

20 September 2018 | Corporate Update

## Kuala Lumpur Kepong Berhad

*Visit to Bandar Seri Coalfields*

**Maintain BUY**

**Unchanged Target Price: RM27.38**

### INVESTMENT HIGHLIGHTS


- **Bandar Seri Coalfields has GDV of RM4.0b**
- **North Haven Coalfields is the focus for FY18**
- **Property division contribution should grow in the future**
- **RM10.0b of GDV for other land in Sungai Buloh/Ijok**
- **Maintain BUY with TP of RM27.38**

**Bandar Seri Coalfields has GDV of RM4.0b.** We visited Kuala Lumpur Kepong (KLK) property development project in Bandar Seri Coalfields (BSC) and returned feeling positive on the Company's property division long term prospect. BSC is a 1,001 acres freehold township development in Sungai Buloh, Selangor. It is located ~45km away from Kuala Lumpur City Centre. Launched in 2011, the township has total GDV of RM4.0b and expected completion period is 15 years.

**North Haven Coalfields is the focus for FY18.** KLK has launched the maiden phase of North Haven Coalfields, Hemingway Residences which comprises 158 units of superlink homes (lot size 24' x 90') and 94 units of semi-detached homes (lot size 40' x 100'). We gather that the price of superlink homes start from RM770,000 while the semi-detached homes start from RM1.15m.

**Property division contribution should grow in the future.** In FY17, property division registered PBT of RM40.5m representing small contribution of 3% to the Group's total PBT. Despite the small contribution currently, we expect it to grow in the future due to other strategic landbank in Sungai Buloh.

**RM10.0b of GDV for other land in Sungai Buloh/Ijok area.** Besides BSC, KLK owns 2187 acres of landbank in Sungai Buloh and 415 acres in Ijok. Our estimate shows that the total GDV for these two new townships could exceed RM10.0b. KLK plans to launch the first phase in both landbank in 4QCY2019.

**Maintain BUY with TP of RM27.38.** Our earnings estimates are unchanged as the information gathered has been included previously. Our TP is based on Forward PE of 26.8x (+1.0SD Valuation). Maintain BUY on KLK for its earnings resiliency and decent dividend yield. 

RETURN STATS	
Price (19 Sep 2018)	RM24.94
Target Price	RM27.38
Expected Share Price Return	+9.8%
Expected Dividend Yield	+2.4%
<b>Expected Total Return</b>	<b>+12.2%</b>

STOCK INFO	
KLCI	1800.71
Bursa / Bloomberg	2445 / KLK MK
Board / Sector	Plantation
Syariah Compliant	Yes
Issued shares (mil)	1064.97
Market cap. (RM'm)	26,560.24
Price over NA	2.36
52-wk price Range	RM23.2 - RM25.9
Beta (against KLCI)	0.57
3-mth Avg Daily Vol	0.92m
3-mth Avg Daily Value	RM22.6m
Major Shareholders	
BATU KAWAN BHD	47.03%
EPF	11.38%
SKIM ASB	5.34%

## INVESTMENT STATISTICS

FYE Sep (RM'm, unless otherwise stated)	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	13,650	16,506	21,004	24,499	26,206
EBIT	1,134	1,865	1,624	1,279	1,574
PBT	1,135	1,712	1,450	1,201	1,496
Net Income	870	1,592	1,005	864	1,088
Core Net Income	789	1,052	1,080	864	1,088
EPS (sen)	81.7	149.5	94.4	81.1	102.2
Core EPS (sen)	74.1	98.8	101.4	81.1	102.2
Net DPS (sen)	45.0	50.0	50.0	47.9	60.4
Net Dvd Yield	1.8%	2.0%	2.0%	1.9%	2.4%
PER	33.7	25.2	24.6	30.8	24.4
NTA/share (RM)	7.81	9.79	10.86	9.40	9.82
P/NTA	3.19	2.54	2.29	2.65	2.54
ROE	10.4%	15.2%	8.7%	8.6%	10.4%
ROA	6.6%	8.7%	5.2%	5.5%	6.6%

Source: Company, MIDF Research

## Master Plan of Bandar Seri Coalfields



Source: Company

**Semi-detached homes at North Haven Coalfields**



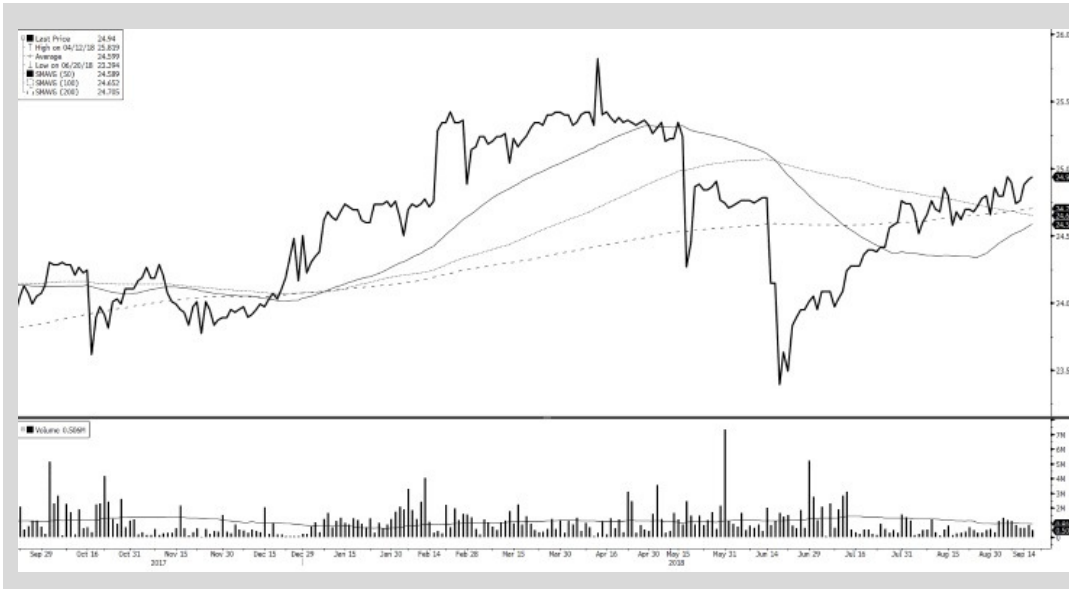
Source: MIDF Research

## Wesley Methodist School BSC will open in Jan-2019



Source: MIDF Research

## DAILY PRICE CHART



Alan Lim, CFA  
alan.lim@midf.com.my  
03-2173 8464

Source: MIDFR, Company

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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	<i>Negative</i> 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.