

KLCCP Stapled Group

(5235 | KLCCSS MK) Main | REIT

Decent Earnings Growth

KEY INVESTMENT HIGHLIGHTS

- **FY23 earnings within expectations**
- **Marginally lower earnings in 4QFY23**
- **Decent earnings growth in FY23**
- **Earnings forecast maintained**
- **Maintain NEUTRAL with an unchanged of RM7.20**

FY23 earnings within expectations. KLCCP Stapled Group (KLCCP) FY23 core net income of RM726.4m came in within expectations, making up 95% and 96% of our and consensus full year estimates respectively. Meanwhile, the fourth distribution per unit (DPU) of 14.4sen was announced for 4QFY23, bringing total DPU to 40.5sen in FY23 which translates into gross yield of 5.5%.

Marginally lower earnings in 4QFY23. Sequentially, 4QFY23 core net income was marginally lower at RM179.7m (-3%qoq) despite higher topline (+10.3%qoq) mainly due to higher operating expenses (+27.4%qoq). Profit before tax (PBT) of retail division was higher at RM104m (+2.3%qoq), driven by seasonally higher shopper footfall and higher rental income. Similarly, PBT of hotel division expanded to RM6.2m in 4QFY23 from RM1.7m in 3QFY23, underpinned by year-end holiday season which supported Average Room Rate (ARR) and occupancy rate of Mandarin Oriental.

Decent earnings growth in FY23. On yearly basis, 4QFY23 core net income was flattish at RM179.7m (-1%yoy), bringing full year earnings in FY23 to RM726.4m (+6.1%yoy). The decent earnings growth in FY23 was mainly supported by earnings recovery in retail and hotel divisions. Notably, retail division was buoyed by positive rental reversion and improved tenant sales. Similarly, hotel division improved on the back of higher tourist arrivals which supported ARR growth and occupancy rate of Mandarin Oriental. Meanwhile, performance of office division was relatively stable on the back of long-term lease of its office assets.

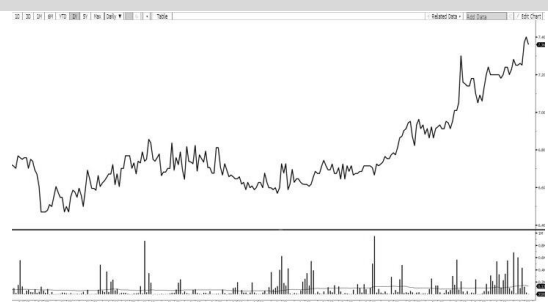
Maintain NEUTRAL with an unchanged TP of RM7.20. We maintain our earnings forecast for FY24F/25F. We also introduce our earnings forecast for FY26F. Meanwhile, our **TP** is unchanged at **RM7.20**, based on Dividend Discount Model. We see stable earnings prospect for KLCCP due to brighter earnings outlook for retail and hotel division. Nevertheless, upside is limited and hence we maintain our **NEUTRAL** call on KLCCP. Meanwhile, dividend yield is estimated at 5.3%.

Maintain NEUTRAL
Unchanged Target Price: RM7.20

RETURN STATISTICS

Price @ 7 th Feb 2024 (RM)	7.31
Expected share price return (%)	-1.5
Expected dividend yield (%)	+5.3
Expected total return (%)	+3.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	1.7	-0.2
3 months	3.8	1.3
12 months	4.2	2.5

INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	1,615	1,669	1,730
Operating Profit	1,138	1,157	1,181
PBT	1,021	986	1,012
Core Net Income	818	879	889
Core EPU (sen)	45.31	48.69	49.24
Net DPU (sen)	38.41	38.60	39.07
Dividend Yield	5.3%	5.3%	5.4%

KEY STATISTICS

FBM KLCI	1,513.11
Issue shares (m)	1,805.33
Estimated free float (%)	12.28
Market Capitalisation (RM'm)	13,197
52-wk price range	RM6.66-RM7.41
3-mth average daily volume (m)	0.14
3-mth average daily value (RM'm)	1.01
Top Shareholders (%)	
Petroliam Nasional Bhd	64.68
Amanah Saham Nasional Bhd	11.35
Employees Provident Fund Board	10.33

Analyst

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KLCCP Stapled Group: 4QFY23 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY23	%YoY	%QoQ	FY23	%YoY
Revenue	442.6	7.1%	10.3%	1,619.2	11.0%
Operating Profit	260.1	4.8%	0.9%	1,020.2	6.4%
Profit Before Tax	470.4	30.8%	92.9%	1,187.4	16.5%
Core PBT	265.5	1.5%	8.9%	982.5	6.7%
Net Income	384.6	37.6%	107.5%	931.3	19.0%
Core Net Income	179.7	-1.0%	-3.0%	726.4	6.1%
Basic EPS (sen)	21.3	37.6%	107.5%	51.6	19.0%
Core EPS (sen)	10.0	-1.0%	-3.0%	40.2	6.1%
Gross Dividend (sen)	14.4	2.9%	63.6%	40.5	6.6%

Source: Company, MIDF Research

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	1,459	1,619	1,615	1,669	1,730
Operating Profit	959	1,020	1,138	1,157	1,181
PBT	1,019	1,187	1,021	986	1,012
Net Income	783	931	824	881	894
Core Net Income	685	726	818	879	889
Core EPU (sen)	37.9	40.2	45.3	48.7	49.2
Core PER (x)	19.3	18.2	16.1	15.0	14.8
NAV/unit (RM)	8.40	8.52	7.60	7.68	7.76
P/NAV (x)	0.87	0.86	0.96	0.95	0.94
Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
Investment Properties	15,723	15,953	18,426	18,580	18,776
Total non-current assets	16,893	17,043	19,560	19,728	19,940
Cash	1,105	1,192	1,106	1,019	939
Other Assets	111	99	298	424	398
Total Assets	18,109	18,334	20,964	21,171	21,277
LT Borrowings	2,356	1,290	3,240	3,293	3,347
ST Borrowings	23	1,075	1,204	1,161	1,010
Other Liability	564	580	501	512	524
Total Liability	2,942	2,944	4,944	4,966	4,881
Unitholders' capital	1,823	1,823	1,823	1,823	1,823
Capital Reserve	2,897	3,009	3,012	3,016	3,021
Other Equity	10,447	12,820	11,185	11,366	11,552
Total Equity	15,167	17,652	16,020	16,206	16,396
Equity + Liability	18,109	18,334	20,964	21,171	21,277
Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
Cash flows from operating activities					
Net income before taxation	1019	1187	1021	986	1012
Net cash from operating activities	1026	1053	981	978	995
Cash flows from investing activities					
Expenditure on investment properties	-6	-5	-1986	-30	-31
Net cash used in investing activities	4	-2	-1982	-26	-27
Cash flows from financing activities					

Net cash from/(used in) financing activities	-884	-964	918	-1040	-1048
Net increase/(decrease) in cash and cash equivalents	146	87	-83	-88	-80
Cash and cash equivalent at 1 January	957	1103	1190	1106	1019
Cash and cash equivalent at 1 December	1103	1190	1106	1019	939

Profitability Margins	2022A	2023A	2024E	2025F	2026F
PBT margin	69.8%	73.3%	63.2%	59.1%	58.5%
Core net income margin	46.9%	44.9%	50.7%	52.7%	51.4%
ROE	4.5%	4.8%	5.6%	6.4%	6.4%
ROA	3.8%	4.0%	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