



KLCCP Stapled Group

“Improved Performance Driven by the Reopening of the Economy”

Bloomberg: KLCCSS:MK | Reuters: KLCC.KL | Stock Code: 5235SS

Valuation / Recommendation

We are increasing our target price to RM7.36 for KLCCP Stapled Group (KLCCP) due to their performance recovering faster than expected. Our target price is based on our FY22 distributions¹ forecast of 34.6 sen per stapled security and required gross distribution yield of 4.7% (previous: 4.9%).

Investment Highlights

1Q22 revenue increased by 13.9% yoy to RM321.7m (1Q21: RM282.4m). The improvement came on the back of a 22.6% and 119.5% increase in revenue from its retail property investment and hotel operations segments respectively. The higher revenue from the retail property investment segment was due to lower rental assistance coupled with increase in advertising income and percentage rents from the higher tenants' turnover. The hotel operations segment saw improvements in occupancy and average room rates to 21% (1Q21: 16%) and RM681 (1Q21: RM508) respectively.

1Q22 net profit rose 13.8% yoy to RM180.7m (1Q21: RM158.9m). The stronger net profit was attributed to improved profitability from the retail property investment segment and narrower losses at its hotel operations.

Revising FY22 revenue and net profit higher. We are now expecting a stronger recovery in KLCCP's retail investment properties and hotel operations segments as Malaysia returns to normalcy. Therefore, we are raising our forecast for FY22 revenue to RM1.39 bn (previous: RM1.25 bn). We are also raising our estimates for FY22 net profit to RM663.0m (previous: RM650.2m).

Risk Factors. A slowdown in economic growth or recession could negatively impact KLCCP's financial performance.

Share Information	Top 3 Shareholders (%)	
Market Cap (RM bn)	12.2	Petroleum Nasional Bhd 64.7
Issued Shares (m)	1805.3	Amanah Saham Nasional Bhd 11.4
52W High (RM)	6.95	Employees Provident Fund Board 10.0
52W Low (RM)	6.30	
Estimated Free Float (%)	12.6	
Beta vs FBM KLCI	0.51	
65-Day Average Vol.	65,943	

Sources: Mercury Securities, Bloomberg, Wall Street Journal

INVESTMENT STATISTICS (FY Dec)	FY18	FY19	FY20	FY21F	FY22F
Revenue (RM m)	1,423.0	1,239.2	1,171.1	1,390.0	1,450.0
Net profit (RM m)	945.7	474.7	534.0	663.0	717.6
PATMI (RM m)	790.2	432.2	495.9	604.0	645.7
PATMI Growth (%)	9.0	(45.3)	14.7	21.8	6.9
Earnings Per Stapled Security (sen)	43.77	23.94	27.47	33.46	35.77
Price/Earnings (x) ²	16.6	28.4	24.6	20.2	18.9
Price/Book (x) ²	1.0	0.9	0.9	0.9	0.9
Gross Distribution Yield (%) ²	5.2	4.4	5.0	5.1	5.4
Net Gearing (%) ³	11.1	11.4	10.9	10.6	11.2
ROA (%)	5.2	2.6	3.0	3.7	4.0
ROE (%)	6.0	3.3	3.8	4.6	5.0
NA per unit (RM)	7.32	7.21	7.21	7.20	7.19

Sources: Mercury Securities, Company

¹Distribution includes both income distributions and dividends of KLCCP Stapled Security.

²PE, PB and gross distribution yield for FY19-21 are based on the closing share price of the last trading day of FY19-21.

³Net gearing is calculated as follows:

(Total financings – cash and bank balances)/ Stapled Securities Holders Interests in the Group

MAIN BOARD

REITS

BUY

TP: RM7.36

Price: RM6.76

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RESULTS (RM m)	1Q22	4Q21	qoq %	1Q21	yoy %
FY Dec					
Revenue	321.7	348.2	(7.6)	282.4	13.9
Operating Expenses	(101.5)	(120.6)	-	(87.5)	-
Operating Profit	220.2	227.6	(3.2)	194.9	13.0
Fair Value					
Adjustments to Investment Properties	-	(144.5)	-	-	-
Interest/Profit Income	4.6	5.6	-	4.1	-
Financing Costs	(25.9)	(26.3)	-	(26.5)	-
Share of profit of an associate	3.5	1.5	-	3.2	-
Profit Before Tax	202.5	64.0	216.5	175.7	15.3
Taxation	(21.8)	14.1	-	(16.8)	-
Net Profit	180.7	78.1	131.5	158.9	13.8
Profit attributable:					
Equity Holders of the Company	49.3	28.2	-	37.1	-
NCI Relating to KLCC REIT	112.2	42.1	-	109.1	-
Other NCI	19.3	7.7	-	12.7	-

Business Overview

Comprising KLCC Property Holdings Berhad and KLCC REIT, KLCCP Stapled Group represents a diversified office-focused REIT comprising five Grade-A offices which include the nation's iconic landmark, the PETRONAS Twin Towers, a premier retail mall and a luxury hotel.

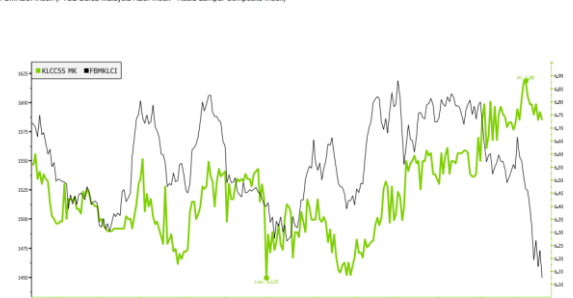
Stock Return Information

FBM KLCI (pts)	1,472.77
Expected Share Return (%)	8.9
Expected Gross Distribution Yield (%)	5.1
Expected Total Return (%)	14.0

Price Performance

	1M	3M	12M
Absolute (%)	(0.3)	3.0	2.4
Relative to FBMKLCI (%)	4.3	9.3	9.1

KLCCSS MK Equity (KLCCP Stapled Group)
FBM/KLCI Index (FTSE Bursa Malaysia KLCI Index - Kuala Lumpur Composite Index)



Sources: Mercury Securities, Bloomberg, Company

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Published and printed by:

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