

25 January 2018 | 4QFY17 Results Review

## KLCCP Stapled Group

### *Flattish earnings in FY17*


#### INVESTMENT HIGHLIGHTS

- **FY17 earnings met expectations**
- **Higher sequential earnings driven by all divisions**
- **Flattish full year earnings**
- **Maintain NEUTRAL with unchanged TP of RM7.60**

**FY17 earnings met expectations.** KLCCP Stapled Group (KLCCP) core net income of RM702.4m met expectations, making up 100% of our and consensus full year forecast. Note that we have excluded fair value adjustment to investment property (RM157.5m) in our core net income calculation. Distribution per unit (DPU) of 10.35sen was announced for the quarter, bringing FY17 DPU to 36.15sen.

**Higher sequential earnings driven by all divisions.** KLCCP recorded core net profit of RM188.1m in 4QFY17, increasing by 5.8%qoq. The higher sequential earnings were driven by higher contribution from all divisions. Profit before tax (PBT) of retail division grew 1.8%qoq which could be attributed to higher footfall in 4Q and higher rental rates. Meanwhile, PBT of hotel division climbed 85.8%qoq due to seasonally higher hospitality demand in 4Q and enhancement to Mandarin Oriental.

**Flattish full year earnings.** On yearly basis, 4QFY17 core net income grew by 4.4%yoy, bringing cumulative earnings to RM720.4m (+0.2%yoy). The flattish full year earnings were mainly due to higher contribution from office and hotel divisions which offset by lower contribution from retail division. PBT of office division increased by 0.97%yoy due to saving in finance costs. Similarly, hotel division posted PBT of RM5.2m in FY17 against pre-tax loss of RM3.2m in FY16 due to improved occupancy rate. Meanwhile, PBT of retail division was weaker by 0.4%yoy due to one off back rental recognition in FY16. Excluding the said back rental, PBT of retail division would have improved by 1.5%yoy, underpinned by positive rental reversion.

**Maintain NEUTRAL with unchanged TP of RM7.60.** We maintain our earnings forecast for FY18 and introduce our earnings forecast for FY19. We maintain target price of RM7.60, based on DDM with required rate of required return of 7.8%. We are keeping our Neutral recommendation on KLCCP due to its tepid earnings outlook. Dividend yield is estimated at 4.5% 

**Maintain NEUTRAL**

**Unchanged Target Price (TP): RM7.60**

#### RETURN STATS

Price (24 January 2018)	RM7.80
Target Price	RM7.60
Expected Share Price Return	-2.6%
Expected Dividend Yield	+4.5%
<b>Expected Total Return</b>	<b>+1.9%</b>

#### STOCK INFO

KLCI	1837.04
Bursa / Bloomberg	5235/ KLCCSS MK
Board / Sector	Main / REITs
Syariah Compliant	Yes
Issued shares (mil)	1805.33
Market cap. (RM'm)	14,081.60
Price over NA	1.10
52-wk price Range	RM7.62 - RM8.64
Beta (against KLCI)	0.51
3-mth Avg Daily Vol	0.38m
3-mth Avg Daily Value	RM3.01m
<b>Major Shareholders</b>	
Petronas	75.47%
Amanah Saham Wawasan	5.20%

## 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	990	1,022
Net Income	1,132	886	878	735	758
Core Net Income	725	719	720	735	758
Basic EPS (sen)	62.68	49.08	48.63	40.69	41.99
Core EPS (sen)	38.35	39.83	39.91	40.69	41.99
Gross Dividend (sen)	34.70	37.04	36.15	37.64	38.71
Net Dividend (sen)	32.67	34.87	34.04	35.44	36.45
Net Distribution Yield	4.2%	4.5%	4.4%	4.5%	4.7%
Core PER	20.3	19.6	19.5	19.2	18.6
NAV per unit	6.95	7.17	7.22	7.41	7.44
P/NAV	1.12	1.09	1.08	1.05	1.05
Core ROE	5.6%	5.6%	5.5%	5.6%	5.7%
Core ROA	4.0%	4.1%	4.1%	4.1%	4.3%

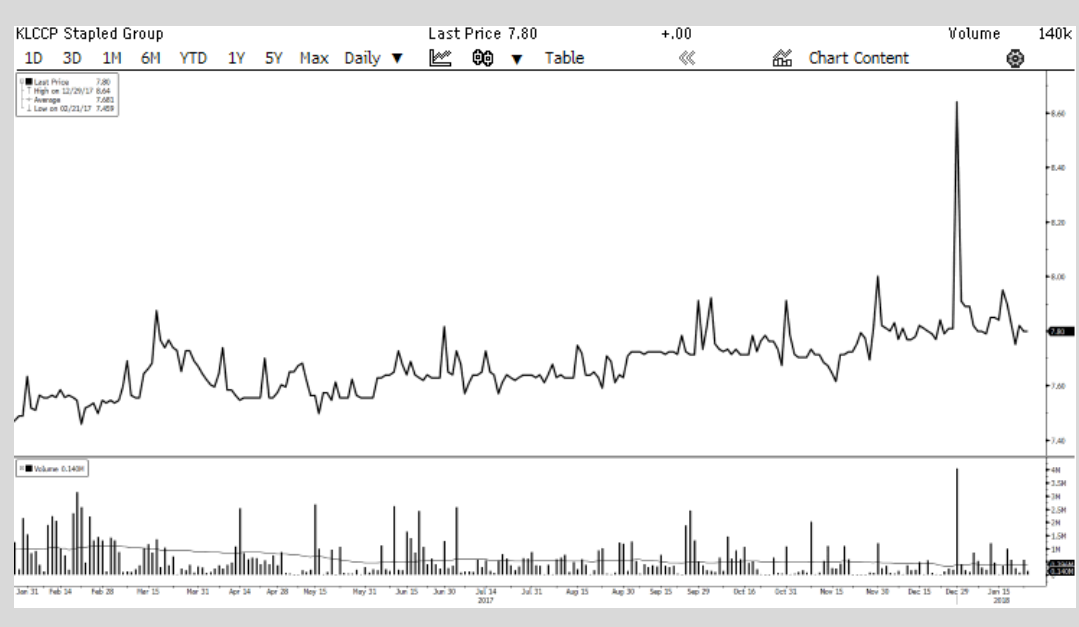
Source: MIDF Research

## KLCCP Stapled Group: 4QFY17 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY17	%YoY	%QoQ	FY17	%YoY
Revenue	352.1	2.1%	3.4%	1,366.8	1.7%
Operating Profit	254.9	0.3%	1.7%	999.7	0.0%
Profit Before Tax	422.8	4.1%	81.4%	1,109.3	0.6%
Core PBT	265.4	10.9%	13.9%	951.9	1.7%
Net Income	345.5	-0.5%	94.4%	877.9	-0.9%
Core Net Income	188.1	4.4%	5.8%	720.4	0.2%
Basic EPS (sen)	19.1	-0.5%	94.4%	48.6	-0.9%
Core EPS (sen)	10.4	4.4%	5.8%	39.9	0.2%
Gross Dividend (sen)	10.4	5.1%	20.3%	36.2	1.4%

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.