

16 August 2018 | 2QFY18 Results Review

## KLCCP Stapled Group

*Stable earnings*


### INVESTMENT HIGHLIGHTS

- **1HFY18 earnings within expectations**
- **Flattish sequential earnings**
- **Stable earnings in 1HFY18**
- **Maintain NEUTRAL with unchanged TP of RM7.59**

**1HFY18 earnings within expectations.** KLCCP Stapled Group (KLCCP) 1HFY18 core net income of RM359.8m came in within expectations, making up 49% of our and consensus full year forecasts. Distribution per unit (DPU) of 8.7sen was announced for the quarter, bringing total DPU to 17.4sen in 1HFY18.

**Flattish sequential earnings.** On sequential basis, core net income of RM179.1m was flattish at -0.8%qoq. Profit before tax (PBT) of office and retail division was also sequentially flattish. Meanwhile, hotel division recoded pre-tax loss of RM4.1m in 2QFY18 against PBT of RM2.4m in 1QFY18 due to lower occupancy of Mandarin Oriental and loss of banqueting events post general election.

**Stable earnings in 1HFY18.** On yearly basis, 1HFY18 earnings inched up 1.4%yoy, attributed to higher contribution from office and retail divisions. PBT of office division climbed by 0.7%yoy, driven mainly by full occupancy rate of Menara Exxonmobil. Similarly, PBT of retail division increased by 1.5%yoy due to higher rental rates. Meanwhile, hotel division was in the red by recorded pre-tax loss of RM1.7m in 1HFY18 due to weaker contribution in 2QFY18 as well as higher depreciation and interest costs on fully refurbished rooms.

**Maintain NEUTRAL with unchanged TP of RM7.59.** We maintain our earnings forecasts for FY18/FY19. 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. Earnings of retail division will also be supported by the marginally higher rental rates of Suria KLCC. 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 neutral earnings outlook. Dividend yield is estimated at 4.6%. 

**Maintain NEUTRAL**

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

#### RETURN STATS

Price (15 Aug 2018)	RM7.62
Target Price	RM7.59
Expected Share Price Return	-0.4%
Expected Dividend Yield	4.6%
<b>Expected Total Return</b>	<b>4.2%</b>

#### STOCK INFO

KLCI	1,785.94
Bursa / Bloomberg	5235/ KLCCSS MK
Board / Sector	Main / REITs
Syariah Compliant	Yes
Issued shares (mil)	1805.33
Market cap. (RM'm)	13,756.64
Price over NA	1.06
52-wk price Range	RM6.77 - RM8.64
Beta (against KLCI)	0.48
3-mth Avg Daily Vol	0.36m
3-mth Avg Daily Value	RM2.77m

#### Major Shareholders

Petronas	75.47%
Amanah Saham Wawasan	5.22%
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	4.3%	4.6%	4.5%	4.6%	4.8%
Core PER	19.9	19.1	19.1	18.7	18.2
NAV per unit	6.95	7.17	7.22	7.41	7.44
P/NAV	1.10	1.06	1.06	1.03	1.02
Core ROE	5.6%	5.6%	5.5%	5.6%	5.6%
Core ROA	4.0%	4.1%	4.1%	4.1%	4.2%

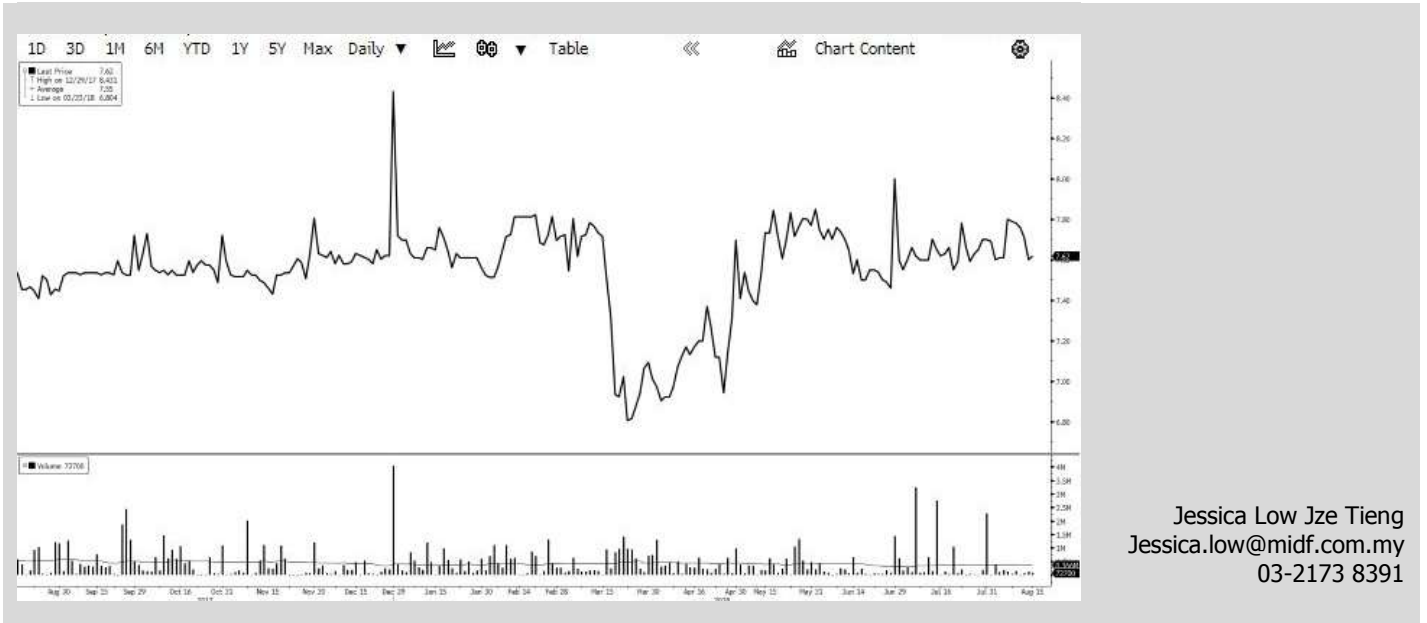
Source: MIDF Research

## KLCCP Stapled Group: 2QFY18 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY18	%YoY	%QoQ	FY18	%YoY
Revenue	345.0	2.2%	0.0%	690.1	2.4%
Operating Profit	249.3	0.9%	-0.7%	500.3	1.2%
Profit Before Tax	232.7	1.2%	-0.5%	466.6	2.9%
Core PBT	232.7	1.2%	-0.5%	466.6	2.9%
Net Income	179.1	0.7%	-0.8%	359.8	1.4%
Core Net Income	179.1	0.7%	-0.8%	359.8	1.4%
Basic EPS (sen)	9.9	0.7%	-0.8%	19.9	1.4%
Core EPS (sen)	9.9	0.7%	-0.8%	19.9	1.4%
Gross Dividend (sen)	8.7	1.2%	0.0%	17.4	1.2%

Source: Company, MIDF Research

## DAILY PRICE CHART



Jessica Low Jze Tieng  
Jessica.low@midf.com.my  
03-2173 8391

Source: Bloomberg

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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.