

## KLCCP Stapled Group

(5235 | KLCCSS MK) REITS | REITS

**Maintain NEUTRAL**

### Weaker outlook for hotel division

**Revised Target Price: RM7.57**

(from RM7.78)

#### KEY INVESTMENT HIGHLIGHTS

- **1QFY20 earnings within expectations**
- **Lower sequential earnings**
- **Marginally weaker earnings in 1QFY20**
- **Earnings estimates revised downwards due to weaker outlook for hotel division**
- **Maintain NEUTRAL with a revised TP of RM7.57**

**1QFY20 earnings within expectations.** KLCCP Stapled Group (KLCCP) 1QFY20 core net income of RM176.9m came in within expectations, making up 23% and 24% of our and consensus full year estimates respectively. Distribution per unit (DPU) of 8.3sen was announced for the quarter.

**Lower sequential earnings.** On sequential basis, 1QFY20 core net income was lower at RM176.9m (-5.4%qoq) mainly due to the weak contribution from hotel division. Hotel division recorded pre-tax loss of RM8.8m in 1QFY20 against profit before tax (PBT) of RM2.3m in 4QFY19 as Mandarin Oriental KL was temporarily closed to new guests and only continued to serve long-stay guests following the implementation of Movement Control Order (MCO) on 18<sup>th</sup> March 2020.

**Marginally weaker earnings in 1QFY20.** On yearly basis, 1QFY20 core net income eased -3.8%yoy to RM176.9m. The marginally weaker earnings were due to weaker contribution from hotel division which offset the higher contribution from retail division. Hotel division was hampered by the temporary closure of Mandarin Oriental KL. On the other hand, PBT of retail division climbed 4.5%yoy due to improved occupancy from partial completion of the reconfiguration exercise at Suria KLCC. Meanwhile, PBT of office division was little-changed, backed by the triple net lease agreements and long-term leases of its office assets.

**Earnings forecasts reduced.** We revised our FY20/FY21 earnings forecasts by -9.3%/-3% as we expect weaker contribution from hotel division going forward. We also assume more conservative positive rental reversion at Suria KLCC in view of the subdued retail backdrop.

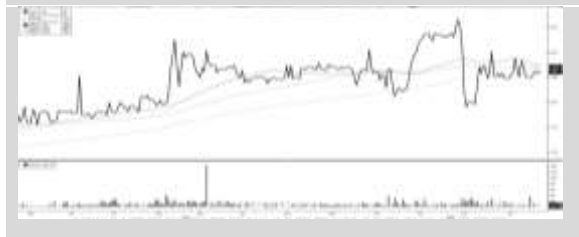
#### Maintain NEUTRAL with a revised target price of RM7.57.

Corresponding to the lower forward earnings, our TP for KLCCP is revised to RM7.57 from RM7.78. Our TP is based on Dividend Discount Model. We maintain our Neutral call on KLCCP as we see no exciting catalyst. Dividend yield is estimated at 4.4%.

#### RETURN STATISTICS

Price @ 5 May 2020 (RM)	7.83
Expected share price return (%)	-3.3
Expected dividend yield (%)	4.4
Expected total return (%)	1.1

#### SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	0.6	-2.7
3 months	0.8	12.2
12 months	0.6	18.4

#### KEY STATISTICS

FBM KLCI	1389.55
Syariah compliant	Yes
Issue shares (m)	1805.33
Estimated free float (%)	15.88
Market Capitalisation (RM'm)	14171.86
52-wk price range	RM7.38 - RM8.48
Beta vs FBM KLCI (x)	0.50
Monthly velocity (%)	11.02
Monthly volatility (%)	3.50
3-mth average daily volume (m)	0.90
3-mth average daily value (RM'm)	7.10
Top Shareholders (%)	
KLCC SDN BHD	64.68
Petroleum Nasional Bhd	10.79
Employees Provident Fund Board	6.24

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## INVESTMENT STATISTICS

FYE Dec (RM'm, unless otherwise stated)	FY17A	FY18A	FY19A	FY20F	FY21F
Revenue	1,367	1,406	1,482	1,446	1,523
Operating Profit	1,000	1,011	1,072	1,010	1,079
Profit Before Tax	1,115	964	993	929	998
Net Income	878	725	736	690	741
Core Net Income	720	727	736	690	740
Basic EPS (sen)	48.63	40.15	40.79	38.20	41.02
Core EPS (sen)	39.91	40.25	40.79	38.20	40.97
Gross Dividend (sen)	36.15	37.00	37.61	36.29	38.92
Net Dividend (sen)	34.04	34.84	35.41	34.16	36.64
Net Distribution Yield	4.3%	4.4%	4.5%	4.4%	4.7%
Core PER	19.6	19.5	19.2	20.5	19.1
NAV per unit	7.22	7.25	7.32	7.46	7.48
P/NAV	1.08	1.08	1.07	1.05	1.05
Core ROE	5.5%	5.6%	5.6%	5.2%	5.5%
Core ROA	4.1%	4.1%	4.1%	3.8%	4.0%

Source: Company, MIDFR

## KLCCP Stapled Group: 1QFY20 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY20	%YoY	%QoQ	FY20	%YoY
Revenue	354.6	0.3%	-2.8%	354.6	0.3%
Operating Profit	249.8	-2.7%	-3.3%	249.8	-2.7%
Profit Before Tax	232.3	-3.1%	-35.9%	232.3	-3.1%
Core PBT	232.3	-3.1%	-23.9%	232.3	-3.1%
Net Income	176.9	-3.8%	-27.6%	176.9	-3.8%
Core Net Income	176.9	-3.8%	-5.4%	176.9	-3.8%
Basic EPS (sen)	9.8	-3.8%	-27.6%	9.8	-3.8%
Core EPS (sen)	9.8	-3.8%	-5.4%	9.8	-3.8%
Gross Dividend (sen)	8.3	-5.7%	-28.4%	8.3	-5.7%

Source: Company, MIDF Research

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

<b>BUY</b>	Total return is expected to be >10% over the next 12 months.
<b>TRADING BUY</b>	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.
<b>NEUTRAL</b>	Total return is expected to be between -10% and +10% over the next 12 months.
<b>SELL</b>	Total return is expected to be <10% over the next 12 months.
<b>TRADING SELL</b>	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

<b>POSITIVE</b>	The sector is expected to outperform the overall market over the next 12 months.
<b>NEUTRAL</b>	The sector is to perform in line with the overall market over the next 12 months.
<b>NEGATIVE</b>	The sector is expected to underperform the overall market over the next 12 months.