



KLCCP Stapled Group

“Recovery in Retail Property Investment Segment Continues”

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

Valuation / Recommendation

KLCCP Stapled Group’s (KLCCP) 1H22 revenue and net profit were within our expectations. We are, therefore, maintaining our target price of RM7.36 for KLCCP. However, we are downgrading KLCCP to a **HOLD** due to the stapled security moving higher closer to our target price. Our target price is based on our FY22 distributions¹ forecast of 34.6 sen per stapled security and our required gross distribution yield of 4.7%.

Investment Highlights

2Q22 revenue increased by 25.0% yoy to RM350.3m (2Q21: RM280.2m). Revenue improved on the back of strong recovery in the retail property investment segment and hotel operations. The retail property investment segment posted 46.4% increase in revenue to RM125.2m in 2Q22 (2Q21: RM85.5m). The improvement was due to lower rental assistance and higher advertising income. Revenue from hotel operations surged 275.9% to RM32.1m in 2Q22 (2Q21: RM8.5m) on higher average occupancy of 43% (2Q21: 12%), higher F&B covers and higher average room rate of RM681 (2Q21: RM590).

2Q22 net profit rose 21.0% yoy to RM188.2m (2Q21: RM155.5m). The increase in net profit was driven by stronger performance at the retail property investment segment which registered a 69.3% jump in PBT to RM95.6m (2Q21: RM56.5m). The improvement in net profit was also due to narrower hotel operations loss before tax in 2Q22 of RM8.3m (2Q21: RM18.2m).

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)	12.7
Issued Shares (m)	1,805
52W High (RM)	7.06
52W Low (RM)	6.30
Estimated Free Float (%)	12.6
Adjusted Beta vs FBM KLCI	0.55
65-Day Average Vol.	104,878

Sources: Mercury Securities, Bloomberg, Wall Street Journal

INVESTMENT STATISTICS (FY Dec)	FY19	FY20	FY21	FY22F	FY23F
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	25.6	21.0	19.6
Price/Book (x) ²	1.0	0.9	1.0	1.0	1.0
Gross Distribution Yield (%) ²	5.2	4.4	4.8	4.9	5.2
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 FY19-20 are based on the closing share price of the last trading day of FY19-20.

³Net gearing is calculated as follows:

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

MAIN BOARD

REITS

HOLD

TP: RM7.36

Price: RM7.02

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RESULTS (RM m) FY Dec	2Q22	1Q22	qoq %	2Q21	yoy %
Revenue	350.3	321.7	8.9	280.2	25.0
Operating Expenses	(113.5)	(101.5)	-	(89.6)	-
Operating Profit	236.8	220.2	7.5	190.6	24.2
Profit Before Tax	219.3	202.5	8.3	172.1	27.4
Taxation	(31.1)	(21.8)	-	(16.6)	-
Net Profit	188.2	180.7	4.1	155.5	21.0
Profit Attributable to: Equity Holders of the Company	52.9	49.3	-	34.6	-
NCI Relating to KLCC REIT	112.3	112.2	-	109.4	-
Other NCI	23.0	19.3	-	11.5	-

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)	1,492.33
Expected Capital Gain (%)	4.9
Expected Gross Distribution Yield (%)	4.9
Expected Total Gross Return (%)	9.8

Price Performance

	1M	3M	12M
Absolute (%)	2.5	5.2	11.4
Relative to FBMKLCI (%)	(2.2)	9.3	11.7



Sources: Mercury Securities, Bloomberg, Company

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Published and printed by:

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