

KLCCP Stapled Group

(5235 | KLCCSS MK) Main | REIT

Stable Earnings Prospect

KEY INVESTMENT HIGHLIGHTS

- **9MFY23 earnings within expectations**
- **Stable earnings on sequential basis**
- **Solid 9MFY23 earnings**
- **Earnings forecast maintained**
- **Maintain NEUTRAL with an unchanged of RM7.08**

9MFY23 earnings within expectations. KLCCP Stapled Group (KLCCP) 9MFY23 core net income of RM546.7m came in within expectations, making up 72% and 73% of our and consensus full year estimates respectively. Meanwhile, third distribution per unit (DPU) of 8.8sen was announced for 3QFY23, bringing total DPU to 26.1sen in 9MFY23.

Stable earnings on sequential basis. Sequentially, 3QFY23 core net income was marginally higher at RM185.3m (+2.5%qoq). The stable earnings growth was mainly driven by improved performance of retail and hotel divisions. Profit before tax (PBT) of retail division was higher (+4.6%qoq) in line with higher rental income (+3.8%qoq) which supported by higher shopper footfall. Meanwhile, hotel division returned to the black in 3QFY23 after recording PBT of RM1.7m against pre-tax loss of RM2.6m in 2QFY23 on the back of higher Average Room Rate (ARR) and higher occupancy rate as well as higher revenue from F&B.

Solid 9MFY23 earnings. On yearly basis, 3QFY23 core net income was higher (+5%yoy), bringing cumulative core net income in 9MFY23 higher at RM546.7m (+8.6%yoy). The earnings growth was underpinned by improved performance of all core business division. Notably, retail division recorded higher PBT (+5.5%yoy) mainly driven by higher tenant sales and positive rental reversion. On the other hand, PBT of office division was flattish on the back of long-term lease of its office assets. Meanwhile, pre-tax loss of hotel division narrowed significantly to -RM3.2m in 9MFY23 from pre-tax loss of -RM23.5m in 9MFY22 as ARR and occupancy rate of Mandarin Oriental improved following reopening of international borders.

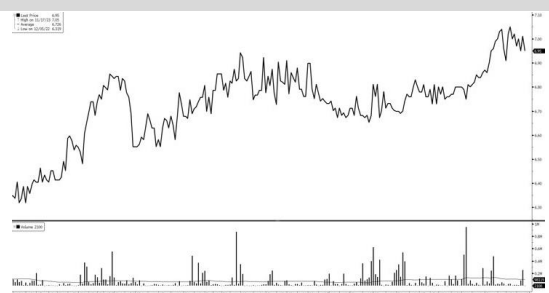
Maintain NEUTRAL with an unchanged TP of RM7.08. We make no changes to our earnings forecast for FY23F/24F/25F. Our **TP** is unchanged at **RM7.08**, based on Dividend Discount Model. Earnings prospect for KLCCP is expected to remain steady as performance of retail and hotel division should support by higher tourist arrival. Meanwhile, contribution from office will remain stable going forward due to long lease agreement. Nevertheless, upside is limited and hence we maintain our **NEUTRAL** call on KLCCP. Meanwhile, dividend yield is estimated at 5.1%.

Maintain NEUTRAL
Unchanged Target Price: RM7.08

RETURN STATISTICS

Price @ 28 th Nov 2023 (RM)	6.95
Expected share price return (%)	+1.9
Expected dividend yield (%)	5.1
Expected total return (%)	+7.0

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	1.6	1.2
3 months	2.2	1.9
12 months	2.1	4.8

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	5.1%	5.1%	5.2%

KEY STATISTICS

FBM KLCI	1,448.02
Issue shares (m)	1,805.33
Estimated free float (%)	12.41
Market Capitalisation (RM'm)	12,547
52-wk price range	RM6.54-RM7.18
3-mth average daily volume (m)	0.11
3-mth average daily value (RM'm)	0.73
Top Shareholders (%)	
Petroliam Nasional Bhd	64.68
Amanah Saham Nasional Bhd	11.35
Employees Provident Fund Board	10.20

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KLCCP Stapled Group: 3QFY23 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY23	%YoY	%QoQ	FY23	%YoY
Revenue	401.2	7.3%	1.7%	1,176.5	12.5%
Operating Profit	257.9	1.7%	2.9%	760.1	7.0%
Profit Before Tax	243.9	2.6%	3.1%	717.0	8.8%
Core PBT	243.9	2.6%	3.1%	717.0	8.8%
Net Income	185.3	5.0%	2.5%	546.7	8.6%
Core Net Income	185.3	5.0%	2.5%	546.7	8.6%
Basic EPS (sen)	10.3	5.0%	2.5%	30.3	8.6%
Core EPS (sen)	10.3	5.0%	2.5%	30.3	8.6%
Gross Dividend (sen)	8.8	10.0%	0.0%	26.1	8.8%

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)	20.3	18.3	16.5	16.1	15.6
NAV/unit (RM)	8.33	8.40	7.42	7.47	7.53
P/NAV (x)	0.83	0.83	0.94	0.93	0.92

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