	549	494	559	216	232
Non-controlling Interest	8	38	13	7	7
Net Income, reported	541	456	546	209	225
Net Income, adj.	412	136	276	209	225

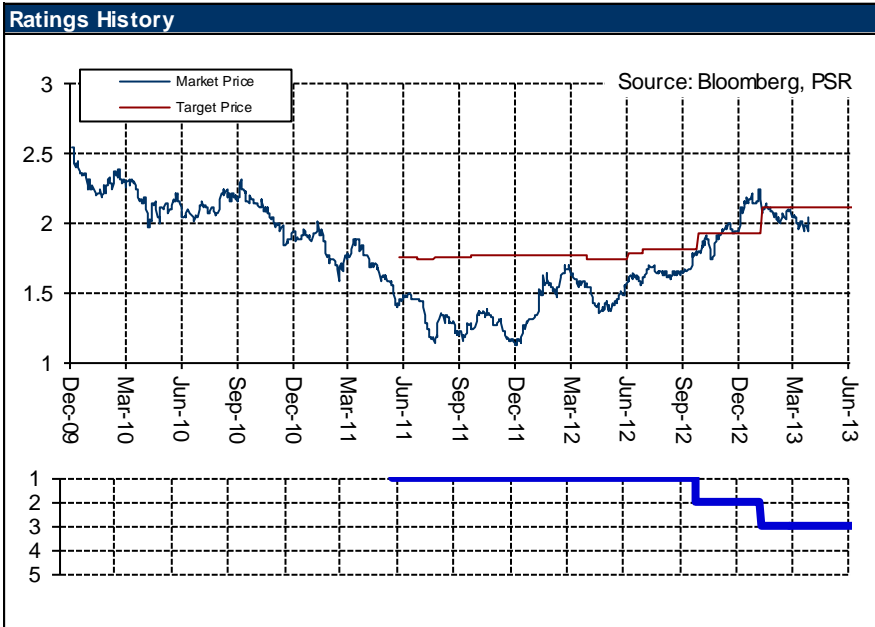
Source: PSR

FYE Dec	FY10	FY11	FY12	FY13F	FY14F
Balance Sheet (SGD mn)					
PPE	13	16	17	15	12
Intangibles	0	0	0	0	0
Associates & JVs	4,163	4,658	6,007	6,623	7,242
Investments	593	1,679	2,114	2,521	2,828
Others	396	523	585	585	585
Total non-current assets	5,166	6,876	8,723	9,744	10,666
Inventories	0	0	0	0	0
Accounts Receivables	498	218	533	532	534
Investments	0	0	0	0	0
Cash	1,318	975	675	649	1,490
Others	0	9	0	0	0
Total current assets	1,817	1,202	1,208	1,181	2,024
Total Assets	6,982	8,078	9,931	10,924	12,690
Short term loans	12	239	9	195	384
Accounts Payables	295	213	241	301	337
Others	58	51	56	56	56
Total current liabilities	366	504	305	552	776
Long term loans	688	991	2,705	3,362	4,793
Others	40	107	183	183	183
Total non-current liabilities	728	1,097	2,888	3,544	4,976
Non-controlling interest	60	250	248	254	262
Shareholder Equity	5,829	6,227	6,490	6,573	6,676

Cashflow Statements (SGD mn)

CFO					
PBT	549	494	559	216	232
Adjustments	(493)	(483)	(481)	(126)	(137)
Cash from ops before WC changes	56	12	78	90	95
WC changes	19	30	(32)	62	34
Cash generated from ops	75	41	46	151	128
Taxes paid, net	(20)	(33)	(20)	(32)	(35)
Interest paid	0	0	0	0	0
Cashflow from ops	55	8	26	119	94
CFI					
CAPEX, net	(6)	(10)	(9)	(9)	(10)
Dividends from associates & JVs	99	332	224	229	307
Dividends/Interest from Investments	5	6	4	35	35
Purchase/sale of investments	722	(572)	(602)	(407)	(307)
Investments in subs & associates	(199)	(475)	(1,183)	(616)	(618)
Others	0	0	0	0	0
Cashflow from investments	622	(719)	(1,566)	(768)	(593)
CFF					
Share issuance	0	0	0	0	0
Purchase of treasury shares	0	0	0	0	0
Loans, net of repayments	139	509	1,386	749	1,462
Dividends to minority interests	0	(0)	(0)	0	0
Dividends to shareholders & capital reduction	(39)	(136)	(121)	(126)	(121)
Others	0	0	0	0	0
Cashflow from financing	100	373	1,265	622	1,341
Net change in cash	777	(338)	(276)	(27)	841
Effects of exchange rates	(2)	(4)	(24)	0	0
CCE, end	1,318	975	675	649	1,490

Source: PSR



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
<-20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

Important Information

This publication is prepared by Phillip Securities Research Pte Ltd., 250 North Bridge Road, #06-00, Raffles City Tower, Singapore 179101 (Registration Number: 198803136N), which is regulated by the Monetary Authority of Singapore ("Phillip Securities Research"). By receiving or reading this publication, you agree to be bound by the terms and limitations set out below.

This publication has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this document by mistake, please delete or destroy it, and notify the sender immediately. Phillip Securities Research shall not be liable for any direct or consequential loss arising from any use of material contained in this publication.

The information contained in this publication has been obtained from public sources, which Phillip Securities Research has no reason to believe are unreliable and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this publication are based on such information and are expressions of belief of the individual author or the indicated source (as applicable) only. Phillip Securities Research has not verified this information and no representation or warranty, express or implied, is made that such information or Research is accurate, complete, appropriate or verified or should be relied upon as such. Any such information or Research contained in this publication is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith. In no event will Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, (i) be liable in any manner whatsoever for any consequences (including but not limited to any special, direct, indirect, incidental or consequential losses, loss of profits and damages) of any reliance or usage of this publication or (ii) accept any legal responsibility from any person who receives this publication, even if it has been advised of the possibility of such damages. You must make the final investment decision and accept all responsibility for your investment decision, including, but not limited to your reliance on the information, data and/or other materials presented in this publication.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this material are as of the date indicated and are subject to change at any time without prior notice.

Past performance of any product referred to in this publication is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This publication should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this publication has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this material is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this publication involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this research should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this publication, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the

preparation or issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this publication.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold an interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this publication. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, which is not reflected in this material, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this material.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

Section 27 of the Financial Advisers Act (Cap. 110) of Singapore and the MAS Notice on Recommendations on Investment Products (FAA-N01) do not apply in respect of this publication.

This material is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this material may not be suitable for all investors and a person receiving or reading this material should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

Please contact Phillip Securities Research at [65 65311240] in respect of any matters arising from, or in connection with, this document.

This report is only for the purpose of distribution in Singapore.

Contact Information (Singapore Research Team)

Chan Wai Chee

CEO, Research

Special Opportunities

+65 6531 1231

yebo@phillip.com.sg

Go Choon Koay, Bryan

Investment Analyst

Property

+65 6531 1792

gock@phillip.com.sg

Roy Chen

Macro Analyst

Global Macro, Asset Strategy

+65 6531 1535

roychencz@phillip.com.sg

Joshua Tan

Head of Research

Global Macro, Asset Strategy

+65 6531 1249

joshuatan@phillip.com.sg

Ken Ang

Investment Analyst

Financials, Telecoms

+65 6531 1793

kenangwy@phillip.com.sg

Nicholas Ong

Investment Analyst

Commodities, Offshore & Marine

+65 6531 5440

nicholasonghg@phillip.com.sg

Derrick Heng

Deputy Head of Research

SG Equity Strategist &
Transport

+65 6531 1221

derrickhengch@phillip.com.sg

Ng Weiwen

Macro Analyst

Global Macro, Asset Strategy

+65 6531 1735

ngww@phillip.com.sg

Research Assistant

General Enquiries

+65 6531 1240 (Phone)

research@phillip.com.sg

Contact Information (Regional Member Companies)

SINGAPORE

Phillip Securities Pte Ltd
Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg

HONG KONG

Phillip Securities (HK) Ltd
Exchange Participant of the Stock Exchange of Hong Kong
11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk

INDONESIA

PT Phillip Securities Indonesia
ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id

THAILAND

Phillip Securities (Thailand) Public Co. Ltd
15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website www.phillip.co.th

UNITED KINGDOM

King & Shaxson Capital Limited
6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com

AUSTRALIA

PhillipCapital
Level 12, 15 William Street,
Melbourne, Victoria 3000, Australia
Tel +61-03 9629 8288
Fax +61-03 9629 8882
Website: www.phillipcapital.com.au

MALAYSIA

Phillip Capital Management Sdn Bhd
B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel +603 2162 8841
Fax +603 2166 5099
Website: www.poems.com.my

JAPAN

Phillip Securities Japan, Ltd.
4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp

CHINA

Phillip Financial Advisory (Shanghai) Co. Ltd
No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn

FRANCE

King & Shaxson Capital Limited
3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com

UNITED STATES

Phillip Futures Inc
141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005