

1 March 2010

**HOLD
RM3.27**

Target Price: RM3.44

Stock data

Market cap (RMm):	3,054.42			
Issued shares (m):	934.1			
52-week range:	RM2.82-RM3.57			
3-mth avg daily volume:	486,105shrs			
Bloomberg code:	KLCC MK			
YTD price chg:	-1.7%			
YTD KLCC chg:	-0.2%			
Est. free float:	2.7%			
Major shareholders:				
Petronas:	52.6%			
KLCC (Holdings) Bhd:	31.7%			
EPF:	13.3%			
KLCC	FBM70	FBM100	Syariah	Hijrah
No	Yes	Yes	No	Yes

Consensus

FYE 31 Mar	2010 E	2011 E
Net profit (RMm):	241.8	260.4
EPS (sen):	22.6	23.9

Forecast revision

FYE 31 Mar	2010 E	2011 E
Prev. net profit (RMm):	237	252
Revision (%):	-	-
Revised net profit (RMm):	237	252

Share price chart


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KLCC Property Holdings

9M10 within expectations

- **9M10 net profit of RM180m came within expectations**, accounting for 74% of street's FY10E net profit of RM242m and 76% of our RM237m. KLCC Property Holdings (KLCCP) results were driven by higher rentals from ExxonMobil and Dayabumi.
- **YoY, 9M10 net profit grew 6%**. EBITDA margins expanded by 1.2ppt to 77.8% due to cost savings efforts, particularly for energy costs of Suria KLCC. Interest expense contracted by 10% YoY to RM73m as 1) borrowings has fallen by 6.6% YoY to RM1.97b 2) effective interest rates lowered by 0.3ppt to 7.4%.
- **3Q10 pretax profit of RM130m was flat QoQ**. Topline grew 4% QoQ due to improved Mandarin Oriental revenue contributions by 19% QoQ to RM38m; although details are not provided, we believe 3Q10's occupancy rate has edged-up closer to 60%-65% due to holiday/festive seasons in 3Q10 from a 50% low. However, topline growth was muted by surge in utilities cost as Suria KLCC property investment EBITDA margins fell by 2.4ppt to 86.4%.
- **No changes to FY10-11E net profit of RM237m (+4% YoY) - RM252m (+6% YoY)**. We do not expect any major rental revisions in FY10 while Mandarin Oriental occupancy rates should improve inline with economic recovery.
- **Maintain HOLD with unchanged fair value of RM3.44**, based on SOP RNAV. KLCCP share price will remain capped in the short to medium term because 1) PTT office long-term lease agreements only renewed post FY12 2) dividend dilution issues arising RCULS conversion caps share price performance until conversion timeline is known 3) no firm acquisition timeline on assets held by parent company. Note RCULS conversion period commenced has already commenced. At current share price, the **stock is fairly valued** at 1) 16.6x FY31Mar 11E FD PER vs. 15.7x historical average 2) 0.9x FD PBV vs. with 0.8x historical average.

Results Highlights

FYE: 31st Mar (RMm)	2Q09	3Q09	4Q09	1Q10	2Q10	QoQ%	YoY%	1H09	1H10	YtdYoY%
Revenue	217	219	212	217	215	-1%	-1%	431	432	0%
Op costs w/o depr/amort	(52)	(53)	(48)	(46)	(45)	-3%	-14%	(100)	(91)	-9%
EBITDA	165	166	164	171	170	0%	3%	331	341	3%
Interest Income	5	5	4	3	3	10%	-40%	10	6	-35%
Interest Expense	(41)	(40)	(37)	(37)	(37)	1%	-9%	(81)	(73)	-10%
Associate	2	2	29	2	3	4%	2%	5	5	0%
Exceptionals (fair value adjustments)	0	0	508	0	0			0	0	
Pretax profit	124	125	659	131	130	0%	5%	248	262	6%
Taxation	(30)	(30)	(104)	(34)	(33)	-3%	10%	(61)	(68)	11%
Minority Interests	(37)	(36)	(192)	(36)	(36)	0%	-3%	(73)	(73)	0%
Net profit	56	59	363	60	61	1%	8%	114	121	6%
Recur. Net profit	56	59	56	60	61	1%	8%	114	121	6%
EPS (sen)	6.03	6.30	38.81	6.46	6.50	1%	8%	12.23	12.96	6%
Recur. EPS (sen)	6.03	6.30	5.95	6.46	6.50	1%	8%	12.23	12.96	6%
Diluted EPS (sen)	4.41	4.61	28.06	4.72	4.74	0%	7%	8.95	9.46	6%
DPS (sen)	5.00	0.00	5.50	0.00	5.00			5.00	5.00	0%
NTA/share (RM)	4.70	4.71	5.10	5.16	5.17	0%	10%	4.70	5.17	10%
Net gearing (x)	0.37	0.36	0.44	0.44	0.30	-0.32	-0.19	0.37	0.30	
EBITDA margin	76%	76%	77%	79%	79%			77%	79%	
Pretax margin	57%	57%	311%	60%	61%			58%	61%	
Effective tax rate	24%	24%	16%	26%	26%			25%	26%	

Result Review

QoQ (RMm)	2Q10	3Q10	Chg	Comments
Revenue	215	224	4%	Increase driven by increased rental from Suria KLCC and Mandarin Oriental
Pretax Profit	130	130	0%	Flat due to higher utilities cost from Suria KLCC which muted topline growth.

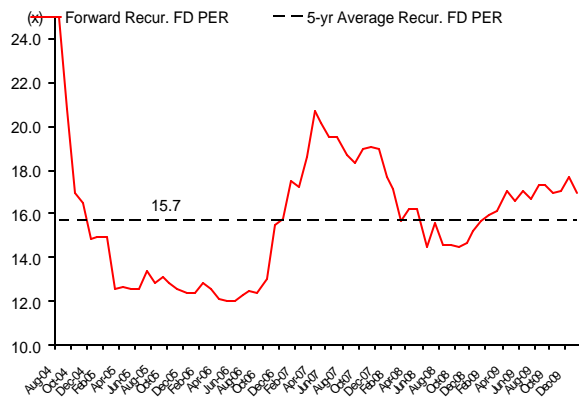
Ytd-YoY (RMm)	9M09	9M10	Chg	Comments
Revenue	650	656	1%	Marginal increase on the back of higher rental from Menara ExxonMobil and Dayabumi.
EBITDA margin	76.6%	77.8%	+1.2ppt	Margin enhancement a result of energy cost savings from Suria KLCC.
Recur. Net Profit	173	180	4%	Growth attributed to lower interest expense on the back of 6.6% YoY reduction in borrowings to RM1.97b.

RCULS details

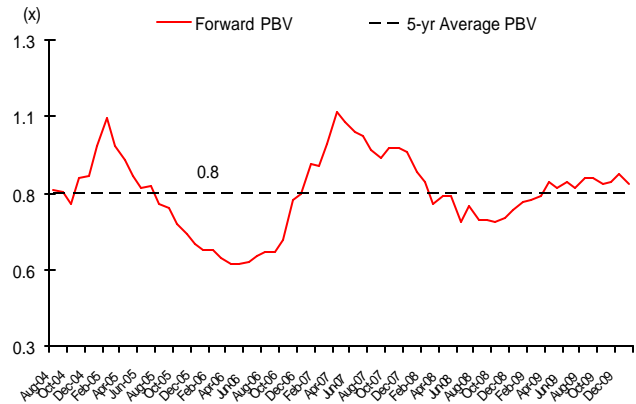
- The RCULS is interest free for the first 3 years and thereafter, bears interest of 1% per annum.
- RCULS can be converted at any time during the conversion period into new ordinary shares of RM1 each.
- Conversion price is RM1.98 of RCULS for every one new ordinary share of RM1 each.
- Conversion period commences after the fifth anniversary of the issue date.
- All outstanding RCULS will be mandatorily converted into new ordinary shares of RM1 each after 10 years from the issue date if not redeemed.

Note KLCC Holdings, the parent company, has given a written undertaking to KLCCP on its intention to exercise its rights to convert its entire holdings in the RCULS to equity at any time during the conversion period.

Forward recur. FD PER

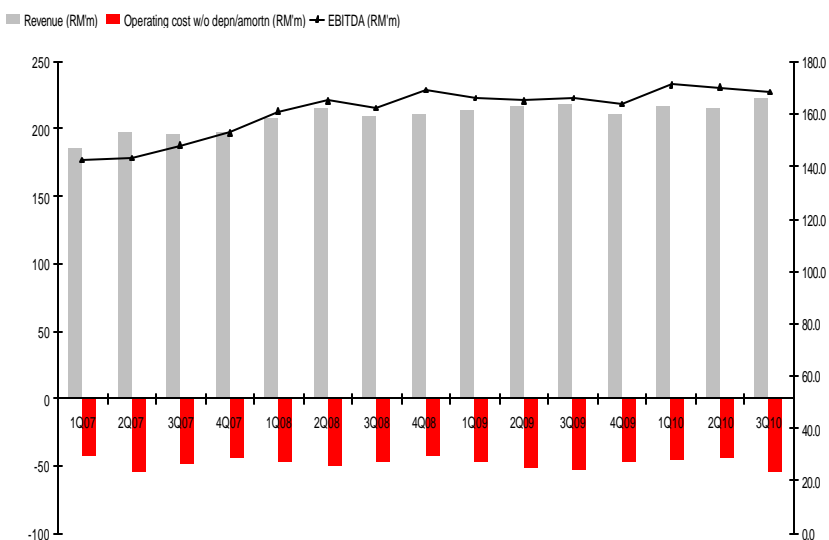


Forward FD PBV



Source: Kenanga Research

Quarterly Trends



Source: Company, Kenanga Research

Earnings Estimates

FYE: 31st Mar (RMm)	2008A	2009A	2010E	2011E	2012E
Revenue	843	861	885	917	938
Revaluations gains	427	508	0	0	0
Pretax profit	904	1,032	505	535	556
Net profit	442	536	237	252	261
Net profit growth (%)	-63%	21%	-56%	6%	4%
EPS (sen)	47.3	57.3	25.4	26.9	28.0
FD EPS (sen)	34.4	41.6	18.6	19.7	20.5
DPS (sen)	8.8	10.5	10.9	11.6	12.0
FD DPS (sen)	6.4	7.6	7.9	8.3	8.7
NTA/ FD share (RM)	3.34	3.68	3.80	4.08	5.07
PER (x)	6.9	5.7	12.9	12.1	11.7
FD PER (x)	9.5	7.9	17.6	16.6	16.0
P/NTA (FD) (x)	1.0	0.9	0.9	0.8	0.6
EV/EBITDA (x)	0.0	0.0	0.0	0.0	0.0
ROE %	10.2%	11.8%	4.9%	4.9%	4.4%
DPS Yield (%)	2.7%	3.2%	3.3%	3.5%	3.7%
FD DPS Yield (%)	1.9%	2.3%	2.4%	2.5%	2.6%

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