KLCCP Stapled Group

(5235 | KLCCSS MK) REITS | REITS

***Maintain* NEUTRAL**

Earnings driven by retail division

***Unchanged* Target Price: RM7.15**

KEY INVESTMENT HIGHLIGHTS

- **9MFY22 earnings within expectations**
- **Earnings driven by retail division**
- **Earnings forecast maintained**
- **Maintain NEUTRAL with unchanged TP of RM7.15**

RETURN STATISTICS	
Price @ 10 Nov 2022 (RM)	6.80
Expected share price return (%)	5.1
Expected dividend yield (%)	4.7
Expected total return (%)	**9.8**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	3.0	-1.4
3 months	3.2	0.6
12 months	0.3	5.1

KEY STATISTICS	
FBM KLCI	1,449.74
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆☆
Issue shares (m)	1,805.33
Estimated free float (%)	12.48
Market Capitalisation (RM'm)	12,276.26
52-wk price range (RM)	RM6.30-RM7.11
Beta vs FBM KLCI (x)	0.47
3-mth average daily volume (m)	0.10
3-mth average daily value (RM'm)	0.64
Top Shareholders (%)	
Petroliam Nasional Bhd	64.68
Amanah Saham Nasional Bhd	11.35
Employees Provident Fund Board	10.12

9MFY22 earnings within expectations. KLCCP Stapled Group (KLCCP) 9MFY22 core net income of RM503.2m came in within expectations, making up 71% and 74% of our and consensus full year full year forecast respectively. Meanwhile, distribution per unit (DPU) of 8sen was announced for 3QFY22, bringing cumulative DPU to 24sen in 9MFY22.

Earnings driven by retail division. Sequentially, 3QFY22 core net earnings climbed to RM176.6m (+6.9%qoq) as earnings were driven by retail and hotel divisions. Profit before tax (PBT) of retail division was higher (+12.7%qoq) due to higher tenant sales and lower rental assistance. On the other hand, hotel division saw narrower loss before tax (LBT) following improved occupancy rates at Mandarin Oriental. Cumulatively, 9MFY22 core net income improved to RM503.2m (+18.3%yoy), thanks to earnings recovery of retail division (+83%yoy) and narrower losses from hotel division. Note that earnings of retail division of driven by lower rental assistance to tenants and higher shopper footfall. On the other hand, PBT of office division was little-changed due to triple net lease agreements and long-term leases.

Earnings forecast maintained. We maintained our earnings forecast for FY22/23F. We see positive earnings outlook for KLCCP as rental reversion outlook for Suria KLCC is expected to improve due to higher shopper footfall and higher tourist arrival. Besides, we see stronger earnings in 4QFY22 due to year-end holiday season. On the other hand, we estimate hotel division to turnaround in FY23 amid anticipation of higher tourist arrival.

Maintain NEUTRAL with unchanged TP of RM7.15. Our **TP** for KLCCP is unchanged at **RM7.15**, based on dividend discount model. While we see earnings outlook for KLCCP to remain positive due to improving contribution from retail and hotel divisions, we think that the positives have been largely priced in. Hence, we maintain our **NEUTRAL** call on KLCCP. Meanwhile, dividend yield is estimated at 4.7%.

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INVESTMENT STATISTICS

FYE Dec (RM'm, unless otherwise stated)	FY19A	FY20A	FY21A	FY22F	FY23F
Revenue	1,482	1,239	1,171	1,490	1,558
Operating Profit	1,072	764	785	1,037	1,096
Profit Before Tax	993	547	566	955	1,014
Net Income	736	432	496	709	763
Core Net Income	736	628	617	708	761
Basic EPS (sen)	40.79	23.94	27.47	39.25	42.24
Core EPS (sen)	40.79	34.81	34.18	39.19	42.13
Gross Dividend (sen)	38.00	30.00	33.60	36.06	38.76
Net Dividend (sen)	35.78	28.24	31.63	33.95	36.49
Net Distribution Yield	5.3%	4.2%	4.7%	5.0%	5.4%
Core PER	16.7	19.5	19.9	17.3	16.1
NAV per unit	7.32	7.21	7.21	7.35	7.38
P/NAV	0.93	0.94	0.94	0.93	0.92
Core ROE	5.6%	4.8%	4.7%	5.4%	5.7%
Core ROA	4.1%	3.5%	3.4%	3.8%	3.7%

Source: MIDF Research

KLCCP Stapled Group: 3QFY22 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY22	%YoY	%QoQ	FY22	%YoY
Revenue	374.0	43.6%	6.8%	1,046.0	27.1%
Operating Profit	253.6	47.4%	7.1%	710.6	27.4%
Profit Before Tax	237.6	54.2%	8.4%	659.3	31.4%
Core PBT	237.6	54.2%	8.4%	659.3	31.4%
Net Income	176.6	30.4%	6.9%	503.2	18.3%
Core Net Income	176.6	30.4%	6.9%	503.2	18.3%
Basic EPS (sen)	9.8	30.4%	6.9%	27.9	18.3%
Core EPS (sen)	9.8	30.4%	6.9%	27.9	18.3%
Gross Dividend (sen)	8.0	14.3%	0.0%	24.0	14.3%

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 *rise* 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 *fall* 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