KLCCP Stapled Group

(5235 | KLCCSS MK) REITS | REITS

Maintain NEUTRAL

Stable earnings

Unchanged Target Price: RM7.15

KEY INVESTMENT HIGHLIGHTS

- **FY22 earnings within expectations**
- **Higher earnings in FY22**
- **Earnings forecast maintained**
- **Maintain NEUTRAL with unchanged TP of RM7.15**

RETURN STATISTICS	
Price @ 31 Jan 2023 (RM)	7.05
Expected share price return (%)	1.4
Expected dividend yield (%)	5.2
Expected total return (%)	**6.6**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	4.3	4.2
3 months	4.3	2.3
12 months	9.9	11.6

KEY STATISTICS	
FBM KLCI	1,485.50
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)	12,728
52-wk price range (RM)	RM6.30-RM7.11
Beta vs FBM KLCI (x)	0.48
3-mth average daily volume (m)	0.07
3-mth average daily value (RM'm)	0.46
Top Shareholders (%)	
Petroliam Nasional Bhd	64.68
Amanah Saham Nasional Bhd	11.35
Employees Provident Fund Board	10.13

FY22 earnings within expectations. KLCCP Stapled Group (KLCCP) FY22 core net income of RM684.7m came in within expectations, making up 97% and 98% of our and consensus full year full year forecast respectively. Note that we have excluded fair gain of RM98m in our core net income calculations. Meanwhile, distribution per unit (DPU) of 14sen was announced for 4QFY22, bringing cumulative DPU to 38sen in FY22 which is equivalent to gross yield of 5.4%.

Higher earnings in FY22. Sequentially, 4QFY22 core net earnings was flattish at RM181.5m (+2.8%qoq) partly due to narrower loss of hotel division. On yearly basis, 4QFY22 core net income was lower at RM181.5m (-5.3%yoy) despite higher topline (+18.7%yoy) mainly due to higher operating expenses. That brought cumulative core net earnings to RM684.7m (+11%yoy) in FY22. The higher earnings were mainly due to recovery in retail and hotel divisions following reopening of economy and country border. Profit before tax (PBT) of retail division increased to RM379m (+57%yoy) due to lower rental assistance, higher variable rents and advertising income. Meanwhile, hotel operations recorded narrower loss before tax driven by higher room occupancy. On the other hand, PBT of office division was flattish on the back of triple net lease agreement.

Earnings forecast maintained. We make no changes to our earnings forecast for FY23F. We expect earnings outlook of KLCCP to remain stable going forward driven by contribution from retail and hotel division. Performance of retail division is anticipated to support by higher shopper footfall. Similarly, hotel division is expected to benefit from higher tourist arrival.

Maintain NEUTRAL with unchanged TP of RM7.15. We maintain our **TP** for KLCCP at **RM7.15**, based on dividend discount model. While earnings outlook for KLCCP is expected to remain stable going forward, upside is limited. Hence, we maintain our **Neutral** call on KLCCP. Meanwhile, dividend yield is estimated at 5.2%.

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KLCCP Stapled Group: 4QFY22 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY22	%YoY	%QoQ	FY22	%YoY
Revenue	413.3	18.7%	10.5%	1,459.3	24.6%
Operating Profit	248.2	9.0%	-2.1%	958.8	22.1%
Profit Before Tax	359.6	462.0%	51.4%	1,018.9	80.1%
Core PBT	261.6	41.2%	10.1%	920.9	34.0%
Net Income	279.5	297.4%	58.3%	782.7	57.8%
Core Net Income	181.5	-5.3%	2.8%	684.7	11.0%
Basic EPS (sen)	15.5	297.4%	58.3%	43.4	57.8%
Core EPS (sen)	10.1	-5.3%	2.8%	37.9	11.0%
Gross Dividend (sen)	14.0	11.1%	75.0%	38.0	13.1%

Source: Company, MIDF Research

INVESTMENT STATISTICS

FYE Dec (RM'm, unless otherwise stated)	FY21A	FY22A	FY23F	FY24F	FY25F
Revenue	1,171	1,459	1,558	1,615	1,669
Operating Profit	785	959	1,095	1,143	1,168
Profit Before Tax	566	1,019	1,019	1,067	1,092
Net Income	496	783	763	781	810
Core Net Income	617	685	761	778	806
Basic EPS (sen)	27.47	43.35	42.28	43.26	44.89
Core EPS (sen)	34.18	37.92	42.17	43.10	44.67
Gross Dividend (sen)	33.60	38.00	39.00	39.00	40.00
Net Dividend (sen)	31.63	35.78	36.72	36.72	37.66
Net Distribution Yield	4.5%	5.1%	5.2%	5.2%	5.3%
Core PER	20.6	18.6	16.7	16.4	15.8
NAV per unit	8.33	8.40	7.41	7.45	7.50
P/NAV	0.85	0.84	0.95	0.95	0.94
Core ROE	4.1%	4.5%	5.3%	5.8%	6.0%
Core ROA	3.4%	3.8%	4.2%	4.2%	4.3%

Source: MIDF Research

KLCCP Stapled Group: Balance Sheet

FY Dec (RM m)	2021	2022	2023F	2024F	2025F
Investment Properties	15587	15723	15935	16158	16352
Total non-current assets	**16863**	**16893**	**17053**	**17292**	**17500**
Cash	960	1105	1119	1158	1189
Other Assets	115	111	386	292	244
Total Assets	**17937**	**18109**	**18559**	**18741**	**18933**
LT Borrowings	2348	2356	2403	2450	2497
ST Borrowings	28	23	27	31	32
Other Liability	522	564	490	501	512
Total Liability	**2898**	**2942**	**2920**	**2982**	**3041**
Unitholders' capital	1823	1823	1823	1823	1823
Capital Reserve	2861	2897	2899	2902	2906
Other Equity	10355	10447	10916	11034	11163
Total Equity	**15039**	**15167**	**15638**	**15759**	**15892**
Equity + Liability	**17937**	**18109**	**18559**	**18741**	**18933**

Source: Company, MIDF Research

KLCCP Stapled Group: Cash Flow Statement

FY Dec (RM m)	2021	2022	2023F	2024F	2025F
Cash flows from operating activities					
Net income before taxation	566	1019	1019	1067	1092
Net cash from operating activities	776	1026	951	985	988
Cash flows from investing activities					
Expenditure on investment properties	-38	-6	-30	-40	-30
Net cash used in investing activities	-41	4	-26	-36	-26
Cash flows from financing activities					
Net cash from/(used in) financing activities	-648	-884	-908	-911	-931
Net increase/(decrease) in cash and cash equivalents	87	146	17	38	31
Cash and cash equivalent at 1 January	870	957	1103	1119	1158
Cash and cash equivalent at 1 December	957	1103	1119	1158	1189

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