THE EDGE MARKETS
MAKE BETTER DECISIONS

Monday, 28 August 2017

KLCCP Stapled Group

Iconic stature sustains premium

BY BILLY TOH

The iconic stature of the Petronas Twin Towers continues to justify its premium rental rates for the owner, KLCC Real Estate Investment Trust (REIT), which, since May 9, 2013, has been stapled to KLCC Property Holdings Bhd, one of the largest companies on Bursa Malaysia with a market capitalisation of RM14.1 billion.

As at Dec 31, 2016, KLCCP Stapled Group's portfolio of assets had exceeded RM17 billion and its market capitalisation accounted for about 34% of the Malaysian REIT universe.

The stapled structure's portfolio consists of several buildings that make up the Kuala Lumpur City Centre development — Petronas Twin Towers, Menara ExxonMobil, Menara 3 Petronas, Suria KLCC, Mandarin Oriental Kuala Lumpur, Kompleks Dayabumi and Menara Maxis.

The superior appreciation and premium rental rates of its properties saw KLCCP Stapled Group record the highest return on equity (ROE) among its peers over a three-year period based on The Edge Billion Ringgit Club's graduated and weighted ROE tabulation that recognises sustained performance as well as the fact that it is harder for large companies to grow versus their smaller peers.

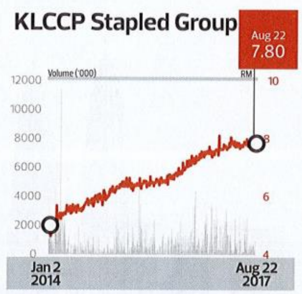
Over the last three years, the adjusted weighted ROE with multiplier effect for the stapled group has been 9.8% — a reflection of the higher average revenue per square foot of the properties in its portfolio. In the financial year ended Dec 31, 2016 (FY2016), the Suria KLCC mall had an average revenue psf of RM396.08 while the office segment had RM115.88. In comparison, the nearby Pavilion Kuala Lumpur Mall and Pavilion Tower had an average revenue psf of RM297.45 and RM76.10.

The group's revenue remained relatively stable in the last three years, edging up to RM1.34 billion in FY2016 from RM1.28 billion in FY2013. There was, however, a slight decline in its bottom line to RM1.01 billion in FY2016 from RM1.03 billion in FY2013. The performance in FY2016 was attributed to the resilient office and retail segment, which offset the significant decline in the hotel segment in a year of sluggish domestic consumption-led economic growth and weaker demand in the hospitality sector.

In the office segment, there was an addition of 43,184 sq ft of net lettable area to the existing triple net lease agreement with Petronas with effect from September last year following the conversion of four levels of atrium space in Menara Dayabumi into office space.

"The stable cash flow and resilient rental income with 100% occupancy in all our office portfolio continue to underpin the overall performance of the office segment," a note in the group's 2016 annual report says.

The group, however, saw a decline in the performance of its retail and hotel segment due to the average occupancy of Suria KLCC dropping from 98% to 96% from an ongoing tenant remixing, particularly on Level 1 of the mall, and the hotel business getting hit by softer corporate demand and increased competition from new luxury hotels.



While some have turned bearish on the retail and hotel segment of KLCCP Stapled Group, Suria KLCC Sdn Bhd CEO Andrew Brien is confident of Suria KLCC's strong competitive edge, thanks to the Petronas Twin Towers.

"It's not about cheap rents; it's about curating the malls in the best possible manner," he tells The Edge in a recent interview, highlighting the fact that Suria KLCC was the first Malaysian mall to breach the RM2.5 billion level in gross sales turnover as at March 31 this year.

He believes a strong emphasis on generating more sales and value for retailers is crucial for earnings accretive in the long run.

Another positive note is that despite a lower profit in FY2016, KLCCP Stapled Group paid out 95% of its distributable income — higher than its commitment to distribute at least 90%. Its distribution per stapled security grew from 34.65 sen in 2015 to 35.65 sen in 2016, translating into a dividend yield of 4.4%.

After reaching its one-year high of RM8.30 at the end of 2016, KLCCP Stapled Group was on a downward trend, falling 5.9% to RM7.81 on July 31 this year. Nonetheless, it had recovered from its one-year low of RM7.16 recorded in August last year. E

BILLION RINGGIT Club

How the Top 3 performed

Super Big Cap Companies
Companies with more than RM40 bil market capitalisation

Highest return on equity over three years

RANK	COMPANY	ADJUSTED WEIGHTED ROE OVER 3 YEARS
1	Maxis Bhd	50.9%
2	Public Bank Bhd	21%
3	Tenaga Nasional Bhd	18.3%

Highest growth in profit after tax over three years

RANK	COMPANY	RISK-WEIGHTED 3-YEAR PBT CAGR
1	Tenaga Nasional Bhd	14%
2	Public Bank Bhd	10.8%
3	Maxis Bhd	3.4%

Highest returns to shareholders over three years

RANK	COMPANY	TOTAL RETURNS OVER 3 YEARS
1	IHH Healthcare Bhd	13.80%
2	Tenaga Nasional Bhd	7.89%
3	Malayan Banking Bhd	6.59%

Big Cap Companies
Companies with RM10 bil to RM40 bil market capitalisation

Highest return on equity over three years

RANK	COMPANY	ADJUSTED WEIGHTED ROE OVER 3 YEARS
1	DiGi.Com Bhd	379%
2	Astro Malaysia Holdings Bhd	109.1%
3	Nestlé (M) Bhd	105.8%

Highest growth in profit after tax over three years

RANK	COMPANY	RISK-WEIGHTED 3-YEAR PAT CAGR
1	AirAsia Bhd	46.9%
2	Hap Seng Consolidated Bhd	24.2%
3	IJM Corporation Bhd	18.8%

Highest returns to shareholders over three years

RANK	COMPANY	TOTAL RETURNS OVER 3 YEARS
1	Hap Seng Consolidated Bhd	48.93%
2	Westports Holdings Bhd	15.19%
3	KLCC Stapled Group	12.60%

Finance
RM10 bil and above market capitalisation

Highest return on equity over three years

RANK	COMPANY	ADJUSTED WEIGHTED ROE OVER 3 YEARS
1	Public Bank Bhd	21.02%
2	Hong Leong Bank Bhd	15.44%
3	Hong Leong Financial Group Bhd	14.87%

Highest growth in profit after tax over three years

RANK	COMPANY	RISK-WEIGHTED 3-YEAR PAT CAGR
1	Public Bank Bhd	10.8%
2	Malayan Banking Bhd	1.2%
3	Hong Leong Bank Bhd	0.84%

Highest returns to shareholders over three years

RANK	COMPANY	TOTAL RETURNS OVER 3 YEARS
1	Hong Leong Bank Bhd	7.17%
2	Malayan Banking Bhd	6.59%
3	Public Bank Bhd	5.64%

Finance
Below RM10 bil market capitalisation

Highest return on equity over three years

RANK	COMPANY	ADJUSTED WEIGHTED ROE OVER 3 YEARS
1	AEON Credit Service (M) Bhd	33.3%
2	Syarikat Takaful Malaysia Bhd	24.7%
2	Bursa Malaysia Bhd	24.3%
3	LPI Capital Bhd	21.4%

Highest growth in profit after tax over three years

RANK	COMPANY	RISK-WEIGHTED 3-YEAR PAT CAGR
1	LPI Capital Bhd	29.5%
2	BIMB Holdings Bhd	26%
3	AEON Credit Service (M) Bhd	19.4%

Highest returns to shareholders over three years

RANK	COMPANY	TOTAL RETURNS OVER 3 YEARS
1	Syarikat Takaful Malaysia Bhd	23.59%
2	LPI Capital Bhd	22.71%
3	Bursa Malaysia Bhd	16.7%

Property
RM3 bil and above market capitalisation

Highest return on equity over three years

RANK	COMPANY	ADJUSTED WEIGHTED ROE OVER 3 YEARS
1	UOA Development Bhd	16.39%
2	Mah Sing Group Bhd	13.26%
2	Sunway Bhd	12.87%
3	S P Setia Bhd	12.10%

Highest growth in profit after tax over three years

RANK	COMPANY	RISK-WEIGHTED 3-YEAR PAT CAGR
1	UOA Development Bhd	13.9%
1	IGB Corporation Bhd	13.8%
2	S P Setia Bhd	8.91%
2	Mah Sing Group Bhd	8.83%

Highest returns to shareholders over three years

RANK	COMPANY	TOTAL RETURNS OVER 3 YEARS
1	Sunway Bhd	15.6%
2	UOA Development Bhd	13.4%
3	S P Setia Bhd	11.7%

Property
Below RM3 bil market capitalisation

Highest return on equity over three years

RANK	COMPANY	ADJUSTED WEIGHTED ROE OVER 3 YEARS
1	Matrix Concepts Holdings Bhd	26.0%
2	KSL Holdings Bhd	16.36%
3	MKH Bhd	13.16%

Highest growth in profit after tax over three years

RANK	COMPANY	RISK-WEIGHTED 3-YEAR PAT CAGR
1	KSL Holdings Bhd	16.1%
2	MKH Bhd	15.2%
3	Matrix Concepts Holdings Bhd	11.3%

Highest returns to shareholders over three years

RANK	COMPANY	TOTAL RETURNS OVER 3 YEARS
1	Sunsuria Bhd	21.10%
2	Matrix Concepts Holdings Bhd	13.80%
3	LBS Bina Group Bhd	10.37%

Construction

Highest return on equity over three years

RANK	COMPANY	ADJUSTED WEIGHTED ROE OVER 3 YEARS
1	Gamuda Bhd	13.7%
2	Muhibbah Engineering (M) Bhd	12.1%
3	IJM Corporation Bhd	11.4%

Highest growth in profit after tax over three years

RANK	COMPANY	RISK-WEIGHTED 3-YEAR PAT CAGR
1	IJM Corporation Bhd	18.8%
2	Ekovest Bhd	13.8%
3	Gamuda Bhd	6.3%

Highest returns to shareholders over three years

RANK	COMPANY	TOTAL RETURNS OVER 3 YEARS
1	Kerjaya Prospek Group Bhd	55.8%
2	Ekovest Bhd	43.8%
3	Gamuda Bhd	7.3%

Consumer Products

Highest return on equity over three years

RANK	COMPANY	ADJUSTED WEIGHTED ROE OVER 3 YEARS
1	Nestle (M) Bhd	105.8%
2	Dutch Lady Milk Industries Bhd	85.8%
3	Carlsberg Brewery Malaysia Bhd	65.63%

Highest growth in profit after tax over three years

RANK	COMPANY	RISK-WEIGHTED 3-YEAR PAT CAGR
1	Panasonic Manufacturing Malaysia Bhd	18.80%
1	Hong Leong Industries Bhd	18.76%
2	QL Resources Bhd	13.4%
3	Oriental Holdings Bhd	11.7%

Highest returns to shareholders over three years

RANK	COMPANY	TOTAL RETURNS OVER 3 YEARS
1	Kawan Food Bhd	53.7%
2	Hong Leong Industries Bhd	27.6%
2	Padini Holdings Bhd	27.3%
3	Panasonic Manufacturing Msia	21.9%

Industrial Products

Highest return on equity over three years

RANK	COMPANY	ADJUSTED WEIGHTED ROE OVER 3 YEARS
1	Scientex Bhd	21.54%
2	Petronas Gas Bhd	20.50%
2	Hartalega Holdings Bhd	20.44%
3	Kossan Rubber Industries Bhd	19.13%

Highest growth in profit after tax over three years

RANK	COMPANY	RISK-WEIGHTED 3-YEAR PAT CAGR
1	Scientex Bhd	17.9%
2	Top Glove Corporation Bhd	13.5%
3	Kossan Rubber Industries Bhd	5.6%

Highest returns to shareholders over three years

RANK	COMPANY	TOTAL RETURNS OVER 3 YEARS
1	V.S Industry Bhd	89.0%
2	Press Metal Bhd	85.1%
3	SKP Resources Bhd	56.8%

Plantations

Highest return on equity over three years

RANK	COMPANY	ADJUSTED WEIGHTED ROE OVER 3 YEARS
1	Kuala Lumpur Kepong Bhd	16.89%
2	IOI Corporation Bhd	14.40%
3	United Plantations Bhd	13.75%

Highest growth in profit after tax over three years

RANK	COMPANY	RISK-WEIGHTED 3-YEAR PAT CAGR
1	Batu Kawan Bhd	19.5%
2	Genting Plantations Bhd	10.4%
3	TH Plantations Bhd	9.77%

Highest returns to shareholders over three years

RANK	COMPANY	TOTAL RETURNS OVER 3 YEARS
1	Kim Loong Resources Bhd	17.2%
2	Far East Holdings Bhd	9.4%
3	United Plantations Bhd	8.7%

REIT

Highest return on equity over three years

RANK	COMPANY	ADJUSTED WEIGHTED ROE OVER 3 YEARS
1	KLCCP Stapled Group	9.80%
2	IGB REIT	8.18%
3	Sunway REIT	6.73%

Highest growth in profit after tax over three years

RANK	COMPANY	RISK-WEIGHTED 3-YEAR PAT CAGR
1	IGB REIT	9.47%
2	Sunway REIT	5.37%
3	Pavilion REIT	3.98%

Highest returns to shareholders over three years

RANK	COMPANY	TOTAL RETURNS OVER 3 YEARS
1	IGB REIT	20.43%
2	YTL Hospitality REIT	17.21%
3	Sunway REIT	14.93%

Trading/Services, Hotel, IPC and Technology

Highest return on equity over three years

RANK	COMPANY	ADJUSTED WEIGHTED ROE OVER 3 YEARS
1	DiGi.Com Bhd	379%
2	Astro Malaysia Holdings Bhd	109%
3	Berjaya Sports Toto Bhd	60.9%

Highest growth in profit after tax over three years

RANK	COMPANY	RISK-WEIGHTED 3-YEAR PAT CAGR
1	AirAsia Bhd	46.9%
2	MMC Corporation Bhd	27.98%
3	Hap Seng Consolidated Bhd	24.2%

Highest returns to shareholders over three years

RANK	COMPANY	TOTAL RETURNS OVER 3 YEARS
1	Vitrox Corp Bhd	70.55%
1	George Kent (M) Bhd	70.31%
2	MY E.G. Services Bhd	61.4%
3	UNISEM (M) Bhd	52.7%