KLCCP Stapled Group

Steady Growth in FY25

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MARKET PERFORM ↔

Price:	RM9.27
Target Price:	RM9.37 ↑

KLCC's FY25 results and distribution met our expectations. Despite a dip in overall tenant sales from softer luxury spendings, the group continued to see mid-single-digit rental reversion with Suria Mall alongside lower minority interest payments arising from the full ownership of Suria KLCC Mall since April 2025. Notably, Mandarin Oriental reported an 11% revenue surge in 4QFY25 thanks to year-end holidays and the reopening of its ballroom post refurbishment. Meanwhile, notwithstanding unexpected deterioration to luxury spending, we are reverting our discount applied a year ago on KLCC valuations, leading to an increase in TP from RM8.92 to RM9.37 (+5%). We tweak our earnings forecasts for FY26 by -2% post model updates and introduce FY27 earnings forecasts. Maintain MARKET PERFORM call.

Within expectations. KLCC's FY25 net profit made up 96% of our forecast and 97% of consensus estimates. The group also declared a gross distribution of 19.1 sen, bringing YTD total to 47 sen, in line with our FY25F gross dividend of 48.3 sen.

YoY, FY25 revenue inched up by 2% while its net profit grew 4% primarily led by lower minority interest post acquisition of Suria's remaining stake in April 2024 alongside an increased contribution from management services. Despite a YoY tenant sales decline of 8% largely due to slowdown in luxury spendings, its retail segment recorded 3% growth in PBT thanks to the usual positive rental reversion of mid-single-digit in FY25.

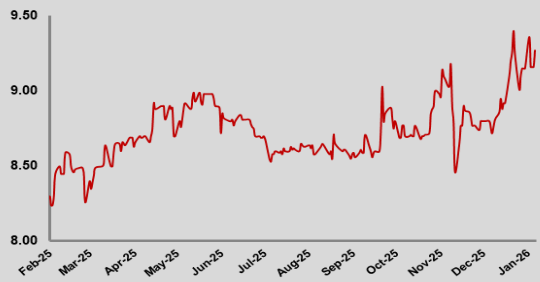
QoQ, its top line was higher by 15% largely contributed by seasonally stronger year-end spending and higher hotel occupancy at 66% (versus 64% in 3QFY25) together with increased MICE activities. However, its core net profit was marginally lower by 2% from increased operating expenses and a higher taxation charges in 4Q.

Outlook. Suria KLCC has brought in new tenants starting from 3QFY25 such as Royal Selangor, Huawei and New Balance. We anticipate the refurbished Mandarin Oriental's ballroom to help drives the performance of the hotel while we remain positive on continuous robust tourist arrivals (~85% of the hotel's guests are foreign tourists). As of January 2026, we are also seeing better volumes in forward booking for Mandarin Oriental. While the sales of luxury goods had been soft in FY25, the group's long-term fundamentals are still intact as growth in retail sales of its non-luxury segments (i.e. F&B, leisure fashion) indicated that spending remains supportive in its mall. We expect better performance from its hotel segment in FY26 on Visit Malaysia Year 2026 cushioned by the opening of ballroom post refurbishments. Apart from that, a neighbourhood mall, Ombak KLCC (owned by KLCC Holdings and not KLCC Stapled), will likely open its doors in CY26 - this is anticipated to benefit KLCC Stapled in its management services income for providing car park services and certain maintenance works for Ombak KLCC.

Forecasts. Post model updates, our FY26F earnings is trimmed by 2%. Meanwhile, we introduce our FY27 earnings forecast that implies a 3% net profit growth.

Valuations. With luxury sales expected to remain stable after falling short from a high base since mid CY24, we are reverting the 25bps increase in yield spread as a discount we applied to KLCC in an earlier report dated November CY24 anticipating soft luxury spendings in FY25. As a result, we lift our TP from RM8.92 to RM9.37 based on FY26F NDPS assumption of 46.9 sen. This is against an adjusted yield spread of 1.5%

Share Price Performance



KLCI	1,740.88
YTD KLCI chg	3.6%
YTD stock price chg	6.3%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KLCCSS MK EQUITY
Market Cap (RM m)	16,735.4
Shares Outstanding	1805.333083
52-week range (H)	9.53
52-week range (L)	8.00
3-mth avg. daily vol.	443,269
Free Float	25%
Beta	0.4

Major Shareholders

Petroliam Nasional Berhad	64.7%
Employees Provident Fund	10.8%
Amanah Saham Nasional	7.5%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Turnover	1,740	1,857	1,936
Net Property Income	1,077	1,048	1,076
Pretax Profit	1,430	949	976
Net Profit	**1,283**	**864**	**889**
Core Net Profit	**816**	**864**	**889**
Consensus (NP)	844	870	871
Earnings Revision	-	-1.9%	NEW
Core EPS (sen)	45.2	47.8	49.2
Core EPS Growth (%)	4.4	5.8	2.9
GDPS (sen)	47.0	50.7	52.2
NDPS (sen)	44.1	46.9	48.2
BVPS (RM)	7.85	7.82	7.79
PER (x)	20.5	19.4	18.8
PBV (x)	1.2	1.2	1.2
Net Asset Gearing (x)	0.15	0.15	0.15
Net Div. Yield (%)	4.8	5.1	5.2

from 1.75% (on top of our unchanged 10-year MGS assumption of 3.50%). Our distribution is based on a 92% pay-out, in line with its historical averages.

Investment case. We like KLCC for its prime asset portfolio anchored by its iconic office towers in the KLCC area and Suria KLCC Mall. The group is likely to sustain a steady income stream moving forward potentially cushioned by Visit Malaysia 2026. However, given that the stock's solid fundamentals appear to be largely priced in, we maintain our **MARKET PERFORM** call**.** There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us.

Risks to our call include: (i) bond yield expansion, and (ii) lower-than-expected occupancy rates.

Results Highlights

FYE Dec (RM m)	4Q FY25	3Q FY25	QoQ Chg	4Q FY24	YoY Chg	12M FY25	12M FY24	YoY Chg
Revenue	493.0	429.7	14.7%	459.1	7.4%	1,739.8	1,710.9	1.7%
Operating Expenses	-213.3	-156.9	36.0%	-190.4	12.0%	-663.0	-643.5	3.0%
Net Property Income	**279.6**	**272.8**	**2.5%**	**268.7**	**4.1%**	**1,076.8**	**1,067.3**	**0.9%**
Net Fair Value Changes	463.9	0.0	N.M	234.7	97.6%	463.9	234.7	97.6%
Net Interest Income/(Expense)	-25.8	-31.9	-19.1%	-30.1	-14.3%	-122.5	-115.0	6.5%
Contribution from Associates	1.0	3.8	-73.7%	3.1	-67.9%	12.2	14.3	-14.4%
Profit before tax	**718.7**	**244.6**	**193.8%**	**476.4**	**50.9%**	**1,430.4**	**1,201.4**	**19.1%**
Taxation	-47.3	-34.1	38.8%	-45.7	3.4%	-147.5	-144.1	2.3%
Minority interest	-2.1	-1.5	42.6%	0.3	-836.3%	-2.5	-40.7	-93.8%
Net Profit	**669.3**	**209.1**	**220.0%**	**430.9**	**55.3%**	**1,280.4**	**1,016.5**	**26.0%**
Distributable Income	**248.1**	**299.0**	**-17.0%**	**232.3**	**6.8%**	**940.8**	**868.7**	**15.4%**
Core Net Profit	**205.4**	**209.1**	**-1.8%**	**196.2**	**4.7%**	**816.5**	**781.8**	**4.4%**
Core Earnings Per Unit (sen)	11.38	11.58	-1.8%	10.87	4.7%	45.23	43.31	4.4%
Distribution Per Unit (sen)	19.10	9.50	101.1%	17.10	11.7%	47.00	44.50	5.6%
Net Asset Value Per Unit (RM)	7.83	7.57	3.4%	7.59	3.2%	30.47	30.94	-1.5%
Key Operating Metrics:								
Net property income margin	56.7%	63.5%		58.5%		61.9%	62.4%	
Pretax margin	145.8%	56.9%		103.8%		82.2%	70.2%	
Net Gearing (x)	0.15	0.16		0.16		0.15	0.16	

Source: Company, Kenanga Research

Segmental Breakdown

FYE Dec (RM m)	4Q FY25	3Q FY25	QoQ Chg	4Q FY24	YoY Chg	12M FY25	12M FY24	YoY Chg
Property investment:	294.0	288.2	2.0%	286.0	2.8%	1,155.9	1,148.6	0.6%
- Office	145.9	146.3	-0.3%	146.3	-0.3%	584.7	585.1	-0.1%
- Retail	148.2	141.9	4.4%	139.6	6.1%	571.1	563.5	1.4%
Hotel operations	66.5	59.8	11.2%	67.9	-2.1%	223.7	239.8	-6.7%
Management services	154.5	102.8	50.3%	125.5	23.2%	443.3	403.7	9.8%
Eliminations/adjustments	-22.1	-21.0	5.1%	-20.2	9.3%	-83.0	-81.3	2.2%
Total Revenue	**493.0**	**429.7**	**14.7%**	**459.1**	**7.4%**	**1,739.8**	**1,710.9**	**1.7%**
Property investment:	234.5	234.8	-0.1%	228.3	2.8%	935.2	920.5	1.6%
- Office	121.7	120.9	0.6%	120.6	0.9%	484.3	481.7	0.5%
- Retail	112.9	113.9	-0.9%	107.7	4.9%	450.9	438.8	2.8%
Hotel operations	11.4	6.1	87.6%	5.4	108.5%	13.5	12.0	12.3%
Management services	28.1	22.2	26.7%	24.0	17.1%	91.4	84.9	7.6%
Eliminations/adjustments	-15.5	-18.4	-15.9%	-15.6	-0.8%	-69.7	-50.2	38.7%
Total Profit Before Tax	**258.5**	**244.6**	**5.7%**	**242.1**	**6.8%**	**970.3**	**967.1**	**0.3%**
Property investment:	79.8%	81.5%		79.8%		80.9%	80.1%	
- Office	83.4%	82.7%		82.4%		82.8%	82.3%	
- Retail	76.2%	80.3%		77.1%		79.0%	77.9%	
Hotel operations	17.1%	10.1%		8.0%		6.0%	5.0%	
Management services	18.2%	21.6%		19.1%		20.6%	21.0%	
Eliminations/adjustments	69.9%	87.4%		77.0%		83.9%	61.8%	
Total Pretax Margin	**52.4%**	**56.9%**		**52.7%**		**55.8%**	**56.5%**	

Source: Company, Kenanga Research

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net. Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
AME REIT	MP	1.70	1.68	-1.2%	901.0	Y	03/2026	7.6	8.0	17.3%	4.8%	22.3	21.3	1.5	6.9%	7.6	4.5%
AXIS REIT	MP	2.02	2.02	0.0%	4,090.0	Y	12/2025	10.6	11.1	6.2%	5.1%	19.1	18.1	1.2	6.3%	10.1	5.0%
CAPITALAND MALAYSIA TRUST	MP	0.670	0.650	-3.0%	2,232.0	N	12/2025	5.2	5.4	10.1%	4.2%	12.9	12.3	0.7	5.4%	4.8	7.2%
IGB REIT	UP	2.93	2.52	-14.0%	1,559.0	N	12/2025	10.1	14.0	18.1%	38.6%	29.1	21.0	2.8	12.6%	10.6	3.6%
KLCCP STAPLED GROUP	MP	9.27	9.37	1.1%	16,735.0	Y	12/2025	47.8	49.2	5.8%	2.9%	19.4	18.8	1.3	6.1%	46.9	5.1%
SUNWAY REIT	UP	2.59	2.28	-12.0%	8,870.0	N	12/2025	12.7	13.3	1.7%	5.3%	20.4	19.4	1.7	7.8%	12.5	4.8%
SECTOR AGGREGATE					**34,387.0**					**7.8%**	**10.9%**	**15.9**	**14.3**	**1.5**	**7.6%**		**5.1%**

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★	★	
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	☆		
SPECIFIC	Effluent/Waste Management	★	★	★	☆	
	Water Management	★	★	★		
	Energy Efficiency	★	★	★	☆	
	Green Buildings	★	★	★	☆	
	Tenant Management	★	★	★		
	Supply Chain Management	★	★	★		
	OVERALL	★	★	★		

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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