

KLCCP Stapled Group

(5235 | KLCCSS MK) Main | REIT

Stable Prospect

KEY INVESTMENT HIGHLIGHTS

- **1HFY23 earnings within expectation**
- **Solid earnings**
- **Earnings forecast maintained**
- **Stable earnings prospect driven by office and retail divisions**
- **Maintain NEUTRAL with a revised TP of RM7.08**

1HFY23 earnings within expectation. KLCCP Stapled Group (KLCCP) 1HFY23 core net earnings of RM361.4m came in within our and consensus expectations, making up 48% of our and consensus full year estimates. Meanwhile, second interim distribution per unit (DPU) of 8.8sen was announced, bringing cumulative DPU to 17.3sen in 1HFY23.

Solid earnings. Sequentially, 2QFY23 core net income was flattish at RM180.8m (+0.1%yoy). Earnings in 2QFY23 were little-changed as contribution from office, retail, and hotel divisions were flattish. On yearly basis, 2QFY23 core net income was higher (+9.5%yoy) mainly due to recovery in retail and hotel division which was underpinned by higher shopper footfall and higher tourist arrival. That brought cumulative earnings in 1HFY23 to RM361.4m (+10.6%yoy). The higher earnings were mainly contributed by better contribution from all three core business divisions. Firstly, office division recorded higher PBT (+1.3%yoy), underpinned by long-lease agreement of its office assets. Secondly, retail division contributed higher PBT (+12.3%yoy) as shopper footfall and tenant sales recovered which supported positive rental reversion. Meanwhile, pre-tax losses of hotel division narrowed significantly to RM4.9m in 1HFY23 against pre-tax loss of RM21.1m in 1HFY22 due to reopening of country border and higher tourist arrival.

Earnings forecast maintained. We make no changes to our earnings forecast for FY23F/24F/25F. We continue to see stable earnings prospect for KLCCP due to stable contribution from office segment and better contribution from retail segment. The recovery in shopper footfall should underpin positive rental reversion outlook going forward. Meanwhile, we expect hotel division to continue record earnings recovery due to higher tourist arrival.

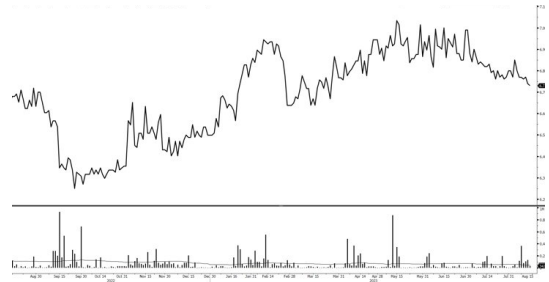
Maintain NEUTRAL with a revised TP of RM7.08. We fine-tuned our DPU forecast and correspondingly our Dividend Discount Model derived **TP** is revised to **RM7.08** from RM7.15. We continue to see stable earnings prospect for KLCCP on the back of solid contribution from office and retail divisions. Nevertheless, we maintain our **NEUTRAL** call on KLCCP due to limited upside. Meanwhile, dividend yield is estimated at 5.2%.

Maintain NEUTRAL
Revised Target Price: RM7.08
Previously RM7.15

RETURN STATISTICS

Price @ 14 th Aug 2023 (RM)	6.77
Expected share price return (%)	4.6
Expected dividend yield (%)	5.2
Expected total return (%)	9.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.3	-4.1
3 months	-3.7	-6.0
12 months	-4.3	-0.8

INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	1,558	1,615	1,669
Operating Profit	1,095	1,143	1,168
PBT	1,019	1,067	1,092
Core Net Income	761	778	806
Core EPU (sen)	42.17	43.10	44.67
Net DPU (sen)	35.8	35.8	36.7
Dividend Yield	5.2%	5.2%	5.4%

KEY STATISTICS

FBM KLCI	1457.0
Issue shares (m)	1,805.33
Estimated free float (%)	12.49
Market Capitalisation (RM'm)	12,222
52-wk price range	RM6.46-RM7.18
3-mth average daily volume (m)	0.07
3-mth average daily value (RM'm)	0.46
Top Shareholders (%)	
Petroleum Nasional Bhd	64.68
Amanah Saham Nasional Bhd	11.35
Employees Provident Fund Board	10.12

Analyst

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KLCCP Stapled Group: 2QFY23 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY23	%YoY	%QoQ	FY23	%YoY
Revenue	394.6	12.7%	3.6%	775.4	15.4%
Operating Profit	250.8	5.9%	-0.3%	502.1	9.9%
Profit Before Tax	236.4	7.8%	-0.1%	473.2	12.2%
Core PBT	236.4	7.8%	-0.1%	473.2	12.2%
Net Income	180.8	9.5%	0.1%	361.4	10.6%
Core Net Income	180.8	9.5%	0.1%	361.4	10.6%
Basic EPS (sen)	10.0	9.5%	0.1%	20.0	10.6%
Core EPS (sen)	10.0	9.5%	0.1%	20.0	10.6%
Gross Dividend (sen)	8.8	10.0%	3.5%	17.3	8.1%

Source: Company, MIDF Research

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	1,171	1,459	1,558	1,615	1,669
Operating Profit	785	959	1,095	1,143	1,168
PBT	566	1,019	1,019	1,067	1,092
Net Income	496	783	763	781	810
Core Net Income	617	685	761	778	806
Core EPU (sen)	34.2	37.9	42.2	43.1	44.7
Core PER (x)	19.8	17.9	16.1	15.7	15.2
NAV/unit (RM)	8.33	8.40	7.42	7.47	7.53
P/NAV (x)	0.81	0.81	0.91	0.91	0.90

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
Investment Properties	15,587	15,723	15,935	16,158	16,352
Total non-current assets	16,863	16,893	17,053	17,292	17,500
Cash	960	1,105	1,119	1,158	1,189
Other Assets	115	111	386	292	244
Total Assets	17,937	18,109	18,559	18,741	18,933
LT Borrowings	2,348	2,356	2,403	2,450	2,497
ST Borrowings	28	23	27	31	32
Other Liability	522	564	490	501	512
Total Liability	2,898	2,942	2,920	2,982	3,041
Unitholders' capital	1,823	1,823	1,823	1,823	1,823
Capital Reserve	2,861	2,897	2,899	2,902	2,906
Other Equity	10,355	10,447	10,916	11,034	11,163
Total Equity	15,039	15,167	15,638	15,759	15,892
Equity + Liability	17,937	18,109	18,559	18,741	18,933

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
Cash flows from operating activities					
Net income before taxation	566	1019	1019	1067	1092
Net cash from operating activities	776	1026	951	985	988
Cash flows from investing activities					
Expenditure on investment properties	-38	-6	-30	-40	-30
Net cash used in investing activities	-41	4	-26	-36	-26

Cash flows from financing activities					
Net cash from/(used in) financing activities	-648	-884	-908	-911	-931
Net increase/(decrease) in cash and cash equivalents	87	146	17	38	31
Cash and cash equivalent at 1 January	870	957	1103	1119	1158
Cash and cash equivalent at 1 December	957	1103	1119	1158	1189

Profitability Margins	2021A	2022A	2023E	2024F	2025F
PBT margin	48.3%	69.8%	65.4%	66.1%	65.5%
Core net income margin	52.7%	46.9%	48.9%	48.2%	48.3%
ROE	4.1%	4.5%	5.3%	5.8%	6.0%
ROA	3.4%	3.8%	4.2%	4.2%	4.3%

Source: Bloomberg, MIDFR

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Source: Bloomberg, MIDFR

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.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology