

Malaysia Results Snapshot



Refer to important disclosures at the end of this report

AllianceDBS Research, Malaysia Equity

6 August 2021

| Latest Results | | | | |
|----------------|------------|---------------|--|--|
| Company | Date | vs. Expect. | Results Highlight | Our View & Catalysts |
| REIT | | | | |
| Sentral REIT | 6 Aug 2021 | Within (2Q21) | <p>2QFY21 results within expectations. Sentral REIT's (SENTRAL) 2QFY21 core earnings came in at RM18.9m (-1.0% y-o-y; -8.7% q-o-q). This excludes the RM3.8m gain from divestment of QB5 – IBM, which was completed on 21 April 2021. This is within our expectations.</p> <p>Sentral REIT recorded lower revenue of RM38.2m (-4.8% y-o-y; -6.9% q-o-q) due to lower contribution from Platinum Sentral, Plaza Mont Kiara, QB3 and Wisma Technip. We understand the lower revenue is largely from rental rebates given during the quarter.</p> <p>Finance costs of RM7.7m in 2Q21 represent a y-o-y decline of 13.0% as KLIBOR rates headed south. Portfolio occupancy remains steady at 92% vs. 89% in 1Q21.</p> <p>Property operating expenses amounted to RM8.6m (-6.1% y-o-y; -10.7% q-o-q), as SENTRAL incurred lower expenses for some properties.</p> <p>Despite lower expenses, lower revenue resulted in a lower net property income (NPI) for the quarter of RM30.1m (-4.5% y-o-y; -5.7% q-o-q). Net property income margins are steady at 77.5% vs. 77.2% in 2Q20.</p> | <p>Occupancy steady; more room to grow. Sentral REIT's portfolio occupancy remained steady at 92% vs 89% in 1Q21. We understand that there were higher occupancies for Platinum Sentral and Wisma Technip. The higher occupancy could also arise from the disposal of QB5 – IBM that was vacant.</p> <p>For FY21, 21% of total NLA is due for renewal with negotiations currently on-going. Out of this 3% has been renewed. Renewals due in 1HFY21 were completed with 73% renewal rate.</p> <p>We expect rental reversions to be flattish, as Sentral REIT prioritises tenant retention to cope with a challenging operating environment.</p> <p>We maintain our BUY call with a TP of RM1.20. Its current valuation offers an attractive yield of 7.9% – the highest among its peers.</p> <p>We believe the negatives of an office supply glut have been overly priced in at its current valuation level. Despite factoring in conservative assumptions for SENTRAL REIT, the stock still offers ample upside with attractive distribution yields.</p> |



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DISCLOSURE

Stock rating definitions

| | | |
|--------------|---|--|
| STRONG BUY | - | > 20% total return over the next 3 months, with identifiable share price catalysts within this time frame |
| BUY | - | > 15% total return over the next 12 months for small caps, >10% for large caps |
| HOLD | - | -10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps |
| FULLY VALUED | - | negative total return > -10% over the next 12 months |
| SELL | - | negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame |

Commonly used abbreviations

Adex = advertising expenditure
bn = billion
BV = book value
CF = cash flow
CAGR = compounded annual growth rate

Capex = capital expenditure
CY = calendar year
Div yld = dividend yield
DCF = discounted cash flow
DDM = dividend discount model
DPS = dividend per share
EBIT = earnings before interest & tax
EBITDA = EBIT before depreciation and amortisation

EPS = earnings per share
EV = enterprise value
FCF = free cash flow
FV = fair value
FY = financial year
m = million
M-o-m = month-on-month
NAV = net assets value
NM = not meaningful
NTA = net tangible assets
NR = not rated
p.a. = per annum
PAT = profit after tax

PBT = profit before tax
P/B = price / book ratio
P/E = price / earnings ratio
PEG = P/E ratio to growth ratio
q-o-q = quarter-on-quarter
RM = Ringgit
ROA = return on assets
ROE = return on equity
TP = target price
trn = trillion
WACC = weighted average cost of capital
y-o-y = year-on-year

YTD = year-to-date

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