

KLCCP Stapled Group

(5235 | KLCCSS MK) REITS | REITS

Maintain NEUTRAL

Stable earnings in FY19

Unchanged Target Price: RM7.78


KEY INVESTMENT HIGHLIGHTS

- **FY19 earnings within expectations**
- **Higher sequential earnings**
- **Stable earnings in FY19**
- **Earnings estimate maintained**
- **Maintain NEUTRAL with unchanged TP of RM7.78**

FY19 earnings within expectations. KLCCP Stapled Group (KLCCP) FY19 core net income (CNI) of RM732.8m came in within expectations, meeting 97% and 100% of our and consensus full year estimates respectively. Distribution per unit (DPU) of 11.6sen was announced for the quarter, bringing cumulative DPU to 38.0sen. That translates into gross distribution yield of 4.8%.

Higher sequential earnings. On sequential basis, 4QFY19 core net income was higher at RM187m (+3.1%qoq) mainly driven by higher contribution from retail segment. Profit before tax (PBT) of retail segment increased by 4%qoq due to higher rental income upon partial completion of the configuration exercise at Suria KLCC and higher internal advertising income. Besides, the higher sequential earnings were also driven by positive earnings contribution from hotel division which recorded profit before tax of RM2.3m against pre-tax loss of RM424k in the previous quarter.

Stable earnings in FY19. Cumulatively, FY19 core net income grew by a marginal 0.8%yoy to RM732.7m mainly led by higher contribution from retail division. PBT of retail division climbed 1.9%yoy due to higher rental rate and stronger advertising income. Meanwhile, earnings from office division is flattish, backed by the triple net lease agreement and long-term leases. On the other hand, hotel division recorded better performance due to higher contribution from F&B segment.

Maintain NEUTRAL with an unchanged TP of RM7.78. We make no changes to our earnings forecast for FY20F. We also introduce our earnings forecast for FY21F. We maintain our TP of RM7.78, based on Dividend Discount Model with required rate of required return of 7.8%. We maintain our Neutral call on KLCCP due to neutral earnings outlook. Dividend yield is estimated at 4.7%. 

RETURN STATISTICS

Price @ 23 January 2020 (RM)	7.98
Expected share price return (%)	-2.5
Expected dividend yield (%)	4.7
Expected total return (%)	2.2

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-0.13	1.76
3 months	1.01	-0.46
12 months	1.01	8.66

KEY STATISTICS

FBM KLCI	1574.44
Syariah compliant	Yes
Issue shares (m)	1805.3
Estimated free float (%)	9.9
Market Capitalisation (RM'm)	14406.56
52-wk price range (RM)	RM7.66 - RM8.48
Beta vs FBM KLCI (x)	0.4
Monthly velocity (%)	11.0
Monthly volatility (%)	3.5
3-mth average daily volume (m)	0.6
3-mth average daily value (RM'm)	4.78
Top Shareholders (%)	
KLCC SDN BHD	64.68
Petroleum Nasional Bhd	10.79
Employees Provident Fund Board	5.99

Analyst(s)

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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	1,540	1,554
Operating Profit	1,000	1,011	1,072	1,105	1,110
Profit Before Tax	1,115	964	993	1,024	1,029
Net Income	878	725	736	760	764
Core Net Income	720	727	736	760	763
Basic EPS (sen)	48.63	40.15	40.79	42.07	42.30
Core EPS (sen)	39.91	40.25	40.79	42.07	42.24
Gross Dividend (sen)	36.15	37.00	37.61	39.97	82.37
Net Dividend (sen)	34.04	34.84	35.41	37.63	77.55
Net Distribution Yield	4.3%	4.4%	4.4%	4.7%	9.7%
Core PER	20.0	19.8	19.6	19.0	18.9
NAV per unit	7.22	7.25	7.32	7.46	7.06
P/NAV	1.11	1.10	1.09	1.07	1.13
Core ROE	5.5%	5.6%	5.6%	5.7%	5.8%
Core ROA	4.1%	4.1%	4.1%	4.2%	4.2%

Source: MIDF Research

KLCCP Stapled Group: 4QFY19 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY19	%YoY	%QoQ	FY19	%YoY
Revenue	365.0	-0.4%	3.2%	1,423.0	1.2%
Operating Profit	258.3	-0.4%	1.8%	1,020.0	0.9%
Profit Before Tax	362.5	37.8%	54.1%	1,071.3	11.1%
Core PBT	305.1	15.2%	29.7%	1,013.9	5.0%
Net Income	244.4	33.1%	34.7%	790.2	9.0%
Core Net Income	187.0	0.8%	3.1%	732.7	0.8%
Basic EPS (sen)	13.5	33.1%	34.7%	43.8	9.0%
Core EPS (sen)	10.4	0.8%	3.1%	40.6	0.8%
Gross Dividend (sen)	11.6	6.4%	31.8%	38.0	2.7%

Source: Company, MIDF Research

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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.