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Strong hotel competition weighs on KLCCP earnings



PETALING JAYA: KLCCP Stapled Group's hotel business is feeling the heat from intense competition caused by new hotels in the Kuala Lumpur city centre, resulting in a flattish bottom line for the group in the third quarter ended Sept 30.

The earnings of KLCCP Stapled Group, which comprises KLCC Property Holdings Bhd and KLCC Real Estate Investment Trust, were recorded at RM181.41mil for the July-September 2019 period compared to RM181.43mil a year earlier.

This marked a marginal decline of 0.02% year-on-year (y-o-y) despite the group's 1.16% y-o-y increase in overall revenue to RM353.52mil for the quarter in review.

The hotel business was the only segment that registered a lower revenue in the third quarter, even as KLCCP Stapled Group's five-star Mandarin Oriental Kuala Lumpur saw an improvement in occupancy.

Mandarin Oriental Kuala Lumpur recorded a decline of 3.2% in revenue as a result of the softer demand for food and beverages, particularly banqueting, and the weaker meetings, incentives, conferences and exhibitions events calendar.

It was also affected by higher depreciation on the fully refurbished rooms, marketing and promotional expenses, as well as repairs.

KLCCP Stapled Group's office segment, which is the biggest contributor to the top line, saw a 0.26% y-o-y increase in revenue for the third quarter. For context, the office segment comprises Petronas Twin Towers, Menara 3 Petronas, Menara Dayabumi and Menara ExxonMobil.

Meanwhile, the retail segment represented by Suria KLCC mall and the retail podium of Menara 3 Petronas posted a 0.68% y-o-y revenue growth in spite of the ongoing anchor-to-specialty reconfiguration exercise.

The management services segment registered a 8.65% y-o-y increase in revenue, mainly contributed by one-off projects under the facilities management operations.

Cumulatively, for the first nine months of financial year 2019, KLCCP Stapled Group's earnings improved slightly by 0.83% y-o-y.

The group's overall revenue for the nine-month period rose 1.78% y-o-y to RM1.06bil.

On its outlook, KLCCP Stapled Group said in a Bursa Malaysia filing that it is expected to remain resilient as it continues to leverage on the long-term profile of office leases.

"Despite the ongoing reconfiguration exercise, the retail segment is expected to remain competitive with its strong fundamentals.

“Due to increase in room inventory within the KLCC area and new F&B outlets in the market, the hotel segment is expected to trade in challenging market conditions for the rest of the year, ” it said.

(Source : <https://www.thestar.com.my/business/business-news/2019/11/12/strong-hotel-competition-weighs-on-klccp-earnings>)