

17 May 2018 | 1QFY18 Results Review

## KLCCP Stapled Group

### Earnings in line


#### INVESTMENT HIGHLIGHTS

- **1QFY18 earnings within expectations**
- **Lower sequential earnings**
- **Marginally higher earnings yoy in 1QFY18**
- **Maintain NEUTRAL with unchanged TP of RM7.59**

**1QFY18 earnings within expectations.** KLCCP Stapled Group (KLCCP) core net income of RM180.7m came in within expectations, making up 25% and 24% of our and consensus full year forecast. Distribution per unit (DPU) of 8.7sen was announced for the quarter.

**Lower sequential earnings.** On sequential basis, core net income of RM180.7m dropped 3.9%qoq, mainly due to seasonally weaker contribution from hotel division. Profit before tax (PBT) of hotel division declined 45.7%qoq as previous quarter earnings were boosted by year end holiday seasons. Meanwhile, performances of office division and retail division were stable whereby earnings of the two divisions were largely unchanged on sequential basis.

**Marginally higher earnings yoy in 1QFY18.** On yearly basis, 1QFY18 earnings climbed 2.2%yoy, due to improved contribution from three core divisions. PBT of office division increased 2.2%yoy, mainly due to full occupancy rate of Menara Exxonmobil and lower financing cost. Looking ahead, we expect earnings of office division to remain stable as next rental reversion of Petronas Twin Towers which is on fixed step-up basis will take place in Oct 2018. Meanwhile, retail division saw marginal growth of 1.6%yoy in PBT due to higher rental rates. Likewise, hotel division posted PBT of RM2.4m in 1QFY18 against PBT of RM0.2m in 1QFY17, driven by higher demand for the newly renovated guestrooms and higher F&B revenues.

**Maintain NEUTRAL with unchanged TP of RM7.59.** We maintain our earnings forecast for FY18/19. We also maintain target price of RM7.59, based on DDM with required rate of required return of 7.8%. We maintain our Neutral call on KLCCP due to its marginal earnings growth outlook. Dividend yield is estimated at 4.5% 

**Maintain NEUTRAL**

**Unchanged Target Price (TP): RM7.59**

#### RETURN STATS

Price (16 May 2018)	RM7.82
Target Price	RM7.59
Expected Share Price Return	-2.9%
Expected Dividend Yield	+4.5%
<b>Expected Total Return</b>	<b>+1.6%</b>

#### STOCK INFO

KLCI	1,858.26
Bursa / Bloomberg	5235/ KLCCSS MK
Board / Sector	Main / REITs
Syariah Compliant	Yes
Issued shares (mil)	1805.33
Market cap. (RM'm)	14,117.70
Price over NA	1.08
52-wk price Range	RM7.77 - RM8.64
Beta (against KLCI)	0.48
3-mth Avg Daily Vol	0.40m
3-mth Avg Daily Value	RM3.01m

#### Major Shareholders

Petronas	75.47%
Amanah Saham Wawasan	6.08%
KWAP	5.00%

## INVESTMENT STATISTICS

FYE Dec (RM'm, unless otherwise stated)	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	1,340	1,385	1,367	1,452	1,508
Operating Profit	1,004	1,042	1,000	1,066	1,098
Profit Before Tax	1,518	1,136	1,115	989	1,019
Net Income	1,132	886	878	734	756
Core Net Income	725	719	720	734	756
Basic EPS (sen)	62.68	49.08	48.63	40.65	41.88
Core EPS (sen)	38.35	39.83	39.91	40.65	41.88
Gross Dividend (sen)	34.70	37.04	36.15	37.60	38.62
Net Dividend (sen)	32.67	34.87	34.04	35.40	36.36
Net Distribution Yield	4.2%	4.5%	4.4%	4.5%	4.6%
Core PER	20.4	19.6	19.6	19.2	18.7
NAV per unit	6.95	7.17	7.22	7.41	7.44
P/NAV	1.12	1.09	1.08	1.06	1.05
Core ROE	5.6%	5.6%	5.5%	5.6%	5.6%
Core ROA	4.0%	4.1%	4.1%	4.1%	4.2%

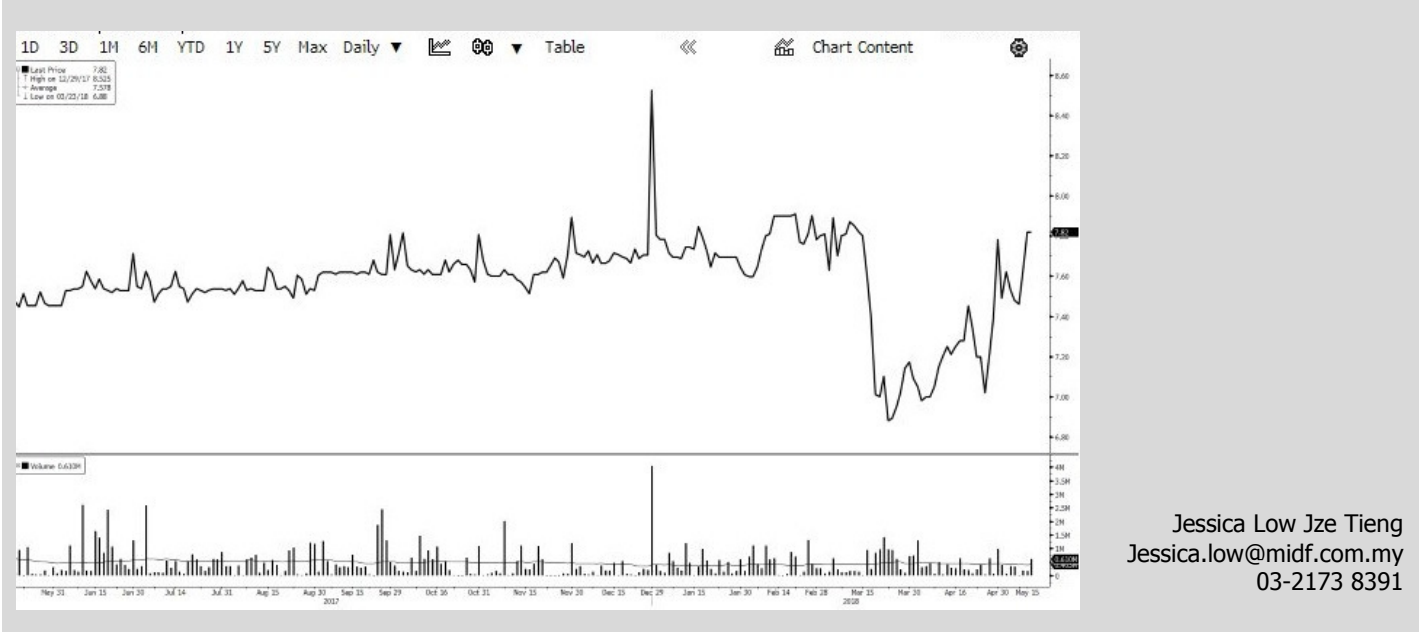
Source: MIDF Research

## KLCCP Stapled Group: 1QFY18 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY18	%YoY	%QoQ	FY18	%YoY
Revenue	345.1	2.5%	-2.0%	345.1	2.5%
Operating Profit	251.0	1.5%	-1.5%	251.0	1.5%
Profit Before Tax	233.9	4.7%	-44.7%	233.9	4.7%
Core PBT	233.9	4.7%	-11.9%	233.9	4.7%
Net Income	180.7	2.2%	-47.7%	180.7	2.2%
Core Net Income	180.7	2.2%	-3.9%	180.7	2.2%
Basic EPS (sen)	10.0	2.2%	-47.7%	10.0	2.2%
Core EPS (sen)	10.0	2.2%	-3.9%	10.0	2.2%
Gross Dividend (sen)	8.7	1.2%	-15.9%	8.7	1.2%

Source: Company, MIDF Research

## DAILY PRICE CHART



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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.