

14 November 2018 | 3QFY18 Results Review

## KLCCP Stapled Group

*Earnings on track*


### INVESTMENT HIGHLIGHTS

- **9MFY18 earnings in line**
- **Marginally higher sequential earnings**
- **Stable earnings in 9MFY18**
- **Maintain NEUTRAL with a revised TP of RM7.76**

**9MFY18 earnings in line.** KLCCP Stapled Group (KLCCP) 9MFY18 core net income of RM541.3m came in within expectations, making up 74% of our and consensus full year forecast. Distribution per unit (DPU) of 8.7sen was announced for the quarter, bringing total DPU to 26.1sen in 9MFY18.

**Marginally higher sequential earnings.** On sequential basis, core net income inched up by 1.3%qoq to RM181.4m in 3QFY18. The higher sequential earnings were mainly driven by higher contribution from hotel division. Hotel division returned to the black in 3QFY18 after recording profit before tax (PBT) of RM1.5m against pre-tax loss of RM4.1m in 2QFY18 due to newly refurbished rooms back in inventory. Meanwhile, contributions from office and retail division were flattish on sequential basis.

**Stable earnings in 9MFY18.** On yearly basis, 3QFY18 core net income climbed 2.1%yoy to RM181.4m, bringing cumulative earnings to RM541.3m (+1.7%yoy). The stable earnings in 9MFY18 were contributed by higher earnings from office and retail divisions. PBT of office division climbed 1.1%yoy, underpinned by full occupancy and long-term leases. Similarly, PBT of retail division increased 1.2%yoy due to higher occupancy rates and higher rental rates of Suria KLCC. Meanwhile, hotel division recorded pre-tax loss of RM0.2m due to higher depreciation from the newly refurbished rooms.

**Maintain NEUTRAL with a revised TP of RM7.76.** We maintain our earnings forecast for FY18/19. We revise our TP for KLCCP to RM7.76 from RM7.59 as we roll over our valuation to FY19. Our TP is based on Dividend Discount Model 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**

**Revised Target Price (TP): RM7.76**  
(Previously RM7.59)

#### RETURN STATS

Price (13 Nov 2018)	RM7.66
Target Price	RM7.76
Expected Share Price Return	1.3%
Expected Dividend Yield	4.6%
<b>Expected Total Return</b>	<b>5.9%</b>

#### STOCK INFO

KLCI	1,687.57
Bursa / Bloomberg	5235/ KLCCSS MK
Board / Sector	Main / REITs
Syariah Compliant	Yes
Issued shares (mil)	1805.33
Market cap. (RM'm)	13,828.85
Price over NA	1.06
52-wk price Range	RM6.77 - RM8.64
Beta (against KLCI)	0.43
3-mth Avg Daily Vol	0.33m
3-mth Avg Daily Value	RM2.54m
<b>Major Shareholders</b>	
Petronas	75.47%
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%	4.4%	4.6%	4.7%
Core PER	20.0	19.2	19.2	18.8	18.3
NAV per unit	6.95	7.17	7.22	7.41	7.44
P/NAV	1.10	1.07	1.06	1.03	1.03
Core ROE	5.6%	5.6%	5.5%	5.6%	5.6%
Core ROA	4.0%	4.1%	4.1%	4.1%	4.2%

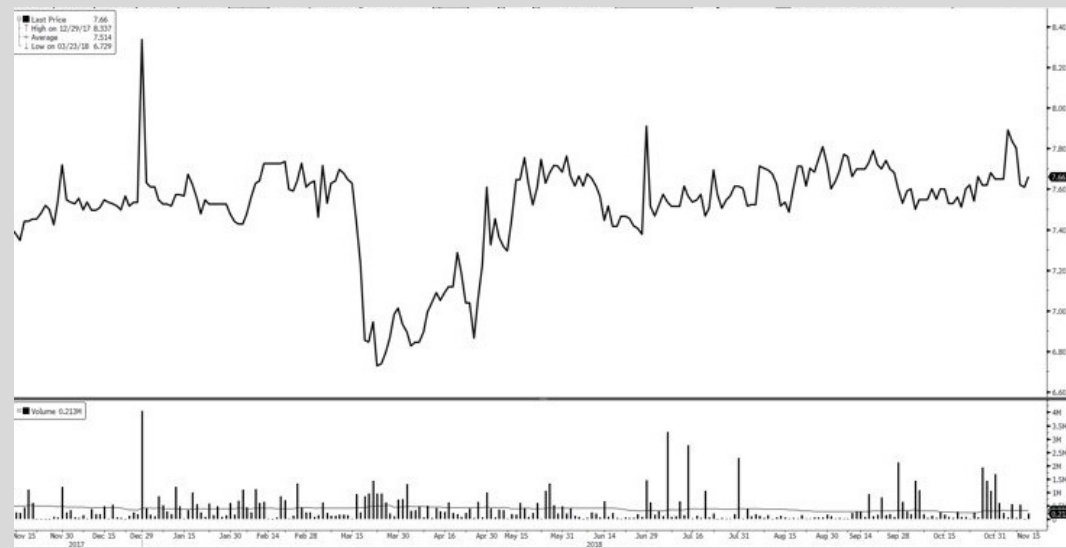
Source: MIDF Research

## KLCCP Stapled Group: 3QFY18 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY18	%YoY	%QoQ	FY18	%YoY
Revenue	349.5	2.6%	1.3%	1,039.6	2.5%
Operating Profit	251.3	0.3%	0.8%	751.6	0.9%
Profit Before Tax	234.5	0.6%	0.8%	701.1	2.1%
Core PBT	234.5	0.6%	0.8%	701.1	2.1%
Net Income	181.4	2.1%	1.3%	541.3	1.7%
Core Net Income	181.4	2.1%	1.3%	541.3	1.7%
Basic EPS (sen)	10.0	2.1%	1.3%	30.0	1.7%
Core EPS (sen)	10.0	2.1%	1.3%	30.0	1.7%
Gross Dividend (sen)	8.7	1.2%	0.0%	26.1	1.2%

Source: Company, MIDF Research

## DAILY PRICE CHART



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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.