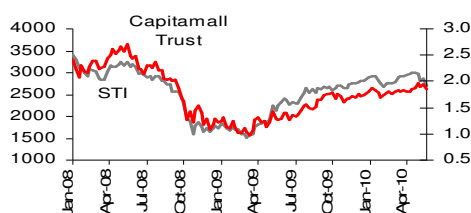


26 May 2010

Upgrade to

BUY

Previous Rating: HOLD

Current Price: S\$1.81
Fair Value: S\$1.95


CapitaMall Trust

Share price correction presents fresh buying opportunity

Groundbreaking at JCube development. Last Friday, CapitaMall Trust (CMT) held the groundbreaking ceremony for the new retail mall on the site of the former Jurong Entertainment Centre. The new mall, named JCube, will have net lettable area of approximately 204,000 sq ft, which is twice the original size. The project is expected to be completed in the first quarter of 2012. We expect JCube to be the key DPU growth driver for CMT in 2012 and 2013. Based on the enlarged NLA, we expect JCube to generate gross rental income of S\$34.7m and net property income of S\$23.9m when fully operational. With the changes in our NLA and rental estimates on JCube, our RNAV estimate has been raised by S\$0.02 per share.

Development of Jurong Lake District to boost human traffic flow. Long-term outlook for the JCube development is also positive with development of the Jurong Lake District now gaining momentum. In Apr, URA launched a 205.854 sq ft land parcel for mix development in Jurong Lake District after a developer committed to bid at least S\$350m for the site. In addition, URA recently sold a residential site at Boon Lay Way to Keppel Land for S\$303m. Upon the completion of these projects, we expect higher human traffic flow in the Jurong Lake District and JCube, which is strategically located near the Jurong East MRT Interchange, should be a key beneficiary from the development of the region.

Positioned to grow over the long term. In the near term, we see DPU growth catalysts coming from positive rent reversion and asset enhancement (AEI) initiatives at Raffles City basement, Junction 8 (new 2-storey F&B Annex Block) and Tampines Mall (reconfiguration of shop units and side entrance). These AEI works will complete by end-2010. Over the longer term, there is still a healthy pipeline of AEIs that CMT could undertake. CMT has received planning permission from URA to increase the GFA of Tampines Mall by 94,938 sq ft for office use. For Funan DigitalLife Mall, CMT has also received planning permission from URA to increase the GFA by 360,375 sq ft (163,180 sq ft for office use and 197,195 sq ft for retail use). These projects are likely to start once when the development of JCube is completed.

Share price correction presents fresh buying opportunity; Upgrade to BUY. Our fair value, which pegged at parity to our RNAV estimate, has been raised to S\$1.95 (previously S\$1.93). Recent correction in CMT's share price presents fresh buying opportunity for investors. With a projected total return of 13%, we are now upgrading CMT to **BUY**.

Reuters Code	CMLT.SI
ISIN Code	C38U
Bloomberg Code	CTSP
Issued Capital (m)	3,182
Mkt Cap (S\$/US\$m)	5,759 / 4,287
Major Shareholders	
CapitaMalls Asia	30%
Free Float (%)	40%
Daily Vol 3-mth ('000)	6,494
52 Wk Range	1.270 - 2.020

(S\$ m)	FY08	FY09	FY10F	FY11F
Revenue	510.9	552.7	592.2	616.6
NPI	341.1	376.8	403.6	419.5
Distributions	238.4	282.0	302.9	313.9
DPU yield (%)	5.3	4.9	5.3	5.5
P/NAV (x)	1.1	1.2	1.2	1.2

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Exhibit 1: RNAV Table

	in S\$m
Valuation of investment properties	8,384.1
Book value of investment properties	7,174.0
Surplus from investment properties	1,210.1
Surplus/(Deficit) from CRCT stake	22.8
Book value (as at end of FY09)	4,969.6
RNAV	6,202.5
Shares outstanding (m)	3,179.3
RNAV per share (S\$)	1.95
Premium/Discount to RNAV	0.0%
Fair Value (S\$)	\$1.95

Source: OIR estimate

CMT's Key Financial Data

EARNINGS FORECAST					BALANCE SHEET				
Year Ended 31 Dec (S\$m)	FY08	FY09	FY10F	FY11F	As at 31 Dec (S\$m)	FY08	FY09	FY10F	FY11F
Gross revenue	510.9	552.7	592.2	616.6	Investment properties	7174.0	6920.5	7288.5	7388.5
Total property expenses	-169.8	-175.9	-188.6	-197.1	Investment in associate	143.9	137.1	137.1	137.1
Net property income	341.1	376.8	403.6	419.5	Cash	168.4	350.8	262.6	232.0
Borrowing costs	-102.5	-105.0	-109.9	-114.6	Total current assets	187.1	363.1	275.7	245.6
Manager's management fees	-31.0	-34.2	-36.6	-38.1	Total assets	7509.0	7423.0	7702.9	7774.3
Net income (b/f assoc and reval)	205.0	236.3	251.0	260.4	Current liabilities ex debt	158.4	148.9	159.2	166.4
Share of profit of associate	8.4	4.1	4.6	5.0	Debt	3156.9	2206.7	2554.7	2664.7
Revaluation of invt ppty	323.2	-302.2	0.0	0.0	Total liabilities	3429.4	2453.4	2781.2	2901.7
Total return for the period	560.9	-65.2	255.0	264.8	Unitholders' funds	4079.6	4969.6	4921.7	4872.6
Income available for distribution	238.4	282.0	302.9	313.9	Total equity and liabilities	7509.0	7423.0	7702.9	7774.3
CASH FLOW					KEY RATES & RATIOS				
Year Ended 31 Dec (S\$m)	FY08	FY09	FY10F	FY11F		FY08	FY09	FY10F	FY11F
Operating income b/f wc change	320.9	351.3	376.0	390.9	DPU per share (S-cents)	14.3	8.9	9.5	9.9
Change in working capital	27.8	4.5	15.6	9.6	NAV per share (S-cents)	244.8	156.3	154.8	153.3
Cash generated from operations	348.7	355.9	391.6	400.4	PER (x)	5.4	-81.2	22.6	21.7
Tax paid	-0.9	-0.3	-0.6	-0.6	P/NAV (x)	1.1	1.2	1.2	1.2
Cashflow from operating activities	347.9	355.6	391.0	399.8	NPI margin (%)	66.8	68.2	68.2	68.0
Cashflow from investing activities	-1101.7	-54.3	-362.7	-91.1	Net income margin (%)	109.8	-11.8	43.1	43.0
Cashflow from financing activities	853.2	-133.8	-101.6	-339.3	Gearing (%)	42.0	29.7	33.2	34.3
Change in cash	99.4	167.5	-73.3	-30.6	DPU yield (%)	5.3	4.9	5.3	5.5
Cash at beginning of period	68.9	168.4	335.8	262.6	ROE (%)	13.7	-1.3	5.2	5.4
Cash at end of period	168.4	335.8	262.6	232.0	ROA (%)	7.5	-0.9	3.3	3.4

Source: Company data, OIR estimates

SHAREHOLDING DECLARATION:

The analyst/analysts who wrote this report holds NIL shares in the above security.

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For OCBC Investment Research Pte Ltd



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