

COMPANY RESULTS

KLCCP Stapled Group (KLCCSS MK)

1Q22: Slightly Impacted By Dampened Consumer Sentiment

KLCCSS' results were largely within our expectations, with 1Q22 core net profit of RM161m accounting for 23% of our full-year estimate. The office segment remained resilient, mitigating the weaker performances of the retail and hotel segments. Expect earnings to recover on the back of the recovery in the retail and hotel segments as things go back to normal. Maintain BUY and target price of RM7.60.

1Q22 RESULTS

Year to 31 Dec (RMm)	1Q22 (RMm)	4Q21 (RMm)	qoq % chg	yoy % chg
Total Revenue	321.7	348.2	(7.6)	13.9
Office	145.3	145.4	(0.0)	0.2
Retail	110.8	120.0	(7.6)	22.6
Hotel	20.0	23.0	(13.1)	119.5
Operating Expenses	(101.5)	(120.6)	(15.8)	16.0
Operating profit	220.2	227.6	(3.2)	13.0
Office	128.1	129.0	(0.7)	0.2
Retail	87.1	94.7	(8.0)	31.6
Hotel	(9.3)	(7.9)	16.8	(27.4)
Net Profit	161.4	191.6	(15.7)	10.5
EPU (sen)	8.9	10.6	(15.7)	10.5
Core DPU (sen)	8.0	12.6	(36.5)	14.3

Source: KLCCP Stapled Group, UOB Kay Hian

RESULTS

- **Largely within expectations.** KLCCP Stapled Group (KLCCSS) reported 1Q22 revenue of RM322m (-7.6% qoq, +13.9% yoy) and core net profit of RM161m (-15.7% qoq, +10.5% yoy). 1Q22 core net profit accounts for 23% and 24% of our and consensus full-year estimates respectively. Earnings declined qoq as 4Q21 experienced better performance due to the festive season. The resurgence of Omicron cases in 1Q22 also dampened consumer sentiment.
- **Declared 8.0 sen dividend for 1Q22**, which represents a dividend payout ratio of 89% (1Q21: 86%).

KEY FINANCIALS

Year to 31 Dec (RMm)	2020	2021	2022F	2023F	2024F
Net turnover	1,239	1,171	1,367	1,416	1,470
EBITDA	764	785	1,017	1,035	1,059
Operating profit	714	739	980	1,001	1,026
Net profit (rep./act.)	382	449	704	723	746
Net profit (adj.)	628	449	704	723	746
EPS (sen)	34.8	24.9	39.0	40.0	41.3
PE (x)	19.5	27.2	17.4	16.9	16.4
P/B (x)	2.5	2.5	2.4	2.4	2.3
EV/EBITDA (x)	20.4	19.9	15.4	15.1	14.8
Dividend yield (%)	4.4	5.0	5.2	5.3	5.5
Net margin (%)	30.8	38.4	51.5	51.0	50.8
Net debt/(cash) to equity (%)	11.4	10.9	10.3	9.7	9.0
Interest cover (x)	8.7	9.1	15.6	16.7	18.1
ROE (%)	2.9	3.5	5.4	5.5	5.7
Consensus net profit	-	-	671	714	740
UOBKH/Consensus (x)	-	-	1.05	1.01	1.01

Source: KLCCP Stapled Group, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM6.78
Target Price	RM7.60
Upside	+12.1%

COMPANY DESCRIPTION

KLCCP Stapled Group comprises of units in a real estate investment trust (KLCC REIT) stapled together with the ordinary shares of KLCC Property Holdings Berhad (KLCCP).

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	KLCCSS MK
Shares issued (m):	1,805.3
Market cap (RMm):	12,240.2
Market cap (US\$m):	2,784.4
3-mth avg daily t'over (US\$m):	0.1

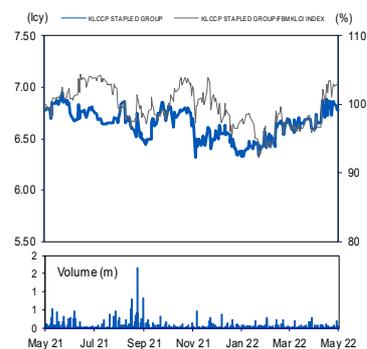
Price Performance (%)

52-week high/low	RM6.95/RM6.32			
1mth	3mth	6mth	1yr	YTD
2.7	3.5	2.4	0.1	3.5

Major Shareholders

Petroleum Nasional Bhd	75.5
Skim Amanah Saham Bumiputera	5.7
Employees Provident Fund	1.7
FY22 NAV/Share (RM)	2.80
FY22 Net Debt/Share (RM)	0.75

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Office: Stable.** The office segment remained resilient with full occupancy, with net property income (NPI) margin steady at 88%.
- **Retail: Dampened sentiment due to the resurgence of Omicron cases.** Revenue for the quarter declined by 7.6% qoq as footfall and tenant sales were affected by the resurgence of Omicron cases. Moreover, rental assistance was provided, though at a lesser quantum than last year. Positively, occupancy remained stable at 92%. NPI margin was fairly stable at 79% (4Q21: 79%; 1Q21: 73%). We expect the gradual recovery in the retail segment to be further boosted as rental assistance subsides, in addition to more international tourists coming in.
- **Hotel: Still recording losses.** Mandarin Oriental recorded losses of RM9m for 1Q22 (RM52m loss for 2021; RM8m loss for 4Q21). Occupancy averaged at 21% compared with 16% previously. Occupancy peaked at 33% in March. As international borders reopened, the hotel segment should gradually recover. Historically, foreigners make up about 70% of total hotel guests. We are projecting hotel occupancy rate to average 40% for 2022 and to improve to 50% in 2023.

EARNINGS REVISION/RISK

- **Maintain earnings forecasts.** 2022 earnings growth of 14% yoy (-4% growth vs 2019) is backed by the stable office segment and minimal rental assistance provided. Our rental reversion assumption for 2022 is flat.

VALUATION/RECOMMENDATION

- **Maintain BUY and target price of RM7.60,** based on DDM. Our target price is based on a required rate of return of 6.4%, supported by an implied yield of 4.6%. KLCCSS offers decent dividend yields of at least 5.2% for 2022 onwards.
- Earnings will be boosted by the recovery in the retail and hotel segments, in addition to its stable office segment which is backed by its long-term leases and strong tenants (Petronas).

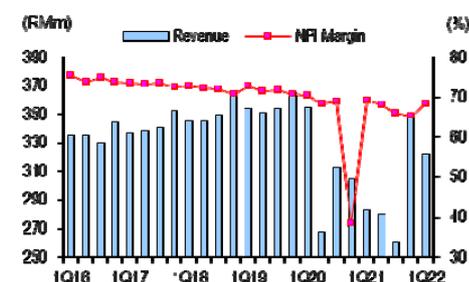
SHARE PRICE CATALYST

- Acquisition of yield-accretive assets.
- Positive rental reversions.
- Risks include rising number of COVID-19 cases.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

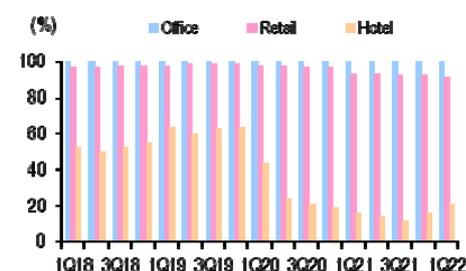
<ul style="list-style-type: none"> • Environmental <ul style="list-style-type: none"> - Established Five-Year Sustainability Roadmap aligned with prioritised UNSDGs. - Attained full GBI certification for PETRONAS Twin Towers (Gold) and Menara 3 PETRONAS (Silver). - Eliminated 68% of single-use plastics in hotel operations.
<ul style="list-style-type: none"> • Social <ul style="list-style-type: none"> - RM127m of retail tenant assistance in 2021. - Invested RM3.3m in staff learning and development for continuous upskilling of knowledge, technical competencies and digital tools.
<ul style="list-style-type: none"> • Governance <ul style="list-style-type: none"> - 43% of directors on the board are women. - Attained Anti-Bribery Management System (ABMS) ISO 37001:2016 Certification.

REVENUE AND NPI MARGIN



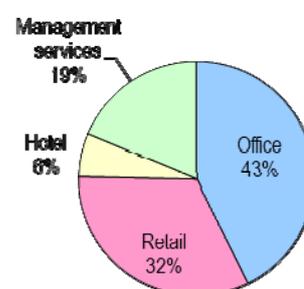
Source: KLCCSS, UOB Kay Hian

PORTFOLIO OCCUPANCY



Source: KLCCSS, UOB Kay Hian

1Q22 SEGMENTAL REVENUE



Source: KLCCSS, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2021	2022F	2023F	2024F
Net turnover	1,171	1,367	1,416	1,470
EBITDA	785	1,017	1,035	1,059
Deprec. & amort.	47	36	34	33
EBIT	739	980	1,001	1,026
Associate contributions	12	15	15	16
Net interest income/(expense)	(87)	(65)	(62)	(58)
Pre-tax profit	519	930	954	984
Tax	(32)	(93)	(95)	(98)
Minorities	(38)	(133)	(136)	(139)
Net profit	449	704	723	746
Net profit (adj.)	449	704	723	746

CASH FLOW

Year to 31 Dec (RMm)	2021	2022F	2023F	2024F
Operating	775	854	873	899
Pre-tax profit	519	930	954	984
Tax	(82)	(93)	(95)	(98)
Deprec. & amort.	47	36	34	33
Associates	0	0	0	0
Working capital changes	(29)	(31)	(28)	(22)
Other operating cashflows	320	12	7	3
Investing	(40)	(53)	(53)	(53)
Capex (growth)	(38)	(50)	(50)	(50)
Investments	0	0	0	0
Others	(3)	(3)	(3)	(3)
Financing	(648)	(934)	(943)	(957)
Dividend payments	(572)	(633)	(650)	(672)
Issue of shares	0	0	0	0
Proceeds from borrowings	442	0	0	0
Loan repayment	(410)	(200)	(200)	(200)
Others/interest paid	(108)	(101)	(93)	(85)
Net cash inflow (outflow)	87	(133)	(123)	(110)
Beginning cash & cash equivalent	870	957	823	700
Changes due to forex impact	3	0	0	0
Ending cash & cash equivalent	960	823	700	590

BALANCE SHEET

Year to 31 Dec (RMm)	2021	2022F	2023F	2024F
Fixed assets	15,592	15,642	15,692	15,742
Other LT assets	1,270	1,241	1,214	1,188
Cash/ST investment	960	823	700	590
Other current assets	115	106	109	114
Total assets	17,937	17,812	17,715	17,633
ST debt	27	27	1,027	27
Other current liabilities	237	221	197	179
LT debt	2,348	2,148	948	1,748
Other LT liabilities	285	306	360	421
Shareholders' equity	13,010	13,080	13,152	13,227
Minority interest	2,030	2,030	2,030	2,030
Total liabilities & equity	17,937	17,812	17,715	17,633

KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	67.0	74.4	73.1	72.0
Pre-tax margin	44.3	68.0	67.4	66.9
Net margin	38.4	51.5	51.0	50.8
ROA	2.5	3.9	4.1	4.2
ROE	3.5	5.4	5.5	5.7
Growth				
Turnover	(5.5)	16.7	3.6	3.8
EBITDA	2.7	29.5	1.8	2.3
Pre-tax profit	4.6	79.1	2.6	3.1
Net profit	17.6	56.7	2.7	3.3
Net profit (adj.)	(28.5)	56.7	2.7	3.3
EPS	(28.5)	56.7	2.7	3.3
Leverage				
Debt to total capital	13.6	12.6	11.5	10.4
Debt to equity	18.3	16.6	15.0	13.4
Net debt/(cash) to equity	10.9	10.3	9.7	9.0
Interest cover (x)	9.1	15.6	16.7	18.1

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