CapitaLand Malaysia Trust (CLMT MK)

2Q26: Slightly Ahead; Attractive Dividend Yield Of 8-9%

BUY (Maintained)

Share Price	RM0.61
Target Price	RM0.80
Upside	31.1%
Previous TP	RM0.78

Highlights

- 2Q26 results were slightly ahead of expectations, with a DPU of 1.29 sen declared, due to lower-than-expected impact of electricity costs.
- Rental reversion came in at 11.6% in 1H26, in line with the earlier guidance of “high single-digit to low-teens” reversion in 2026.
- Maintain BUY with a higher target price of RM0.80. CLMT remains our top pick due to its attractive yield of 8-9%.

2Q26 Results

Year to 31 Dec (RMm)	2Q26 (RMm)	qoq % chg	yoy % chg	1H26 (RMm)	yoy % chg	1Q25 (RMm)	qoq % chg	yoy % chg
Rental income	101.6	(3.8)	8.2	207.2	8.2	97.6	0.4	8.2
Car park income	8.3	(3.8)	1.9	16.9	2.6	8.3	4.3	3.3
Other revenue	13.2	(0.2)	(3.7)	26.4	(6.4)	14.5	17.5	(8.9)
Total revenue	123.1	(3.4)	6.3	250.4	6.1	120.4	2.2	5.8
Operating expenses	(45.7)	(2.7)	(2.7)	(92.7)	(4.7)	(50.3)	8.9	(6.6)
Net property income	77.4	(3.8)	12.5	157.8	13.6	70.1	(1.3)	14.7
Non-operating expenses	(32.9)	(0.5)	0.1	(66.0)	1.7	(32.0)	(0.8)	3.3
Core net profit	45.2	(6.1)	23.2	93.2	23.5	38.8	(1.3)	23.8
Core EPU (sen)	1.34	(6.1)	6.9	2.8	7.1	1.33	(2.3)	7.2
DPU (sen)	1.29	(5.1)	9.3	2.7	7.7	1.28	7.1	6.3
Margins (%):		ppt chg	ppt chg		ppt chg		ppt chg	ppt chg
Net property income	62.9	(0.3)	3.5	63.0	4.2	58.2	(2.3)	4.9
PAT	36.7	(1.1)	5.0	37.2	5.3	32.3	(1.4)	5.5

Source: CapitaLand Malaysia Trust, UOB Kay Hian

Analysis

- **Slightly ahead.** CapitaLand Malaysia Trust (CLMT) reported 2Q26 revenue of RM102m (-3.8% qoq, +8.2% yoy) and core net profit of RM45m (-6.1% qoq, +23.2% yoy). This brings 1H26 core net profit to RM93.2m, accounting for 54% of both our and consensus full-year estimates, slightly ahead of our expectation due to the lower-than-expected impact of electricity costs. Average cost of debt declined to 4.21% p.a. for 1H26 (vs 4.24% in 1Q26).
- **A dividend of 1.29 sen was declared for 2Q26 (+9.3% yoy),** which implies an annualised yield of 8.7%.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	454.8	476.8	508.3	523.2	538.5
Operating profit	234.3	257.5	277.3	285.8	292.2
Net profit (rep./act.)	187.2	181.7	179.7	187.3	192.3
Net profit (adj.)	138.3	161.5	179.7	187.3	192.3
EPU (sen)	4.8	4.8	5.3	5.5	5.7
DPU (sen)	4.7	4.8	5.2	5.4	5.6
PE (x)	12.7	12.6	11.5	11.0	10.7
P/B (x)	0.6	0.6	0.6	0.7	0.7
DPU Yld (%)	7.6	7.9	8.5	8.9	9.1
Net margin (%)	30.4	33.9	35.3	35.8	35.7
Net debt/(cash) to asset (%)	39.6	37.4	36.9	37.0	37.1
Interest cover (x)	2.5	2.7	2.9	2.9	3.0
Consensus DPU (sen)			5.1	5.3	5.5
UOBKH/Consensus (x)			1.0	1.0	1.0

Source: CLMT, Bloomberg, UOB Kay Hian

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Stock Data

GICS sector	Real Estate
Bloomberg ticker:	CLMT MK
Shares issued (m):	3,365.1
Market cap (RMm):	2,052.7
Market cap (US$m):	504.0
3-mth avg daily t'over (US$m):	0.2

Price Performance (%)

52-week high/low RM0.7RM0.58

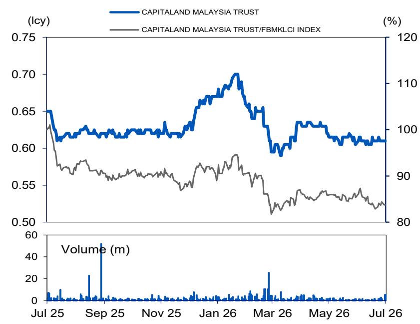
1mth	3mth	6mth	1yr	YTD
(0.8)	0.8	(8.3)	(6.9)	(2.4)

Major Shareholders	%
CMMT Investment	32.4
Employees Provident Fund	17.3
DFA Investment Dimensions Group	16.2
Amanah Saham Nasional	11.0

Balance Sheet Metrics

FY25 NAV/Share (RM)	0.95
FY25 Net Debt/Share (RM)	1.40

Price Chart



Source: Bloomberg

Company Description

CapitaLand Malaysia Trust is a real estate investment trust. The trust makes long-term investments in income-producing real estate primarily used for retail purposes and located in Malaysia.

- **Low-teens rental reversion in 1H26.** CLMT achieved an average retail rental reversion of 11.6% in 1H26 (vs 12.4% in 1Q26), while malls outside Klang Valley was at 11.5% (1Q26: 12.9%) and Klang Valley at 12.2% (1Q26: 10.2%). The reversion is in line with the earlier guidance of "high single-digit to low-teens" rental reversion in 2026. As of end-Jun 26, 12.8% of leases due for renewal in 2026 remained outstanding (vs 22.5% as of end-1Q26), with the bulk of it at Gurney Plaza (3.6%) and Queensbay Mall (4.0%).
- **Softer tenant sales psf reflects fewer festive days and tenant mix.** Overall tenant sales psf declined 1.6% yoy in 2Q26 (vs +0.4% in 1Q26), despite shopper traffic rising 5.6% yoy (vs +7.1% in 1Q26). We believe this reflects: a) a more cautious consumer spending; b) fewer festive days yoy during the quarter; and c) tenant-mix effect from the inclusion of Game On at The Mines, a large-format entertainment operator with relatively lower sales psf. Nevertheless, the impact on rental income should be limited, as gross turnover rent generally accounts for only 8-10% of CLMT's gross rental income. Shopper traffic at Penang malls continued to improve, supported partly by tourism-related campaigns, including Gurney Plaza's Durian-La Festival in Jun 26, which was targeted at Singaporeans.
- **Improving NPI margin and occupancy.** Overall NPI margin improved 3.5ppt yoy to 62.9% in 2Q26, although it eased 0.3ppt qoq. This was supported by stronger margins at Gurney Plaza and East Coast Mall, which rose 1.1ppt and 3.2ppt yoy to 71.5% and 70.2% respectively. Overall retail occupancy also jumped to 93.2% in 2Q26 (vs 92.6% in 2Q25), led by Sungai Wang Plaza (+2.8ppt yoy to 89.8%) and The Mines (+2.4ppt yoy to 83.6%).
- **The Mines AEI and tenant remix progressing well.** The Mines has secured 70% committed occupancy, supported by newly signed tenants for the upgraded spaces, with Mr DIY Plus and Jaya Grocer among the key additions. Both stores recorded strong traffic during their opening weekends in Jul 26. The AEI is expected to be completed by end-26 or in 1Q27, with management expecting the tenant remix and upgraded space to support higher post-AEI rents. At Sungai Wang Plaza, management expects NPI to turn positive towards end-26 with higher occupancy and rental improvements as signed tenants progressively move in.

Earnings Revision/Risk

- We increase our earnings forecasts by 3-4% for 2026-28 to factor in a smaller impact of electricity cost hikes.

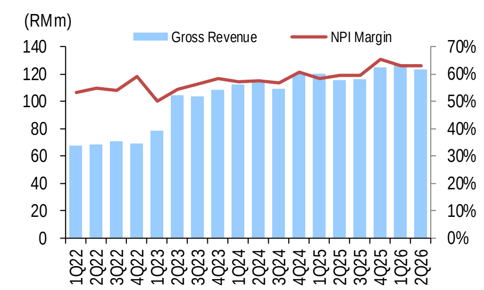
Valuation/Recommendation

- **Maintain BUY and raise target price by 3% from RM0.78 to RM0.80.** We remain positive on CLMT for its attractive dividend yield of 8%. Our DDM-based target price implies a 6.5% 2026 dividend yield (vs 10-year mean of 6.1%), based on a required rate of return of 8.5% and terminal growth rate of 1.5%.

Environment, Social, Governance (ESG) Updates

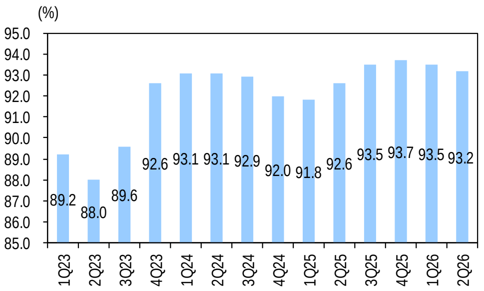
- **Environment.** CLMT is committed to working towards the long-term and annual targets under CapitaLand's 2030 SMP Framework to: a) cut carbon emission intensity by 78% by 2030, b) lower energy intensity by 35% by 2030, and c) reduce water intensity by 45% by 2030 (using 2009 as base year).
- **Social.** About 20% of senior management comprises women. Staff engagement score was 81% with 98% survey participation.
- **Governance.** The Board comprises five independent directors and three non-independent directors. Female representation on the Board is 12.5%. There are four Board Committees – Audit Committee, Executive Committee, Nomination Committee and Remuneration Committee.

Revenue And NPI Margin



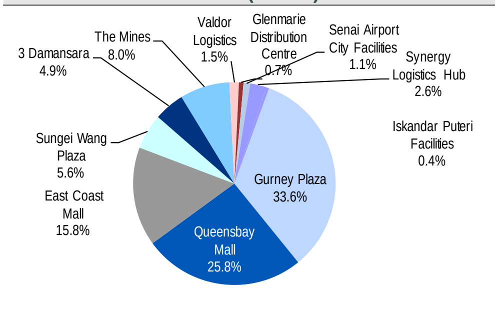
Source: CLMT, UOB Kay Hian

Retail Portfolio Occupancy Rate



Source: CLMT, UOB Kay Hian

Revenue Breakdown (2Q26)



Source: CLMT, UOB Kay Hian

12-month Forward Yield Spread To MGS At 505bp

Source: CLMT, Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	477	508	523	539
EBITDA	259	280	289	295
Deprec. & amort.	2	3	3	3
EBIT	257	277	286	292
Associate contributions	0	0	0	0
Net interest income/(expense)	(96)	(98)	(98)	(100)
Pre-tax profit	186	180	187	192
Tax	(4)	0	0	0
Minorities	0	0	0	0
Net profit	182	180	187	192
Net profit (adj.)	161	180	187	192

Balance Sheet

Year to 31 Dec (RMm)	2025	2026	2027	2028
Fixed assets	5,494	5,514	5,534	5,554
Other LT assets	4	4	4	4
Cash/ST investment	83	129	148	166
Other current assets	40	39	40	41
Total assets	5,621	5,687	5,726	5,765
ST debt	121	121	121	121
Other current liabilities	250	270	273	277
LT debt	2,065	2,105	2,145	2,185
Other LT liabilities	0	0	0	0
Shareholders' equity	3,185	3,191	3,187	3,182
Minority interest	0	0	0	0
Total liabilities & equity	5,621	5,687	5,726	5,765

Cash Flow

Year to 31 Dec (RMm)	2025	2026	2027	2028
Operating	303	310	291	298
Profit fo the year	186	180	187	192
Tax	(4)	0	0	0
Deprec. & amort.	2	3	3	3
Associates	0	0	0	0
Working capital changes	22	30	3	3
Non-cash items	0	0	0	0
Other operating cashflows	98	98	98	100
Investing	(335)	(20)	(20)	(20)
Capex (growth)	(31)	(20)	(20)	(20)
Investment	4	4	4	4
Others	(308)	(4)	(4)	(4)
Financing	33	(243)	(253)	(260)
Dividend payments	(131)	(184)	(192)	(197)
Proceeds from borrowings	675	40	40	40
Loan repayment	(657)	0	0	0
Others/interest paid	147	(99)	(101)	(103)
Net cash inflow (outflow)	2	46	18	18
Beginning cash & cash equivalent	81	83	129	148
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	83	129	148	166

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	54.4	55.1	55.1	54.8
Pre-tax margin	38.9	35.3	35.8	35.7
Net margin	38.1	35.3	35.8	35.7
ROA	3.3	3.2	3.3	3.3
ROE	6.0	5.6	5.9	6.0
Growth				
Turnover	4.8	6.6	2.9	2.9
EBITDA	9.8	8.0	3.0	2.2
Pre-tax profit	(5.0)	(3.2)	4.2	2.7
Net profit	(2.9)	(1.1)	4.2	2.7
Net profit (adj.)	16.8	11.3	4.2	2.7
EPU	1.0	9.6	4.2	2.7
Leverage				
Debt to total capital	40.7	41.1	41.6	42.0
Debt to equity	68.6	69.8	71.1	72.5
Net debt/(cash) to equity	66.0	65.7	66.5	67.3
Interest cover (x)	2.7	2.9	2.9	3.0