

## KLCCP Stapled Group

(5235 | KLCCSS MK) Main | REIT

### Full Ownership of Suria KLCC

#### KEY INVESTMENT HIGHLIGHTS

- **Acquisition of remaining 40% equity interest in Suria KLCC**
- **Expanding contribution from retail segment**
- **Yield accretive acquisition**
- **Earnings forecast revised upwards**
- **Maintain NEUTRAL with a revised TP of RM7.20**

#### Acquisition of remaining 40% equity interest in Suria KLCC.

KLCCP Stapled Group announced that KLCC Property Holdings Berhad had on 26<sup>th</sup> January 2024 entered into a share purchase agreement with existing shareholders of Suria KLCC Sdn Bhd (Suria KLCC) namely Ocmador (Malaysia) City Retail Centre Sdn Bhd, Port Moresby Investment Limited and Bold Peak Sdn Bhd and CBRE Asia Retail Fund Limited as seller's guarantor for the proposed acquisition by KLCC Property Holdings Berhad of 40% equity interest in Suria KLCC not already owned by KLCC Property Holdings Berhad for cash consideration of RM1.95b. Suria KLCC is currently a 60% owned subsidiary of KLCC Property Holdings Berhad. Upon completion of the proposed acquisition, Suria KLCC will become a wholly owned subsidiary of KLCC Property Holdings Berhad. The proposed acquisition is expected to be completed by 2QFY24.

**Expanding contribution from retail segment.** We view the acquisition positively as the full ownership of Suria KLCC will solidify KLCCP Stapled Group's portfolio and expand contribution from retail segment. Note that retail segment is the second largest earnings contributor in 9MFY23 by contributing to 41% to operating profit while office segment is the largest earnings contributor which contributed to 50% to operating profit. Meanwhile, Suria KLCC Mall which is strategically located at KLCC has a high occupancy rate of 98% as of Dec 2023. Shopper footfall of Suria KLCC Mall has been recovering post reopening of country borders as it is one of the tourist hotspots in Malaysia.

**Yield accretive acquisition.** The purchase price of RM1.95b for 40% stake in Suria KLCC values Suria KLCC at RM4.9b, which is lower than market value of Suria KLCC Mall of RM5.6b as of 31 December 2023. Meanwhile, we estimate net acquisition yield at be attractive at 6.9% based on profit after tax of RM335m recorded in FY22. KLCC Property Holdings Berhad intends to fund the acquisition via borrowings. Post acquisition, we estimate gearing of KLCCP Stapled Group to increase to 0.21x from 0.13x as of 3QFY23. The acquisition is yield accretive as acquisition yield is higher than average cost of debt of 4.6%.

**Maintain NEUTRAL**

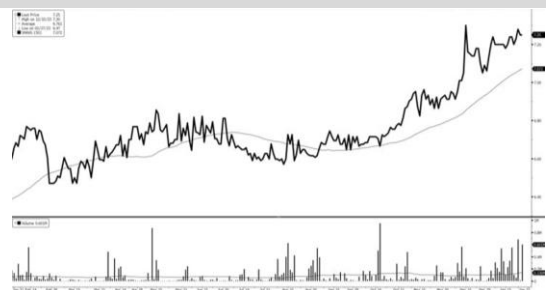
**Revised Target Price: RM7.20**

(Previously RM7.08)

#### RETURN STATISTICS

Price @ 26 <sup>th</sup> Jan 2024 (RM)	7.25
Expected share price return (%)	-0.7
Expected dividend yield (%)	+4.9
<b>Expected total return (%)</b>	<b>+4.2</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.1	-1.4
3 months	2.3	1.5
12 months	2.8	2.2

#### INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	1,558	1,615	1,669
Operating Profit	1,095	1,138	1,157
PBT	1,019	1,017	988
Core Net Income	761	818	879
Core EPU (sen)	42.17	45.32	48.70
Net DPU (sen)	35.78	36.72	37.66
Dividend Yield	4.93%	5.0%	5.2%

#### KEY STATISTICS

FBM KLCI	1,506.28
Issue shares (m)	1,805.33
Estimated free float (%)	12.31
Market Capitalisation (RM'm)	13,088
52-wk price range	RM6.66-RM7.3
3-mth average daily volume (m)	0.13
3-mth average daily value (RM'm)	0.96
Top Shareholders (%)	
Petroleum Nasional Bhd	64.68
Amanah Saham Nasional Bhd	11.35
Employees Provident Fund Board	10.30

**Analyst**

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**Maintain NEUTRAL with a revised TP of RM7.20.** We make no changes to revenue forecast for FY24F/25F as Suria KLCC is a subsidiary of KLCC Property Holdings Berhad. Nevertheless, we revise our FY24F/25F earnings forecast by +5.2%/9% after factoring higher equity stake in Suria KLCC. Post revision in earnings, our **TP** for KLCCP is revised to **RM7.20** from RM7.08. Our TP is based on Dividend Discount Model. We see earnings prospect for KLCCP to remain stable going forward, as contributions from office division is backed by long-term lease agreements while hotel and retail division will support by higher tourist arrivals. Nevertheless, upside is limited and hence we maintain our **NEUTRAL** call on KLCCP. Meanwhile, dividend yield is estimated at 4.9%.



## 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	1,138	1,157
PBT	566	1,019	1,019	1,017	988
Net Income	496	783	763	821	883
Core Net Income	617	685	761	818	879
Core EPU (sen)	34.2	37.9	42.2	45.3	48.7
Core PER (x)	21.2	19.1	17.2	16.0	14.9
NAV/unit (RM)	8.33	8.40	7.42	7.50	7.60
P/NAV (x)	0.87	0.86	0.98	0.97	0.95
Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
Investment Properties	15,587	15,723	15,935	18,408	18,442
Total non-current assets	16,863	16,893	17,053	19,542	19,590
Cash	960	1,105	1,137	1,101	1,053
Other Assets	115	111	386	77	366
<b>Total Assets</b>	<b>17,937</b>	<b>18,109</b>	<b>18,577</b>	<b>20,720</b>	<b>21,009</b>
LT Borrowings	2,348	2,356	2,403	4,353	4,406
ST Borrowings	28	23	27	31	32
Other Liability	522	564	490	501	512
Total Liability	2,898	2,942	2,920	4,885	4,949
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	10,934	11,110	11,330
Total Equity	15,039	15,167	15,656	15,835	16,060
<b>Equity + Liability</b>	<b>17,937</b>	<b>18,109</b>	<b>18,577</b>	<b>20,720</b>	<b>21,009</b>
Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
Cash flows from operating activities					
Net income before taxation	566	1019	1019	1017	988
Net cash from operating activities	776	1026	951	981	978
Cash flows from investing activities					
Expenditure on investment properties	-38	-6	-30	-1986	-30
Net cash used in investing activities	-41	4	-26	-1982	-26
Cash flows from financing activities					
Net cash from/(used in) financing activities	-648	-884	-890	965	-1001
Net increase/(decrease) in cash and cash equivalents	87	146	35	-36	-49
Cash and cash equivalent at 1 January	870	957	1103	1137	1101
Cash and cash equivalent at 1 December	957	1103	1137	1101	1053

<b>Profitability Margins</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>
PBT margin	48.3%	69.8%	65.4%	63.0%	59.2%
Core net income margin	52.7%	46.9%	48.9%	50.7%	52.7%
ROE	4.1%	4.5%	5.3%	6.1%	6.5%
ROA	3.4%	3.8%	4.2%	4.2%	4.2%

Source: Bloomberg, MIDFR

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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.

#### 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