

KLCCP Stapled Group

(5235 | KLCCSS MK) Main | REIT

Earnings Remain Stable


KEY INVESTMENT HIGHLIGHTS

- **1HFY24 earnings within expectations**
- **Earnings remain stable in 1HFY24**
- **Earnings forecast maintained**
- **Maintain NEUTRAL with an unchanged target price of RM7.50**

1HFY24 earnings within expectations. KLCCP Stapled Group (KLCCP) 1HFY24 core net income of RM379.1m came in within expectations, making up 46% and 37% of our and consensus full year estimates respectively. Meanwhile, second interim distribution per unit (DPU) of 9.2sen was announced for 2QFY24, bringing total DPU to 18.2sen in 1HFY24.

Earnings remain stable in 1HFY24. Sequentially, 2QFY24 core net income was marginally higher (+1.6%qoq) mainly due to higher contribution from Suria KLCC as KLCCP completed acquisition of remaining 40% in Suria KLCC in April 2024. On yearly basis, 2QFY24 core net income was higher (+5.7%yoy), in line with topline growth. That led total core net income in 1HFY24 higher at RM379.1m (+4.9%yoy). The stable earnings growth in 1HFY24 was mainly led by retail division which saw higher PBT (+10.2%yoy) which was supported by positive rental reversion and higher shopper footfall of Suria KLCC. Meanwhile, hotel division returned to the black in 1HFY24 due to improved occupancy rate of Mandarin Oriental as a result of higher tourist arrival. In addition, PBT of office division was stable due to long lease agreement. Nevertheless, earnings growth was partly offset by higher financing cost (+33%yoy) due to acquisition of remaining stakes in Suria KLCC.

Earnings forecast unchanged. We maintain our earnings forecast for FY24F/25F/26F. We see a better earnings outlook for KLCCP in FY24 and FY25 due to higher contributions from Suria KLCC after acquisition of remaining stake in Suria KLCC. Besides, earnings growth of Suria KLCC will also be driven by positive rental reversion due to high shopper footfall. Meanwhile, the performance of the hotel division is expected to recover further due to expectation of higher tourist arrivals.

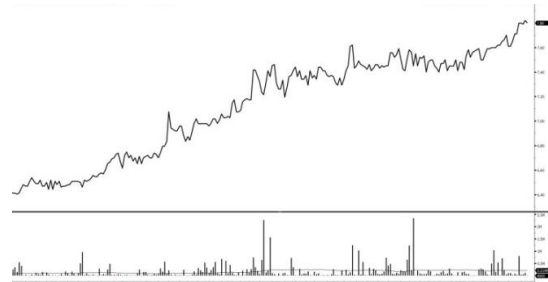
Maintain NEUTRAL with an unchanged TP of RM7.50. Our TP is unchanged at **RM7.50**, based on Dividend Discount Model. While we see that outlook for its retail and hotel divisions is better which should support earnings growth, upside is limited at this juncture. Hence, we maintain our **NEUTRAL** call on KLCCP. Meanwhile, dividend yield is estimated at 4.9%. 

Maintain NEUTRAL
Unchanged Target Price: RM7.50

RETURN STATISTICS

Price @ 28 Aug 2024 (RM)	7.80
Expected share price return (%)	-3.8
Expected dividend yield (%)	+4.9
Expected total return (%)	+1.1

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.8	-1.1
3 months	5.4	-1.1
12 months	14.7	-1.1

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	4.9%	4.9%	5.0%

KEY STATISTICS

FBM KLCI	1,675.24
Issue shares (m)	1,805.33
Estimated free float (%)	22.75
Market Capitalisation (RM'm)	14,081
52-wk price range	RM6.66-RM7.84
3-mth average daily volume (m)	0.21
3-mth average daily value (RM'm)	1.58
Top Shareholders (%)	
Petroleum Nasional Bhd	64.68
Amanah Saham Nasional Bhd	11.48
Employees Provident Fund Board	10.80

Analyst

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KLCCP Stapled Group: 2QFY24 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY24	%YoY	%QoQ	FY24	%YoY
Revenue	413.2	4.7%	1.1%	822.1	6.0%
Operating Profit	259.5	3.5%	-2.5%	525.7	4.7%
Profit Before Tax	231.5	-2.1%	-8.2%	483.6	2.2%
Core PBT	231.5	-2.1%	-8.2%	483.6	2.2%
Net Income	191.1	5.7%	1.6%	379.1	4.9%
Core Net Income	191.1	5.7%	1.6%	379.1	4.9%
Basic EPS (sen)	10.6	5.7%	1.6%	21.0	4.9%
Core EPS (sen)	10.6	5.7%	1.6%	21.0	4.9%
Gross Dividend (sen)	9.2	4.5%	2.2%	18.2	5.2%

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)	20.6	19.4	17.2	16.0	15.8
NAV/unit (RM)	8.40	8.52	7.60	7.68	7.76
P/NAV (x)	0.93	0.92	1.03	1.02	1.01

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