

CapitaLand Mall Trust

Still-weak reversions despite underlying recovery in tenant sales

SINGAPORE | REAL ESTATE (REIT) | FY18 RESULTS

- FY18 NPI and DPU in line with our forecast. Higher revenue in 4Q18 4Q18 from remaining 70% stake of Westgate acquired on 1 Nov 2018.
- Slight recovery in tenant sales, with recovery in key trade categories.
- Stable portfolio occupancy amidst AEI works at Westgate and Tampines Mall.
- Still-weak rental reversions. Higher gearing and shorter term to maturity now with debt consolidated from Infinity Mall Trust (which holds Westgate).
- Maintain Neutral with unchanged TP of S\$2.09.

Results at a glance

(SGD mn)	4Q18	4Q17	YoY (%)	FY18	FY17	YoY (%)	Comments (4Q18 vs 4Q17)
Gross Revenue	180.5	172.4	4.7%	697.5	682.5	2.2%	Higher revenue from acquisition of 70% stake of Westgate, completed on 1 November 2018. Partially offset by divestment of Sembawang Shopping Centre on 18 Jun 2018.
Net Property Income	124.4	119.3	4.3%	493.5	478.2	3.2%	Higher maintenance and marketing expenses, partially offset by lower property tax expenses.
Distributable Income	108.1	102.9	5.1%	410.7	395.8	3.8%	
Annualised DPU (Cents)	11.86	11.51	3.0%	11.50	11.16	3.0%	Advanced distribution of 1.43 cents had been paid on 30 Nov 2018. Balance distribution of 1.56 cents will be paid on 28 Feb 2019.

Source: Company, PSR

The Positives

+ Slight recovery in tenant sales. Tenant sales ticked up slightly by +0.5% YoY in FY18 (no change YoY in FY17), with recovery in more trade categories this year (just four categories with negative sales growth in FY18 versus eight categories in FY17). Categories that turned around to clock in positive tenant sales growth in FY18 include Food & Beverage, Fashion, and Beauty & Health – the top three trade categories by gross rental income (GRI).

+ Stable portfolio occupancy amidst AEI works at Westgate and Tampines Mall. Occupancy was maintained at 99.2%, with >99% occupancy achieved at its top four malls (by GRI) – Plaza Singapura, IMM, Bugis Junction, Tampines Mall, in spite of the AEI works that were done at Tampines Mall and Westgate. Tenant retention rate was also stable at 82.3% (FY17: 79.3%).

The Negatives

- Still-weak rental reversions. On a portfolio basis, rental reversions barely moved a percentage point in FY18, despite the underlying recovery in tenant sales growth.

- Deteriorating balance sheet metrics. Consolidation of debt from Infinity Mall Trust (which holds Westgate) has now resulted in a shorter term to maturity of 4.4 years (3Q18: 5.2 years) and a higher leverage of 34.2% (3Q18: 31.7%). In addition, Westgate has now been pledged as collateral – all other assets are still unencumbered.

Outlook

AEIs at Tampines Mall (completed Oct 2018) and Westgate (completed Dec 2018) could bring in higher footfall and tenant sales – and this is starting to be evident in the turnaround in rental reversions recorded in FY18 (positive rental reversions for both malls compared to negative reversions in FY17). Another near-term growth catalyst would be the upcoming completion of Funan which is slated to open in June 2019. As at end-December, 80% of leases at Funan have been pre-committed or are under active negotiations.

Maintain NEUTRAL with unchanged TP of S\$2.09.

This translates to a FY19e yield of 5.6% and P/NAV of 1.06x.



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24 January 2019

NEUTRAL (Maintained)

LAST DONE PRICE	SGD 2.31
FORECAST DIV	SGD 0.116
TARGET PRICE	SGD 2.09
TOTAL RETURN	-4.6%

COMPANY DATA

BLOOMBERG CODE:	CT SP Equity
O/S SHARES (MN):	3.687
MARKET CAP (USD mn / SGD mn):	6265 / 8517
52 - WK HI/LO (SGD):	2.38 / 1.95
3M Average Daily T/O (mn):	10.83

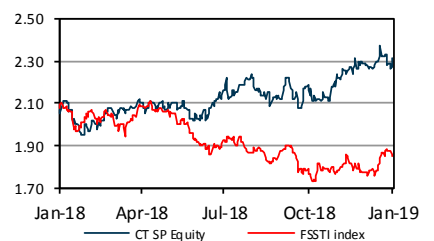
MAJOR SHAREHOLDERS (%)

CAPITALAND	30.5%
BLACKROCK	6.1%
NATIONAL TRADES UNION CONGRESS	4.9%
SUMITOMO MITSUI ASSET MGMT CO	3.1%
VANGUARD GROUP	2.3%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1YR
COMPANY	(0.9)	5.8	16.5
STIRETURN	4.8	4.0	(7.2)

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Sept	FY 17	FY 18	FY 19e	FY 20e
Gross Rev (SGD mn)	682	698	777	797
NPI (SGD mn)	478	494	530	553
Dist Inc. (SGD mn)	396	406	428	450
P/NAV (x)	1.11	1.07	1.06	1.04
DPU, adj (Cents)	11.2	11.5	11.6	12.2
Distribution Yield, %	5.2%	5.3%	5.4%	5.7%

Source: Company Data, Bloomberg

Valuation Method

DDM (Cost of equity 7.25%, Terminal Growth 1.5%)

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Financials

Statement of Total Return and Distribution Statement

Y/E Dec, SGD mn	FY16	FY17	FY18	FY19e	F20e
Gross Revenue	690	682	698	777	797
Total Property expenses	(210)	(204)	(204)	(247)	(244)
Net Property Income	480	478	494	530	553
Net Finance (Expense)/Inc	(95)	(94)	(87)	(104)	(104)
Net Income before tax and FV changes	336	335	348	369	392
Share of results from associate	15	19	14	16	15
Share of results from JV	52	52	115	100	30
Tax expense	(1)	(0)	0	(0)	(0)
Net Income after tax and FV changes	403	406	477	485	437
Distributable income to unitholders	394	396	406	428	450

Per share data (SGD)

Y/E Dec	FY16	FY17	FY18	FY19e	F20e
NAV	1.89	1.95	2.02	2.03	2.08
DPU (cents)	11.1	11.2	11.5	11.6	12.2

Cash Flow

Y/E Dec, SGD mn	FY16	FY17	FY18	FY19e	F20e
CFO					
Net Income after tax	403	406	477	485	437
Adjustments	29	24	(41)	(11)	60
WC changes	1	(2)	19	31	(3)
Cashflow from ops	433	428	456	505	494
CFI					
Capex, net	(76)	(99)	(201)	(219)	(205)
Others	103	188	(34)	(0)	(0)
Cashflow from investments	27	89	(235)	(219)	(205)
CFF					
Share issuance	(4)	(2)	(6)	(4)	(4)
Proceeds from bank borrowings, net	(82)	23	(114)	206	459
Distributions to unitholders	(394)	(395)	(456)	(428)	(450)
Cashflow from financing	(581)	(478)	(395)	(337)	(108)
Net change in cash	(121)	39	(174)	(52)	181
CCE, end	483	523	349	297	478

Source: Company, Phillip Securities Research (Singapore) Estimates

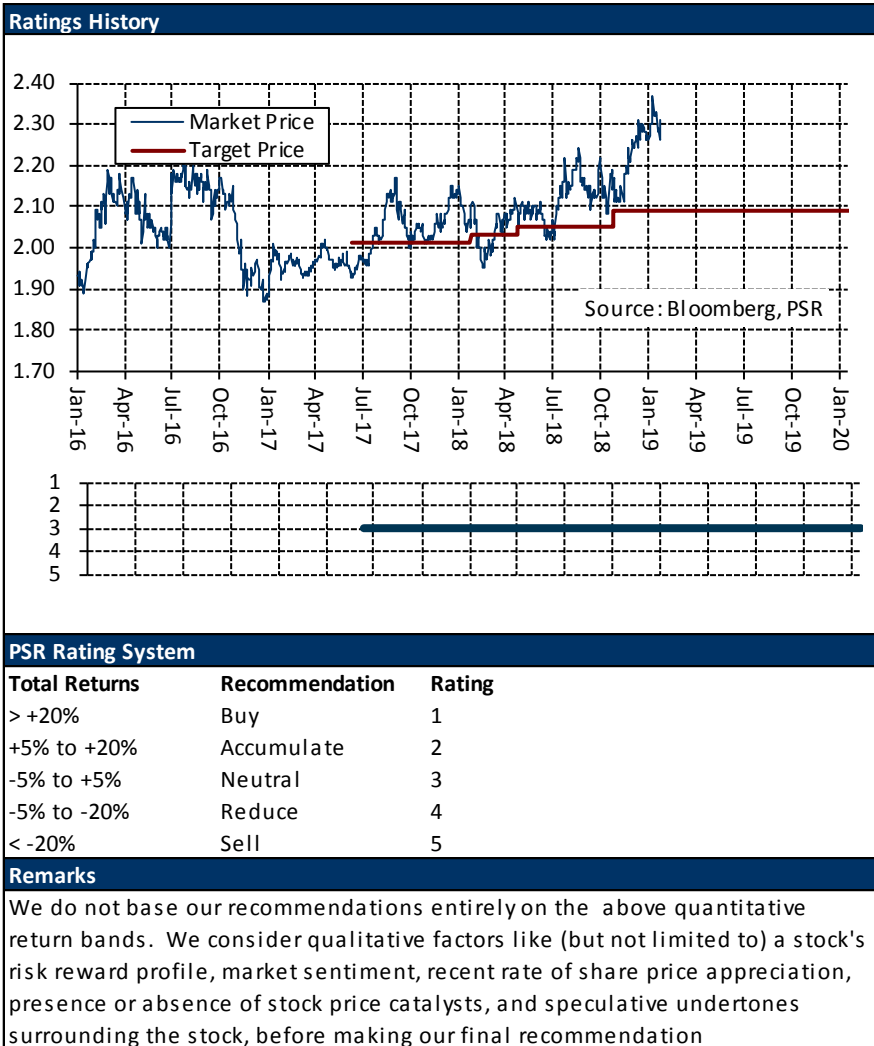
*Forward multiples & yields based on current market price; historical multiples & yields based on historical market price.

Balance Sheet

Y/E Dec, SGD mn	FY16	FY17	FY18	FY19e	F20e
ASSETS					
Investment properties	8,064	8,311	9,411	10,076	10,076
Trade and Other Receivabl	34	32	28	31	31
Cash and Cash Equivalent	483	523	349	297	478
Total Assets	10,327	10,504	11,502	11,541	11,724
LIABILITIES					
Trade and other payables	160	156	199	172	176
Interest bearing borrowing	3,288	3,183	3,628	3,628	3,628
Other liabilities	186	238	245	245	253
Total Liabilities	3,635	3,576	4,072	4,044	4,056
EQUITY					
Shareholder Equity	6,692	6,928	7,429	7,497	7,668

Valuation Ratios

Y/E Dec	FY16	FY17	FY18	FY19e	F20e
P/NAV	1.14	1.11	1.07	1.06	1.04
Distribution yield (%)	5.2%	5.2%	5.3%	5.4%	5.7%
NPI yield (%)	5.9%	5.8%	5.2%	5.3%	5.5%
Growth & Margins (%)	FY16	FY17	FY18	FY19e	F20e
Growth					
Revenue	3.1%	-1.1%	2.2%	11.4%	2.6%
Net property income (NPI)	2.9%	-0.3%	3.2%	7.4%	4.4%
DPU	-1.1%	0.3%	3.0%	0.9%	5.3%
Margins					
NPI margin	69.5%	70.1%	70.8%	68.2%	69.4%
Operating Income Margin	62.4%	62.9%	62.5%	61.0%	62.3%
Key Ratios					
ROA	3.9%	3.9%	4.2%	4.2%	3.7%
ROE	6.0%	5.9%	6.4%	6.5%	5.7%
Net Gearing	34.8%	36.3%	36.0%	36.0%	36.0%



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