

KLCCP Stapled Group

(5235 | KLCCSS MK) Main | REIT

Resilient Earnings


KEY INVESTMENT HIGHLIGHTS

- **1QFY24 earnings within expectations**
- **Resilient earnings**
- **Stable earnings outlook**
- **Earnings forecast maintained**
- **Maintain NEUTRAL with an unchanged of RM7.20**

1QFY24 earnings within expectations. KLCCP Stapled Group (KLCCP) 1QFY24 core net income of RM188m came in within expectations, making up 23% of our consensus full year estimates. Meanwhile, the first interim distribution per unit (DPU) of 9sen was announced for 1QFY24.

Resilient earnings. Sequentially, 1QFY24 core net income was higher at RM188m (+4.6%qoq) despite topline was lower (-7.6%qoq) as earnings were helped by lower operating expenses. Retail and office divisions recorded better earnings which offset the seasonal lower earnings contribution of hotel division. On yearly basis, 1QFY24 core net income was resilient (+4.1%yoy), in tandem with higher topline (+7.4%yoy). The earnings growth was mainly anchored by retail division which saw higher PBT (+9.3%yoy) which was underpinned by positive rental reversion and higher shopper footfall of Suria KLCC. Meanwhile, hotel division returned to the black in 1QFY24 by recording PBT of RM1.7m as compared to pretax loss of RM2.3m in 1QFY23 due to higher room rate and occupancy rate of Mandarin Oriental. On the other hand, PBT of office division was flattish due to its long-term lease agreement.

Stable earnings outlook. We maintain our earnings forecast for FY24F/25F/26F. We expect stronger earnings in the coming quarters as the contribution from Suria KLCC is expected to be higher in 2HFY24. Note that KLCCP completed acquisition of remaining 40% in Suria KLCC in April 2024. Besides, earnings growth will be underpinned by the organic growth of positive rental reversion of its retail asset. Meanwhile, the hotel division is expected to improve due to the expected higher tourist arrivals.

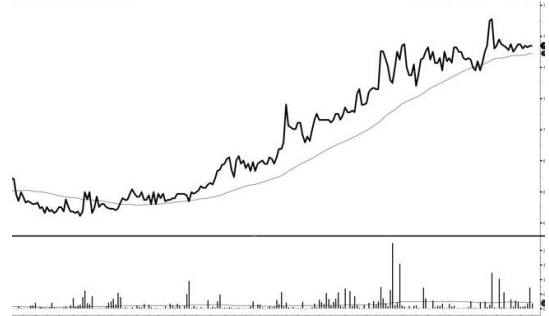
Maintain NEUTRAL with an unchanged TP of RM7.20. Our TP is unchanged at **RM7.20**, based on Dividend Discount Model. Earnings outlook of KLCCP is expected to support by the better performance of retail and hotel segments. Nevertheless, upside is limited at current juncture and hence we maintain our **NEUTRAL** call on KLCCP. Meanwhile, dividend yield is estimated at 5.1%. 

Maintain NEUTRAL
Unchanged Target Price: RM7.20

RETURN STATISTICS

Price @ 23 rd May 2024 (RM)	7.54
Expected share price return (%)	-4.5
Expected dividend yield (%)	+5.1
Expected total return (%)	+0.6

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.5	-3.7
3 months	1.1	-2.0
12 months	9.0	-5.0

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	5.1%	5.1%	5.2%

KEY STATISTICS

FBM KLCI	1,629.18
Issue shares (m)	1,805.33
Estimated free float (%)	11.85
Market Capitalisation (RM'm)	13,612
52-wk price range	RM6.66-RM7.72
3-mth average daily volume (m)	0.22
3-mth average daily value (RM'm)	1.65
Top Shareholders (%)	
Petroliam Nasional Bhd	64.68
Amanah Saham Nasional Bhd	11.48
Employees Provident Fund Board	10.58

Analyst

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KLCCP Stapled Group: 1QFY24 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY24	%YoY	%QoQ	FY24	%YoY
Revenue	408.9	7.4%	-7.6%	408.9	7.4%
Operating Profit	266.2	5.9%	2.3%	266.2	5.9%
Profit Before Tax	252.1	6.5%	-46.4%	252.1	6.5%
Core PBT	252.1	6.5%	-5.0%	252.1	6.5%
Net Income	188.0	4.1%	-51.1%	188.0	4.1%
Core Net Income	188.0	4.1%	4.6%	188.0	4.1%
Basic EPS (sen)	10.4	4.1%	-51.1%	10.4	4.1%
Core EPS (sen)	10.4	4.1%	4.6%	10.4	4.1%
Gross Dividend (sen)	9.0	5.9%	-37.5%	9.0	5.9%

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)	19.9	18.7	16.6	15.5	15.3
NAV/unit (RM)	8.40	8.52	7.60	7.68	7.76
P/NAV (x)	0.90	0.88	0.99	0.98	0.97

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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Source: Bloomberg, MIDFR

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