

28 May 2026

KLCCP Stapled Group

Monitoring Geo-political Impacts on Tourism Malaysia

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KLCC's 1QFY26 results and distribution met our expectations. Suria KLCC mall reported a low-single-digit positive rental reversion but saw a 1% dip in PBT from additional refurbishment expenses alongside softer tenant sales. That being said, the group's revenue and net profit inched up by 1% primarily led by improved Mandarin Oriental's performance after the reopening of its ballroom post refurbishment. However, we foresee that the tailwinds from Visit Malaysia Year 2026 may be hindered by the negative impacts on tourism from the Middle East geopolitical tension and elevated flight ticket prices. We keep our earnings forecasts unchanged, TP at RM9.22 and maintain our MARKET PERFORM call.

Within expectations. KLCC's 1QFY26 net profit made up 24% of our forecast and 23% of consensus estimates. The group also declared a gross distribution of 9.3 sen, on track to meet our FY26F gross dividend of 50.7 sen.

YoY, 1QFY26 revenue and net profit inched up by 1% while its net profit grew 4% primarily led by improved Mandarin Oriental's performance after the reopening of its ballroom post refurbishment. A positive low-single-digit rental reversion in its retail segment was largely offset by a cyclical refurbishment work expense and a 5% softening in retail sales, likely due to cautious discretionary spending behaviour.

QoQ, its top line was lower by 5% largely contributed by the high-base from the seasonally stronger year-end spending and higher hotel occupancy at 66% in 4QFY25 (versus 53% in 1QFY26). Its core net profit was marginally lower by 1% thanks to lower operating expenses.

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; however, we foresee that the tailwinds from Visit Malaysia Year 2026 may be hindered by the negative impacts on tourism from the Middle East geopolitical tension and elevated flight ticket prices. As the sales of luxury goods had been soft in recent years on cautious discretionary spendings, 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. 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. Unchanged.

Valuations. Maintain our TP at RM9.22 based on FY26F GDPS assumption of 50.7 sen. This is against an adjusted yield spread of 2.0% (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.

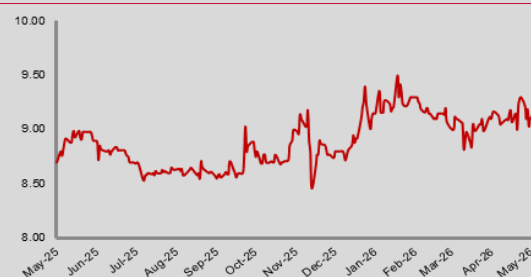
Investment case. We like KLCC for its prime asset portfolio anchored by its iconic office towers in the KLCC area and Suria KLCC Mall. The group is likely to sustain a steady income stream moving forward potentially cushioned by Visit Malaysia 2026. However, given that the stock's solid fundamentals 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.

MARKET PERFORM ↔

Price: **RM9.23**

Target Price: **RM9.22** ↔

Share Price Performance



KLCI	1,699.02
YTD KLCI chg	1.1%
YTD stock price chg	5.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KLCCSS MK Equity
Market Cap (RM m)	16,663.2
Shares Outstanding	1,805.3
52-week range (H)	9.50
52-week range (L)	8.46
3-mth avg. daily vol.	600,413
Free Float	25%
Beta	0.42

Major Shareholders

Petroleum Nasional Berhad	64.7%
Employees Provident Fund	12.0%
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)	-	872.5	912.0
Earnings Revision	-	-	-
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
BVPS (RM)	7.85	7.82	7.79
PER (x)	20.4	19.3	18.8
PBV (x)	1.2	1.2	1.2
Net Asset Gearing (x)	0.15	0.15	0.15
Div. Yield (%)	5.1	5.5	5.7

28 May 2026

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

Results Highlights

	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
FYE Dec (RM m)	FY26	FY25	Chg	FY25	Chg	FY26	FY25	Chg
Revenue	411.8	493.0	-16.5%	406.9	1.2%	411.8	406.9	1.2%
Operating Expenses	-147.2	-213.3	-31.0%	-144.6	1.8%	-147.2	-144.6	1.8%
Net Property Income	264.6	279.6	-5.4%	262.3	0.9%	264.6	262.3	0.9%
Net Fair Value Changes	0.0	463.9	-100.0%	0.0	N.M.	0.0	0.0	N.M
Net Interest Income/(Expense)	-31.6	-25.8	22.3%	-32.4	-2.6%	-31.6	-32.4	-2.6%
Contribution from Associates	4.1	1.0	309.2%	3.7	10.3%	4.1	3.7	10.3%
Profit before tax	237.0	718.7	-67.0%	233.5	1.5%	237.0	233.5	1.5%
Taxation	-33.4	-47.3	-29.4%	-33.2	0.5%	-33.4	-33.2	0.5%
Minority interest	0.6	-2.1	-127.3%	1.2	-52.8%	0.6	1.2	-52.8%
Net Profit	204.2	669.3	-69.5%	201.5	1.3%	204.2	201.5	1.3%
Distributable Income	232.5	248.1	-6.3%	229.2	1.5%	232.5	229.2	1.5%
Core Net Profit	204.2	205.4	-0.6%	201.5	1.3%	204.2	201.5	1.3%
Core Earnings Per Unit (sen)	11.31	11.38	-0.6%	11.16	1.3%	11.31	11.16	1.3%
Distribution Per Unit (sen)	9.30	19.10	-51.3%	9.20	1.1%	9.30	9.20	1.1%
Net Asset Value Per Unit (RM)	7.75	7.83	-1.0%	7.53	3.0%	7.75	7.53	3.0%
Key Operating Metrics:								
Net property income margin	64.2%	56.7%		64.5%		64.2%	64.5%	
Pretax margin	57.6%	145.8%		57.4%		57.6%	57.4%	
Net Gearing (x)	0.15	0.15		0.17		0.15	0.17	

Source: Company, Kenanga Research

Segmental Breakdown

	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
FYE Dec (RM m)	FY26	FY25	Chg	FY25	Chg	FY26	FY25	Chg
Property investment:	290.0	294.0	-1.4%	289.4	0.2%	290.0	289.4	0.2%
- Office	146.3	145.9	0.3%	146.2	0.1%	146.3	146.2	0.1%
- Retail	143.6	148.2	-3.1%	143.2	0.3%	143.6	143.2	0.3%
Hotel operations	49.1	66.5	-26.1%	46.9	4.7%	49.1	46.9	4.7%
Management services	92.1	154.5	-40.4%	90.2	2.2%	92.1	90.2	2.2%
Eliminations/adjustments	-19.4	-22.1	-12.1%	-19.6	-0.6%	-19.4	-19.6	-0.6%
Total Revenue	411.8	493.0	-16.5%	406.9	1.2%	411.8	406.9	1.2%
Property investment:	235.9	234.5	0.6%	235.6	0.1%	235.9	235.6	0.1%
- Office	122.1	121.7	0.4%	120.9	1.0%	122.1	120.9	1.0%
- Retail	113.7	112.9	0.7%	114.7	-0.8%	113.7	114.7	-0.8%
Hotel operations	-2.3	11.4	-119.9%	-4.8	-52.8%	-2.3	-4.8	-52.8%
Management services	20.9	28.1	-25.8%	20.0	4.5%	20.9	20.0	4.5%
Eliminations/adjustments	-17.4	-15.5	12.8%	-17.3	0.9%	-17.4	-17.3	0.9%
Total Profit Before Tax	237.0	258.5	-8.3%	233.5	1.5%	237.0	233.5	1.5%
Property investment:	81.3%	79.8%		81.4%		81.3%	81.4%	
- Office	83.5%	83.4%		82.7%		83.5%	82.7%	
- Retail	79.2%	76.2%		80.1%		79.2%	80.1%	
Hotel operations	-4.6%	17.1%		-10.2%		-4.6%	-10.2%	
Management services	22.7%	18.2%		22.2%		22.7%	22.2%	
Eliminations/adjustments	89.7%	69.9%		88.3%		89.7%	88.3%	
Total Pretax Margin	57.6%	52.4%		57.4%		57.6%	57.4%	

Source: Company, Kenanga Research

28 May 2026

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.				
Stocks Under Coverage																	
AL-AQAR REIT	MP	1.23	1.25	1.6%	1,032.7	Y	12/2026	8.1	8.3	5.8%	2.4%	15.2	14.9	1.0	6.4%	8.0	6.5%
AME REIT	MP	1.60	1.58	-1.3%	851.2	Y	03/2027	8.1	8.5	8.3%	5.5%	19.7	18.8	1.3	6.5%	9.0	5.6%
AXIS REIT	MP	1.94	1.93	-0.5%	3,928.3	Y	12/2026	10.6	11.1	6.2%	5.1%	18.3	17.4	1.2	6.3%	10.1	5.2%
CAPITALAND MALAYSIA TRUST	MP	0.620	0.650	4.8%	2,086.4	N	12/2026	5.2	5.4	10.1%	4.2%	11.9	11.4	0.6	5.4%	4.8	7.8%
IGB REIT	MP	2.75	2.81	2.2%	11,904.0	N	12/2026	14.4	15.4	42.6%	7.0%	19.2	17.9	2.6	9.9%	15.4	5.6%
KLCCP STAPLED GROUP	MP	9.23	9.22	-0.1%	16,663.2	Y	12/2026	47.8	49.2	5.8%	2.9%	19.3	18.8	1.3	6.1%	46.9	5.1%
PAVILION REIT	MP	1.74	1.80	3.4%	6,834.6	N	12/2026	10.5	11.0	15.1%	4.1%	16.5	15.9	1.3	7.6%	11.3	6.5%
SUNWAY REIT	MP	2.31	2.45	6.1%	7,911.3	N	12/2026	12.7	13.3	1.7%	5.3%	18.2	17.3	1.5	7.8%	12.5	5.4%
SECTOR AGGREGATE					51,211.8					13.4%	4.7%	18.5	17.7	1.3	7.0%		6.0%

Source: Kenanga Research

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28 May 2026

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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