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KLCCP posts higher Q2 revenue but flat profit

Fall in room occupancy during Ramadan dampens earnings

PETALING JAYA: KLCC Property Holdings Bhd (KLCCP) Stapled Group's net profit was relatively flat for the second quarter ended June 30 despite registering a marginal increase in revenue due to the lacklustre performance of its hotel operations.

During the quarter in review, KLCCP said net profit for the stapled group (comprising KLCCP and its unit KLCC Real Estate Investment Trust or Reit) stood at RM177.96mil, or 9.86 sen per share, which was relatively flat compared with RM177.86mil, or 9.85 sen per share, in the previous corresponding period. The group's revenue, however, increased 0.8% to RM337.52mil from RM334.57mil.

KLCCP owns properties such as Suria KLCC and Mandarin Oriental, while KLCC Reit's portfolio comprises the Petronas Twin Towers, Menara 3 Petronas and Menara ExxonMobil.

In its filings, KLCCP attributed the stapled group's revenue growth to the securing of a new lease for the remaining vacant space in Menara Exxonmobil effective April 1, 2017. However, it said its earnings were dampened by the poorer performance of the hotel operations during the Ramadan month, as the hotel operations reported a fall in room occupancy.

For the quarter in review, KLCCP Stapled Group distributed 95% of its overall distributable income with a distribution per stapled

security of 8.60 sen, which was consistent with the second quarter of financial year 2016.

This brings the distribution per stapled security to 17.20 sen for the first half of 2017.

Shares of KLCCP gained 12 sen to close at RM7.92 yesterday.

"Overall, KLCCP Stapled Group maintained its stable performance for the second quarter, with resilient topline and earnings growth from the office and retail segments, excluding the one-off write-off of furniture and fittings at the hotel and back charge rental from a tenant in the retail in the corresponding period last year," it said.

"With this, KLCCP Stapled Group's first-half 2017 performance has remained sustainable despite navigating the challenges in the industry segments," it added.

For the first half of 2017, KLCCP said net profit for the stapled group was lower by 1.6% at RM354.68mil, or 19.65 sen per share, compared with RM360.62mil, or 19.98 sen per share, a year earlier due to losses incurred by its hotel operations on high depreciation and interest costs.

Group revenue edged up 0.7% to RM674.18mil from RM669.32mil on higher contributors from the hotel operations and management services, as well as rental from the new lease contract for the remaining vacant floors in Menara Exxonmobil.

In April, KLCC Reit secured a long-term

lease with Petrolia Nasional Bhd for the remaining 40% office space at Menara ExxonMobil, for an initial term of three years with the option to renew for five successive terms of three years each.

This contributed to the consistent stable performance of the group's office segment in spite of the two months vacancy at Menara ExxonMobil, which was partially offset by the recognition of additional rental following the conversion of atrium spaces at Menara Dayabumi.

"With the leases at Menara ExxonMobil fully secured, KLCCP Stapled Group is on a strong footing with occupancy for the office portfolio back to 100%," it said.

KLCCP said the group's overall performance for the remaining part of the year is expected to remain stable primarily on the back of long-term office tenancy agreements.

"The retail and hotel segments are expected to continue trading in challenging market conditions, with the refurbishment of the hotel guestrooms still ongoing," it said.

The first phase of guestroom renovation comprising the club rooms and suites have been completed and successfully returned to inventory.

It said the second phase guestroom renovation, which is now underway, would see the deluxe rooms and park suites undergoing full refurbishment that would be fully completed by 2018.