

Malaysia

ADD (no change)

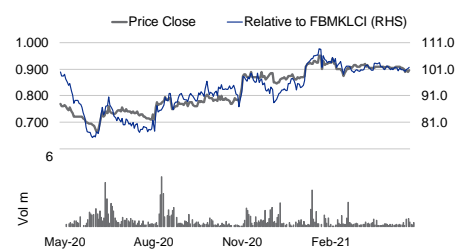
Consensus ratings*: Buy 7 Hold 1 Sell 0

Current price:	RM0.895
Target price:	RM0.989
Previous target:	RM0.989
Up/downside:	10.5%
CGS-CIMB / Consensus:	14.9%
Reuters:	SENTRAL.KL
Bloomberg:	SENTRAL MK
Market cap:	US\$232.7m
	RM959.2m
Average daily turnover:	US\$0.05m
	RM0.22m
Current shares o/s:	1,072m
Free float:	49.1%

*Source: Bloomberg

Key changes in this note

► FY21-23F EPS/DPU raised by 4.7-5.1%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1.7	-3.8	16.2
Relative (%)	-1.7	-3.8	1.6

Major shareholders	% held
MRCB	27.8
Employees Provident Fund	12.1
CapitalCommercial Trust	11.0

Sentral REIT

Go for its 7.6% dividend yield

- 1Q21 results beat expectations as revenue was stronger than expected. Core net profit advanced 6.3% yoy despite MCO 2.0.
- Achieved 96% tenancy renewals in 1Q21. Portfolio occupancy rate of 89% should remain stable in FY21F on the back of flattish rental reversion.
- Add call maintained, supported by upward revision in FY21-23F DPU; dividend yields are 7.6-7.7%. TP is unchanged on higher COE of 8.7%.

1QFY21 above expectations; core net profit rose 6.3% yoy

Sentral REIT's 1QFY21 core net profit made up 26-28% of our and consensus full-year forecasts. The results were above expectations with key deviation coming from stronger-than-expected revenue (26.2% of our full-year forecast). Despite the Movement Control Order (MCO) 2.0, 1Q21's revenue only fell by -2.8% yoy (+4% qoq) due to 1) minimal rental assistance for retail tenants, 2) weak car park income, and 3) non-renewal of a tenant at Quill Building 3 (QB3) and Wisma Technip. This was mitigated by new rental income from Google at Menara Shell. 1Q21 core net profit of RM21m grew 6.3% yoy, driven by lower property operating cost and lower interest expense (-19.5% yoy). No dividends in 1Q21, in line with the group's semi-annual payouts in 2Q and 4Q.

Renewal rate of 96% in 1Q21 – flattish rental reversion

The group achieved a 96% renewal rate for the tenancies expiring in 1Q21: 54k sq ft of NLA was due for renewal in 1Q21 vs. FY21F's total 440k sq ft due for renewal. Negotiations for the remaining expiring tenancies are ongoing, with the bulk of renewals slated for 3Q21 (Menara Shell) and Dec (Wisma Technip). We understand that the group will continue to focus on tenant retention strategies and expects minimal drop-outs. We forecast the 89% portfolio occupancy rate in 1Q21 to remain stable in the coming quarters while rental reversion should be flattish, as per guidance. We assume rental reversions of 0%/+1%/+1% in FY21/22/23F.

Manageable MCO 3.0 risks; rental rebates to be lower than FY21

In our view, the impact of the reinstatement of the MCO 3.0 (7-20 May) should be manageable given 1) retail/SME tenants make up 4% of total portfolio NLA, 2) no major/immediate space reconfiguration plans by existing tenants, 3) Covid-19 vaccination programme is underway. We lift FY21-23F EPS/DPU by 4.7-5.1% as we raise revenue assumptions to reflect increased car park utilisation from 50% to 70% and minimal rental assistance. We keep out occupancy rate assumptions of 90% over forecast years.

Add call and TP maintained; appealing dividend yield of 7.6-7.7%

Our higher FY21F/22F/23F DPS of 6.8/6.9/6.9 sen assumes a 93% payout ratio. No change to our DDM-based TP of RM0.99, on higher COE of 8.7% (8.3% previously) as we reflect the stock's higher 5-year adjusted beta of 0.78. Reiterate Add due to attractive dividend yields of 7.6-7.7% (highest in our REIT coverage). Potential catalysts: higher occupancy and stronger rental reversion. Downside risks: deteriorating tenancy renewals and extension of MCO. Separately, the group completed the disposal of Quill Building 5 (QB5) on 21 April.

Analyst(s)



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Financial Summary

	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Gross Property Revenue (RMm)	161.1	164.0	163.4	163.0	163.9
Net Property Income (RMm)	121.8	126.1	125.1	125.8	126.2
Net Profit (RMm)	29.22	72.57	78.93	79.78	80.13
Distributable Profit (RMm)	72.88	75.88	72.69	73.47	73.79
DPS (RM)	0.068	0.071	0.068	0.069	0.069
Dividend Yield	7.61%	7.91%	7.58%	7.66%	7.69%
Asset Leverage	37.8%	37.9%	37.2%	37.1%	37.1%
BVPS (RM)	1.23	1.23	1.24	1.24	1.24
P/BV (x)	0.72	0.72	0.72	0.72	0.72
Recurring ROE	4.34%	5.89%	5.95%	6.00%	6.02%
% Change In DPS Estimates			5.06%	4.70%	4.68%
CGS-CIMB/Consensus DPS (x)			0.98	0.97	0.98

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: Results Comparison

FYE Dec (RM m)	1QFY21	1QFY20	yoy % chg	4QFY20	qoq % chg	Prev FY21F	Comments
Revenue	41.0	42.2	-2.8	39.5	4.0	156.8	Minimal impact from MCO 2.0
Operating costs	(13.1)	(13.7)	-4.8	(11.4)	15.1	(49.5)	1Q21 NPI margin of 77% vs our full-year forecast of
EBITDA	27.9	28.5	-1.9	28.1	-0.5	107.3	77%
EBITDA margin (%)	68.1	67.5		71.2		68.4	
Depn & amort.	(0.0)	(0.1)	-15.9	(0.1)	-14.6	(0.1)	
EBIT	27.9	28.4	-1.9	28.0	-0.5	107.2	
Interest expense	(7.7)	(9.5)	-19.5	(8.6)	-10.5	(35.4)	Total debt of RM846m as at end-Mar
Interest & invt inc	0.5	0.6	-16.3	1.2	-58.1	3.3	Total cash and deposits of RM62m as at end-Mar
Associates' contrib	0.0	0.0	<i>nm</i>	0.0	<i>nm</i>	-	
Exceptionals & revaln	0.0	0.3	-100.0	(7.2)	<i>nm</i>	-	
Pretax profit	20.7	19.8	4.6	13.4	54.0	75.1	
Tax	0.0	0.0	<i>nm</i>	(1.2)	<i>nm</i>	-	
Tax rate (%)	0.0	0.0	<i>nm</i>	9.0	<i>nm</i>	-	
Minority interests	0.0	0.0	<i>nm</i>	0.0	<i>nm</i>	-	None as expected
Net profit	20.7	19.8	4.6	12.2	69.3	75.1	
Core net profit	20.7	19.5	6.3	19.4	6.7	75.1	1Q21 core net profit made up 26-28% of ours
Distr profit	20.7	19.8	4.6	20.7	0.1	69.2	and consensus full-year estimates
DPU (sen)	0.0	0.0	<i>nm</i>	3.7	<i>nm</i>	6.5	

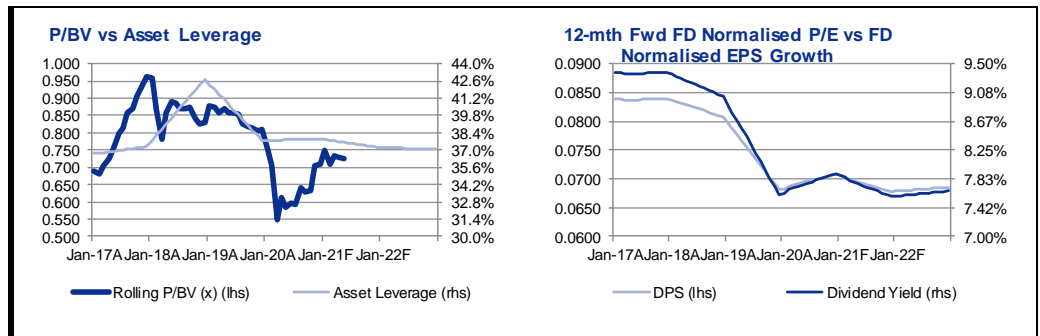
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Changes in assumptions post-1Q21 results

	Previous			Revised			% chg		
	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F
	(RM m)	(RM m)	(RM m)	(RM m)	(RM m)	(RM m)	(%)	(%)	(%)
Revenue	156.8	157.3	158.1	163.4	163.0	163.9	4.2%	3.6%	3.6%
NPI	121.2	122.1	122.5	125.1	125.8	126.2	3.2%	3.0%	3.0%
Net profit	75.1	76.2	76.5	78.9	79.8	80.1	5.1%	4.7%	4.7%
DPS	6.5	6.5	6.6	6.8	6.9	6.9	5.1%	4.7%	4.7%
Dividend yield	7.3%	7.4%	7.4%	7.6%	7.7%	7.7%	0.4%	0.3%	0.3%
NPI margin	77%	78%	77%	77%	77%	77%	-0.7%	-0.4%	-0.5%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(RMm)	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Rental Revenues	159.0	145.1	145.9	146.3	146.8
Other Revenues	2.1	19.0	17.5	16.7	17.1
Gross Property Revenue	161.1	164.0	163.4	163.0	163.9
Total Property Expenses	(39.2)	(37.9)	(38.3)	(37.2)	(37.6)
Net Property Income	121.8	126.1	125.1	125.8	126.2
General And Admin. Expenses	(0.4)	(0.4)	(0.4)	(0.5)	(0.5)
Management Fees	(12.8)	(12.8)	(12.5)	(12.5)	(12.5)
Trustee's Fees	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
Other Operating Expenses	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
EBITDA	107.5	111.7	111.1	111.7	112.0
Depreciation And Amortisation	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
EBIT	107.4	111.7	111.0	111.6	111.9
Net Interest Income	(36.4)	(32.5)	(32.1)	(31.8)	(31.8)
Associates' Profit	0.0	0.0	0.0	0.0	0.0
Other Income/(Expenses)	0.0	0.0	0.0	0.0	0.0
Exceptional Items	(35.6)	(5.4)	0.0	0.0	0.0
Pre-tax Profit	35.5	73.8	78.9	79.8	80.1
Taxation	(6.2)	(1.2)	0.0	0.0	0.0
Minority Interests	0.0	0.0	0.0	0.0	0.0
Preferred Dividends	0.0	0.0	0.0	0.0	0.0
Net Profit	29.2	72.6	78.9	79.8	80.1
Distributable Profit	72.9	75.9	72.7	73.5	73.8

Cash Flow

(RMm)	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Pre-tax Profit	35.5	73.8	78.9	79.8	80.1
Depreciation And Non-cash Adj.	36.4	32.5	32.1	31.9	31.9
Change In Working Capital	(0.2)	4.5	0.9	(0.2)	(0.7)
Tax Paid	0.0	0.0	0.0	0.0	0.0
Others	36.7	7.2	0.0	0.0	0.0
Cashflow From Operations	108.4	118.0	112.0	111.4	111.3
Capex	(2.1)	(1.2)	(1.5)	(1.5)	(2.5)
Net Investments And Sale Of FA	4.8	4.9	5.0	5.0	5.0
Other Investing Cashflow	3.2	2.9	3.3	0.0	0.0
Cash Flow From Investing	5.9	6.6	6.8	3.5	2.5
Debt Raised/(repaid)	(19.0)	6.0	0.0	0.0	0.0
Equity Raised/(Repaid)	0.0	0.0	0.0	0.0	1.0
Dividends Paid	(78.0)	(72.9)	(72.7)	(73.5)	(73.8)
Cash Interest And Others	(36.4)	(32.5)	(32.1)	(31.8)	(31.8)
Cash Flow From Financing	(133.4)	(99.3)	(104.7)	(105.3)	(104.6)
Total Cash Generated	(19.0)	25.3	14.1	9.7	9.2
Free Cashflow To Firm	117.6	127.5	122.1	118.5	117.4
Free Cashflow To Equity	59.0	98.1	86.8	83.1	82.0

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(RMm)	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Total Investments	2,125	2,081	2,176	2,177	2,180
Intangible Assets	0	0	0	0	0
Other Long-term Assets	19	17	17	17	17
Total Non-current Assets	2,144	2,098	2,193	2,194	2,197
Total Cash And Equivalents	63	85	74	79	76
Inventories	0	0	0	0	0
Trade Debtors	6	5	5	5	5
Other Current Assets	1	40	0	0	0
Total Current Assets	70	130	79	84	82
Trade Creditors	16	19	20	20	19
Short-term Debt	333	218	218	218	218
Other Current Liabilities	6	11	11	11	11
Total Current Liabilities	354	248	249	249	248
Long-term Borrowings	503	627	627	627	627
Other Long-term Liabilities	33	29	29	29	29
Total Non-current Liabilities	536	656	656	656	656
Shareholders' Equity	1,323	1,324	1,330	1,330	1,332
Minority Interests	0	0	0	0	0
Preferred Shareholders Funds	0	0	36	43	43
Total Equity	1,323	1,324	1,366	1,373	1,375

Key Ratios

	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Gross Property Revenue Growth	(6.64%)	1.83%	(0.36%)	(0.26%)	0.53%
NPI Growth	(8.27%)	3.53%	(0.78%)	0.53%	0.34%
Net Property Income Margin	75.6%	76.9%	76.6%	77.2%	77.0%
DPS Growth	(15.7%)	3.9%	(4.2%)	1.1%	0.4%
Gross Interest Cover	2.71	3.16	3.14	3.15	3.16
Effective Tax Rate	17.6%	1.6%	0.0%	0.0%	0.0%
Net Dividend Payout Ratio	249%	105%	92%	92%	92%
Current Ratio	0.20	0.52	0.32	0.34	0.33
Quick Ratio	0.20	0.52	0.32	0.34	0.33
Cash Ratio	0.18	0.34	0.30	0.32	0.31
Return On Average Assets	1.30%	3.27%	3.51%	3.51%	3.52%

Key Drivers

	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Average rental reversion (%)	3.4%	1.0%	0.3%	1.3%	2.3%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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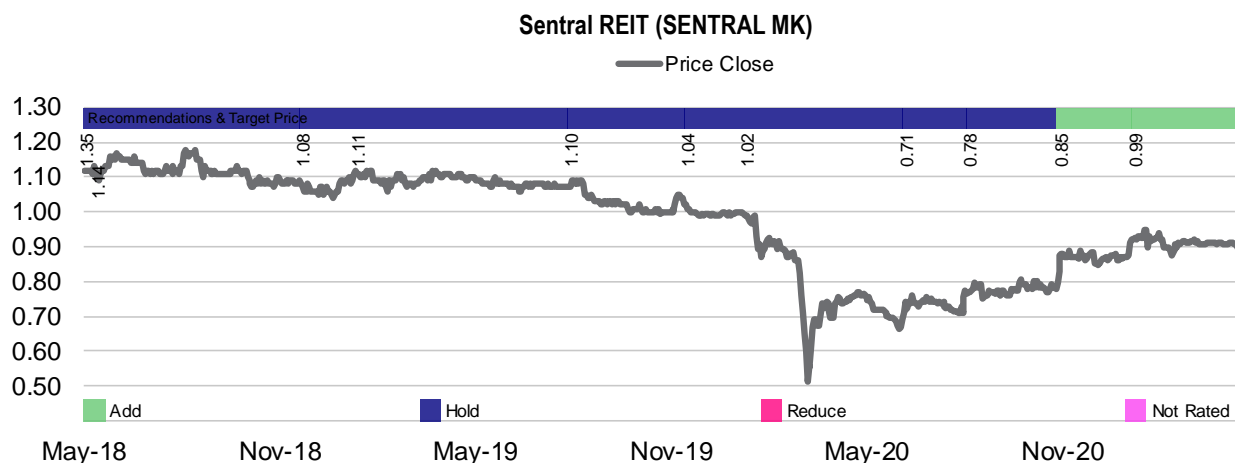
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2021		
613 companies under coverage for quarter ended on 31 March 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	70.3%	1.1%
Hold	19.6%	0.2%
Reduce	10.1%	0.2%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2020, Anti-Corruption 2020

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Excellent, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENDEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Very Good, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Very Good, n/a, **DELTA** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, n/a, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – Excellent, Declared, **JMT** – Very Good, Declared, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – n/a, n/a, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – n/a, n/a, **OR** – n/a, n/a, **ORI** – Excellent, Certified, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RBF** – Good, n/a, **RS** – Excellent, n/a, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – n/a, n/a, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – n/a, n/a, **SHR** – Very Good, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Declared, **SPRC** – Excellent, Certified, **SSP** – Good, Declared, **STEC** – n/a, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, n/a, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TMB** – Excellent, Certified, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2020 from Thai Institute of Directors Association (IOD)

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Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

