



# **KLCCP Stapled Group**

## **Financial Results**

**4<sup>th</sup> Quarter ended 31 December 2018**

**24 January 2019**

## Disclaimer

These materials contain historical information of KLCC Property Holdings Berhad and KLCC Real Estate Investment Trust (collectively known as KLCCP Stapled Group) which should not be regarded as an indication of future performance or results.

These materials also contain forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements reflect the KLCCP Stapled Group's current views with respect to future events and are not a guarantee of future performance or results. Actual results, performance or achievements of KLCCP Stapled Group may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding KLCCP Stapled Group's present and future business strategies and the environment in which KLCCP Stapled Group will operate in the future, and must be read together with such assumptions.

No part of these materials shall form the basis of, or be relied upon in connection with, any investment decision whatsoever.

# **1. FY2018 Key Highlights**

## **2. Q4 FY2018 – Financial Results**

## **3. Capital Management**

## **4. Awards & Recognition**

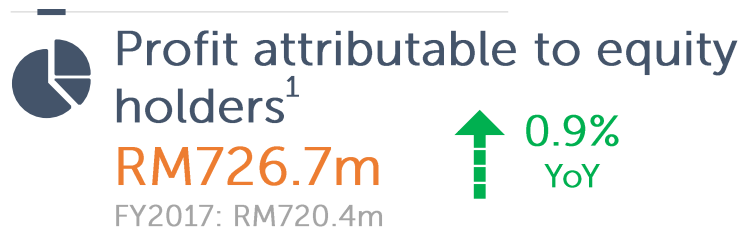
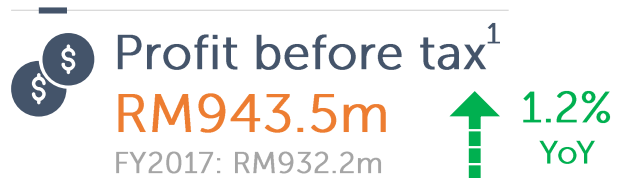
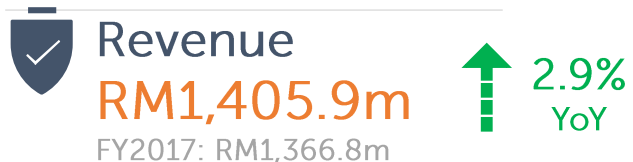
## **5. Sustainability**

## **6. Market Outlook**

## **7. KLCCSS Focus**

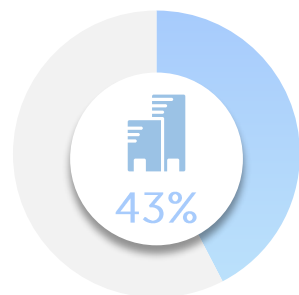


# Stable results driven by improved performance in all segments whilst hotel continued to operate in challenging market conditions



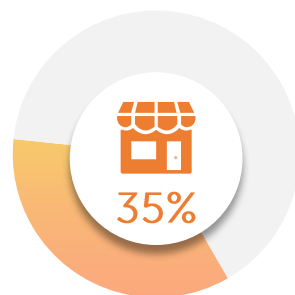
<sup>1</sup> Excluding fair value adjustments

# Stable results driven by improved performance in all segments whilst hotel continued to operate in challenging market conditions (cont'd)



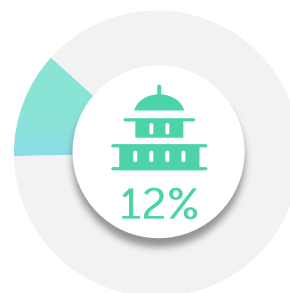
## OFFICE

Stable and steady growth underpinned by full occupancy



## RETAIL

Improved occupancy and higher rental rates from new tenants and rent reviews becoming effective during the year



## HOTEL

Higher occupancy from its newly renovated guestrooms and improved RevPar



## MANAGEMENT SERVICES

New contract under facilities management services coupled with ongoing transformation of office works

<sup>1</sup> Excluding fair value adjustments



# Office – Envisioning the workplace of the future



## 2018 Focus



## Progress update



Ongoing for all office buildings with **52%** completed, on track for full completion by 2019



Continued enhancements with full GBI certification for PETRONAS Twin Towers and Menara 3 targeted in **1st half 2019**



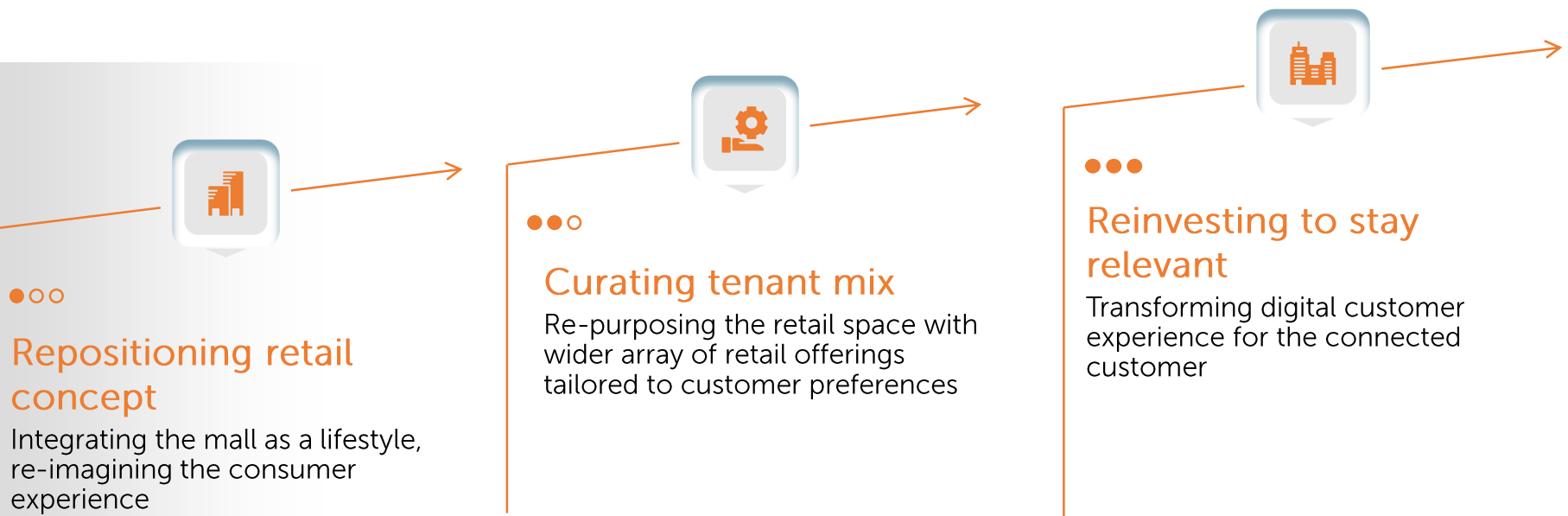
Ph 3 Redevelopment of Menara City Point

- Actively securing an anchor tenant

# Retail - Reinventing store experience for the connected customer



## 2018 Focus



## Progress update



- Brought **1st to market** tenants with exclusive service offerings & differentiation
- Introduced **eWallet payment method**– Alipay, with support from 80% of retailers



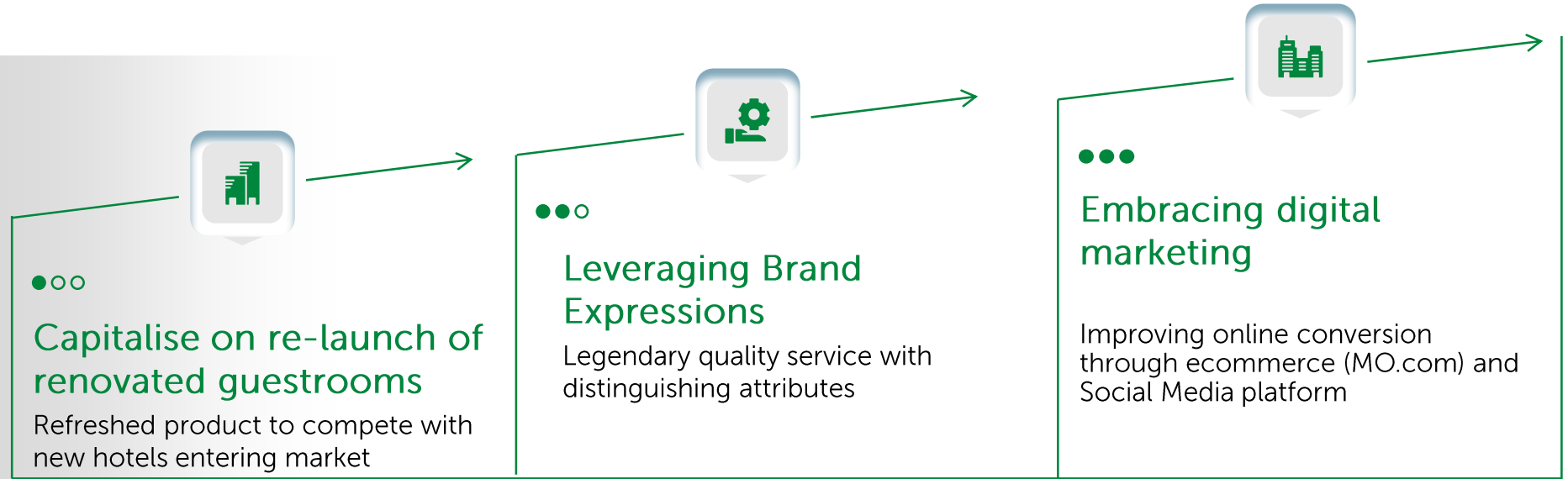
- Introduced **first of its kind dedicated Men's Precinct** at level 1, bringing the latest fashion & grooming
- **Expansion of food offerings** and exciting F&B concepts



- Installed the **largest rotating double-sided LED screen in the world**
- **Completed** escalator modernisation for **Park Mall**, target to commence with Ampang Mall by Q2 2019

# Hotel – Offering guests a resolutely new hotel experience which transcends accommodation

## 2018 Focus



## Progress update

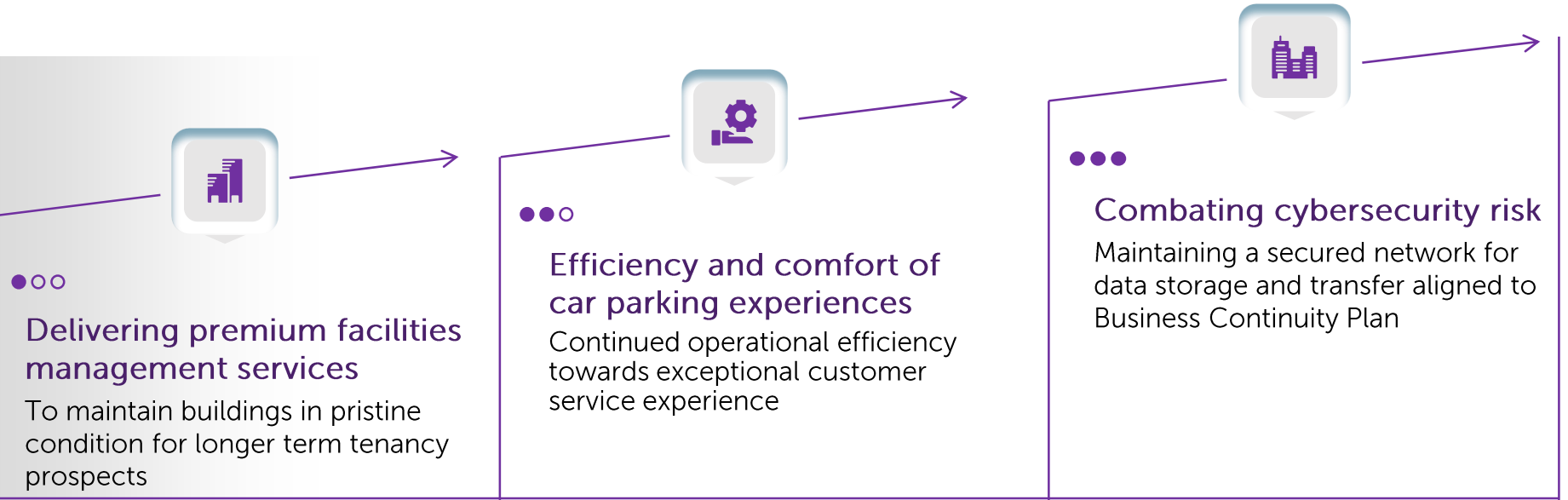
- Successfully reconfigured the original mix of rooms and suites to match the current/future demand
  - Increased guest satisfaction score to **92%** (2017: 87%)
- New **educational wellness programs** and unique treatments at MO Spa
  - Innovative launch of **on-line gourmet shop** with home delivery
  - New **mobile electronic** frequent dining program
- Introduced **Fans of MO**, loyalty program in April with over 300,000 members registered to-date to improve online conversion
  - Setting up a **MOKL's WeChat** platform to further cater to the China market



# Management Services – Elevating quality of service and operational efficiency



## 2018 Focus



## Progress update



- Established **Energy Audit Committee** to address management of **energy efficiency**
- Extending delivery of services to **PETRONAS facilities**
- 82%** satisfaction score from clients



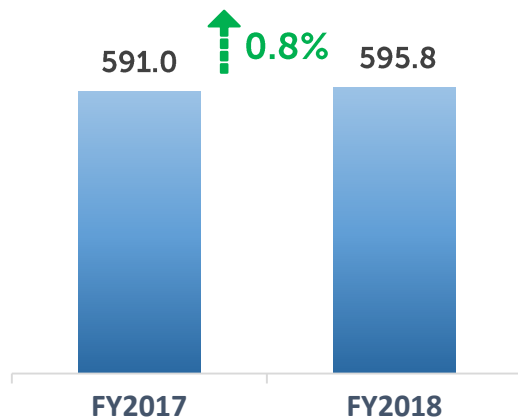
- Introduced **cashless payment** -integrated **credit/debit card & touch & go readers** at entry and exit terminals
- Embarked on implementation of **mobile application** for easy payment, launched in Q1 2019



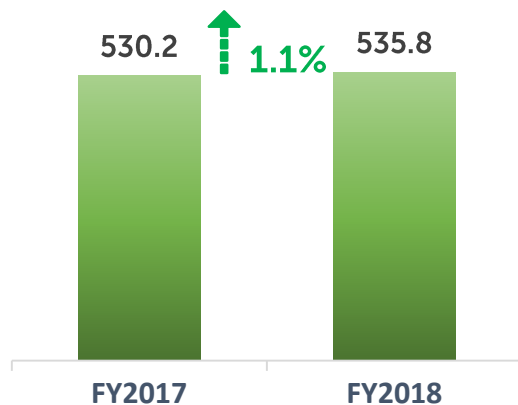
- Implemented **first-ever virtual Parking Management System** in Malaysia utilising a private cloud

# Office – Driving strength and stability with top quartile rental profiles

Revenue (RM'm)



Profit before tax<sup>1</sup> (RM'm)

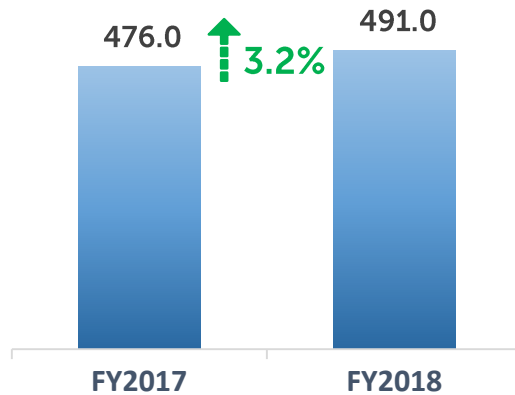


- Stable growth in revenue and PBT reflecting the 100% occupancy in Menara ExxonMobil
- Upward rental revision for lease of PETRONAS Twin Towers wef October 2018 and full year impact from rental uplift for Menara 3 PETRONAS in December 2017
- Workplace For Tomorrow progress – completed 56 floors in 3 batches for PETRONAS Tower 1, PETRONAS Tower 2 and Menara 3 PETRONAS

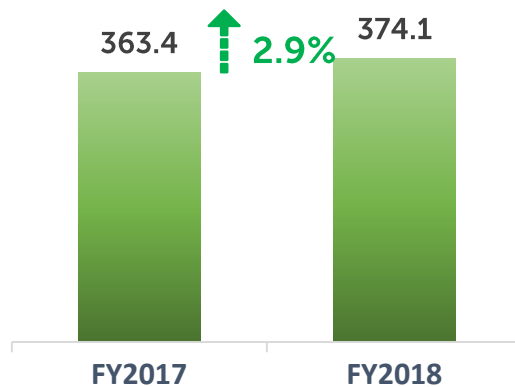
<sup>1</sup> Excluding fair value adjustments

# Retail – Sheer Resilience, true to form of a landmark mall

Revenue (RM'm)



Profit before tax<sup>1</sup> (RM'm)



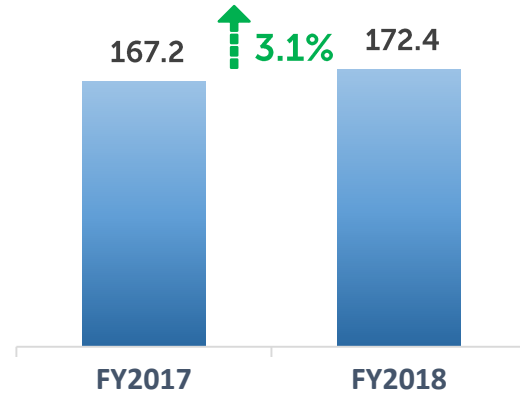
- 3.2% growth in YTD revenue and 2.9% growth in YTD PBT arising from higher rents becoming effective during the period and higher occupancy
- 2.3% growth in YTD average base rent, driving positive rental reversions
- Sustained MAT-tenant sales proving resilience in challenging retail landscape with improvements mainly from Beauty & Skincare, Food Catering & Leisure
- Entry of 7 new tenants in Q4 2018, bringing a total of 28 new tenants in 2018 with wider exclusive store offerings
  - Creation of 3 duplex stores featuring new retail concept (Michael Kors, Chanel & De Beers)
  - NYX cosmetics, largest store in Malaysia - cutting edge concept which integrates technology into customer experience

<sup>1</sup> Excluding fair value adjustments

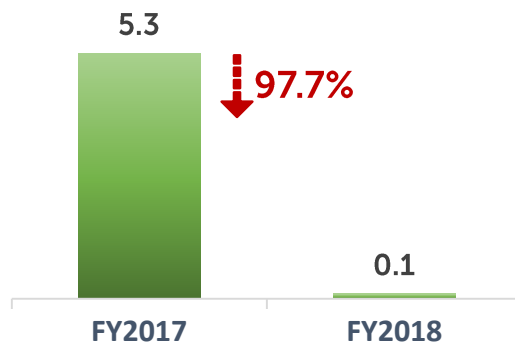
# Hotel – Steady growth in revenue from newly renovated guestrooms, profit impacted by higher operating cost



Revenue (RM'm)



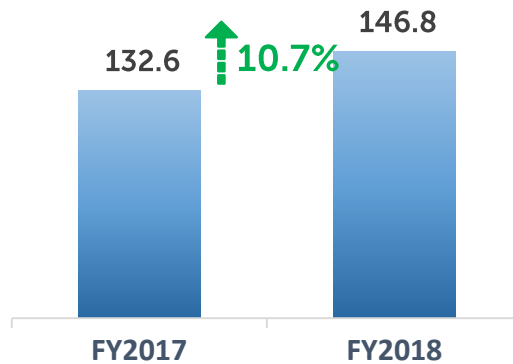
Profit before tax (RM'm)



- 3.1% Revenue growth, YoY owing to higher occupancy from its newly renovated guestrooms back in inventory
- PBT impacted by the increase in higher depreciation expenses arising from the fully renovated guestrooms
- 2.5% decline in F&B resulting from the absence of large scale banqueting events post general election and intense competition from new hotels
- Completed full renovation of the guestrooms with total of 629 rooms back in inventory which includes:
  - 1 Royal Suite & 1 Presidential Suites
  - 152 Club Rooms & Suites
  - 435 Deluxe & Park Suites

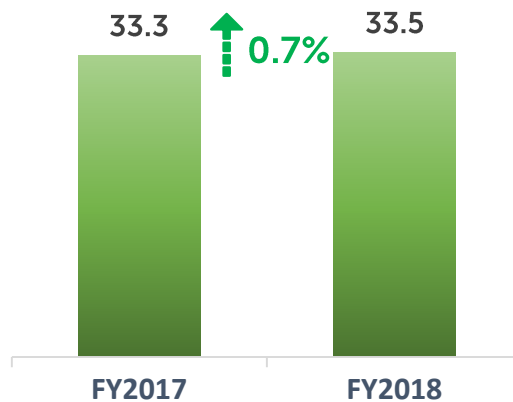
# Management Services – New contracts fueling growth

Revenue (RM'm)



- 10.7% growth in YTD revenue and 0.7% growth in YTD PBT from new contracts under facilities management services for the Workplace for Tomorrow (WFT) project and PETRONAS one-off project in Terengganu
- 1.8% YoY growth in car park income due to full impact of revenue for Option Lots at KLCC Precinct (Commencement Q3 2017)

Profit before tax<sup>1</sup> (RM'm)



<sup>1</sup> Excluding fair value adjustments



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# Overview of KLCCP Stapled Group Q4 FY2018 performance



- **Strongest quarter performance** in YoY revenue growth of 4.1% contributed by retail and management services segments whilst profit before tax (excluding fair value adjustment) increased by 1.1%



Stable performance from office segment underpinned by **full occupancy** and **long term leases**



6.1% and 7.7% YoY growth in revenue and PBT driven by the **improved occupancy** as well as **higher sales in Fashion by 7.8%** and **F&B stores by 3.2%** resulting from the entry of **new tenants**



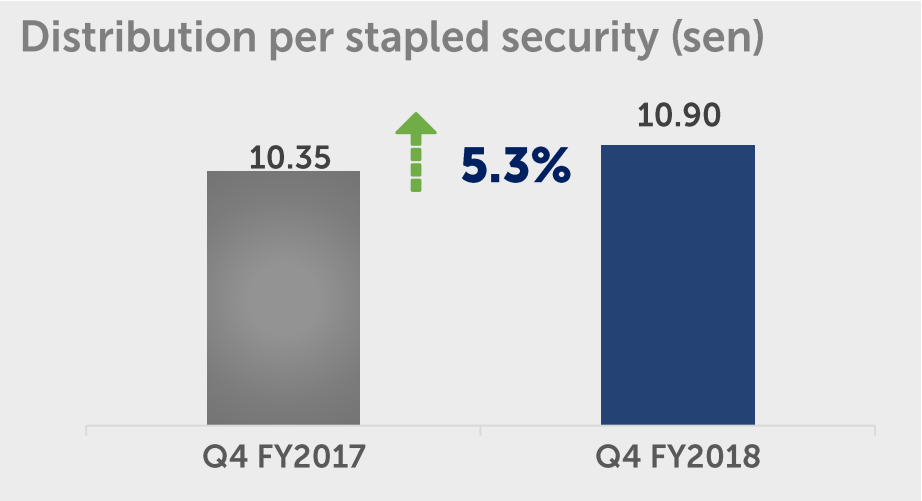
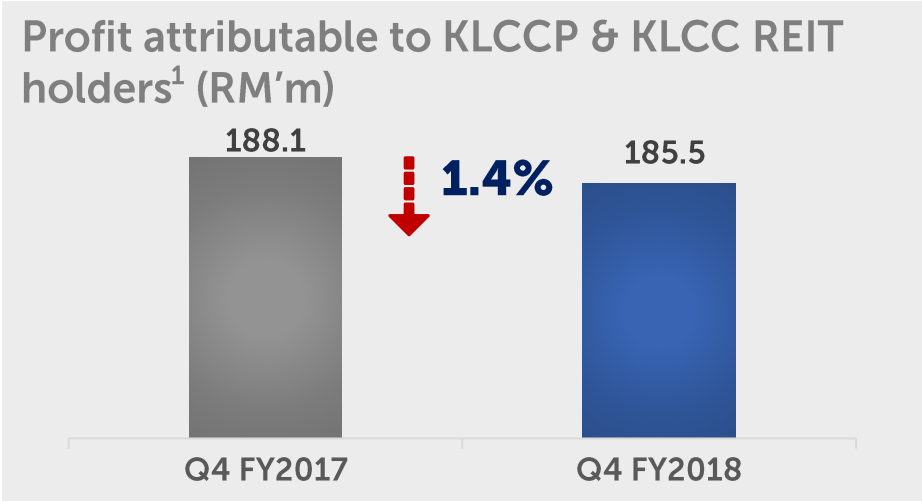
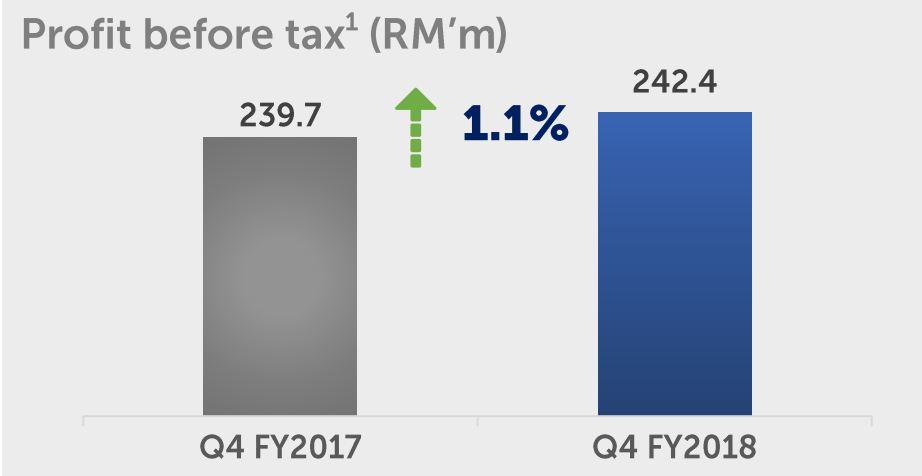
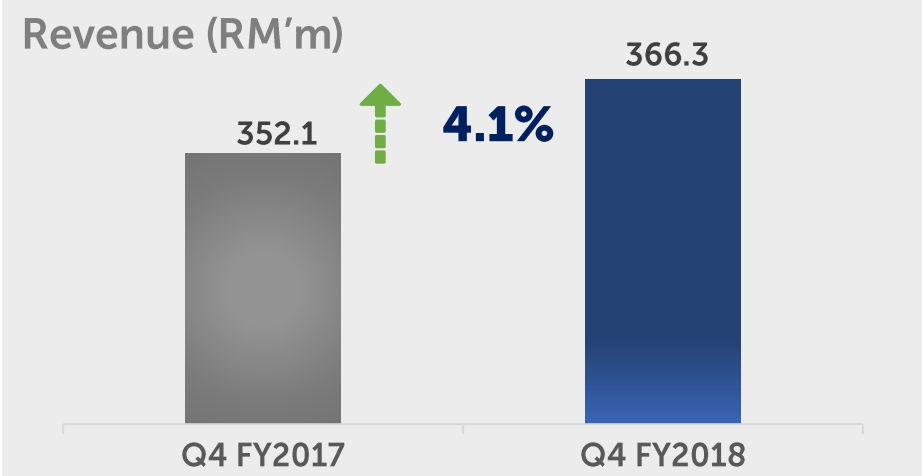
Performance affected by the heightened competition from the **arrival of new hotels** and the **lackluster banqueting** performance, intensified with the higher depreciation from fully refurbished guestrooms



**Stronger** revenue by 24.8% YoY from continuation of the one-off project in Terengganu, however offset by higher maintenance cost

# Resilient top line growth supported by stronger performance by retail and management services segments

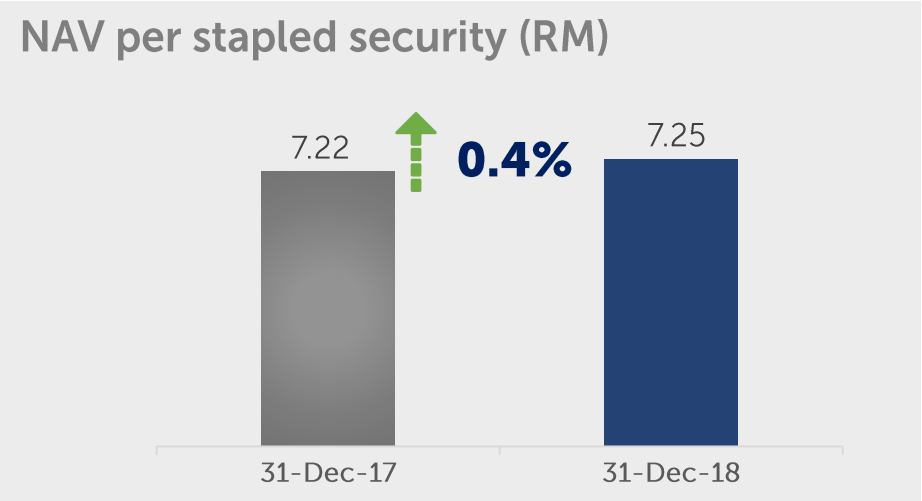
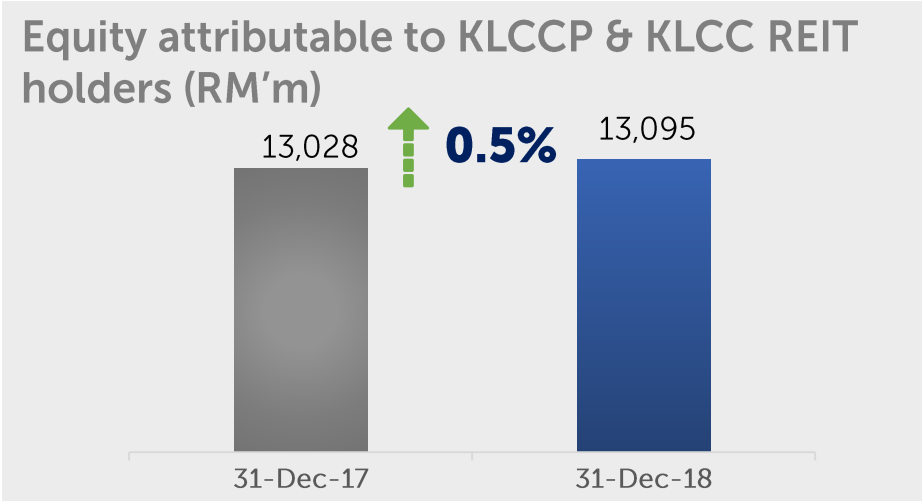
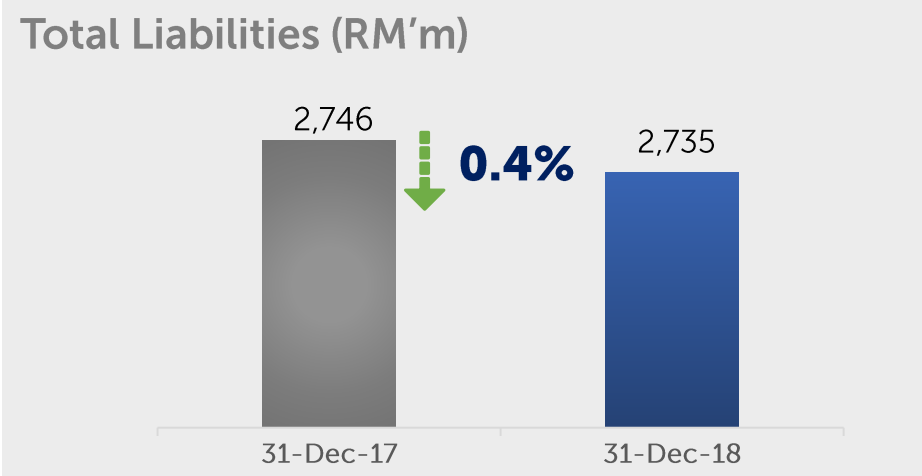
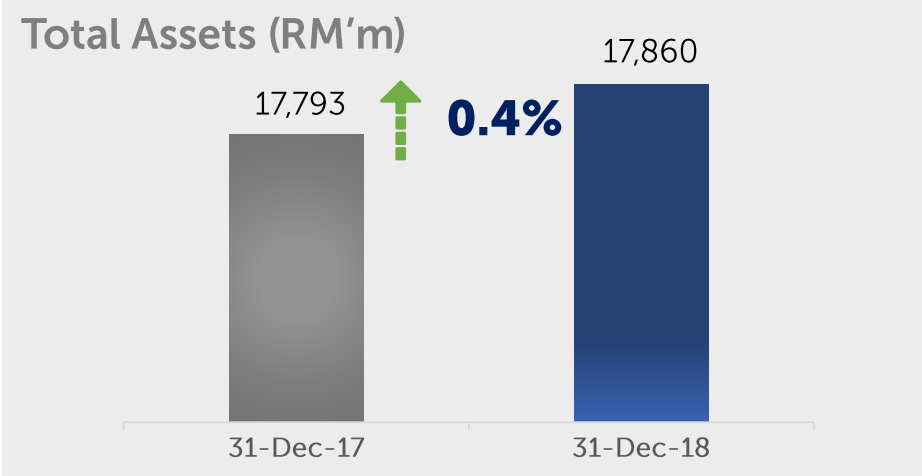
## Q4 FY2018 vs Q4 FY2017 Financial Performance



<sup>1</sup> Excluding fair value adjustments

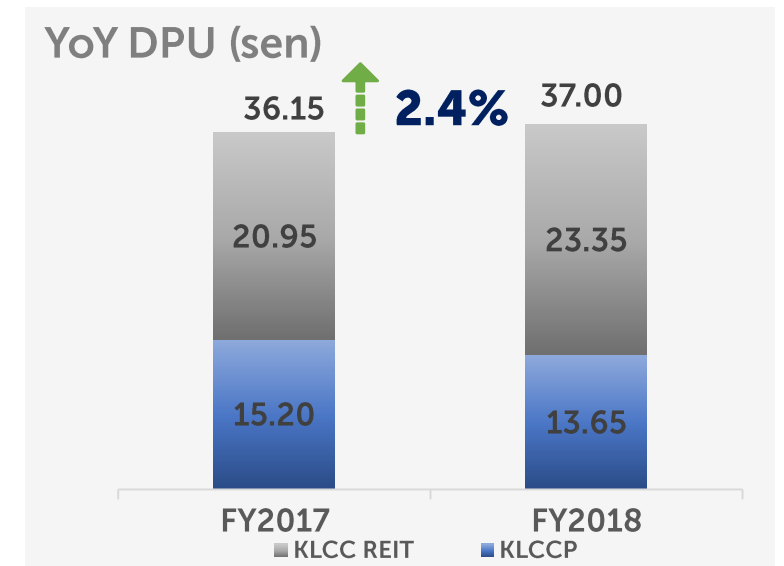
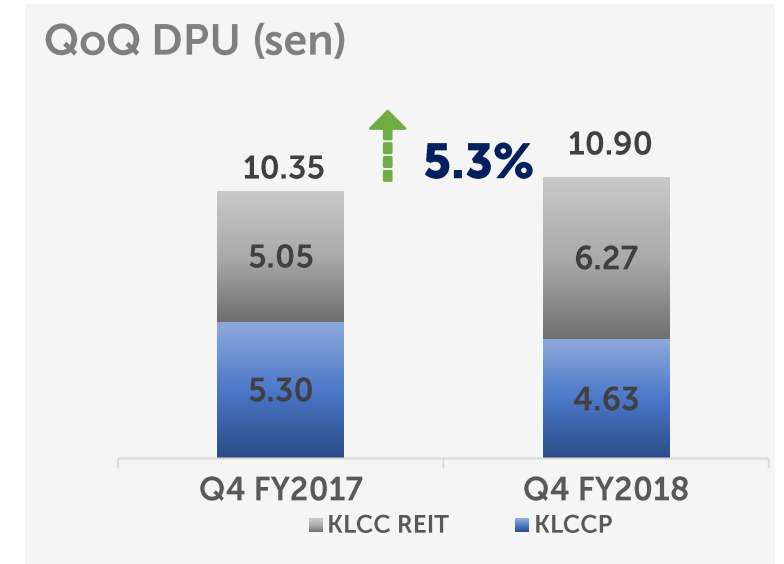
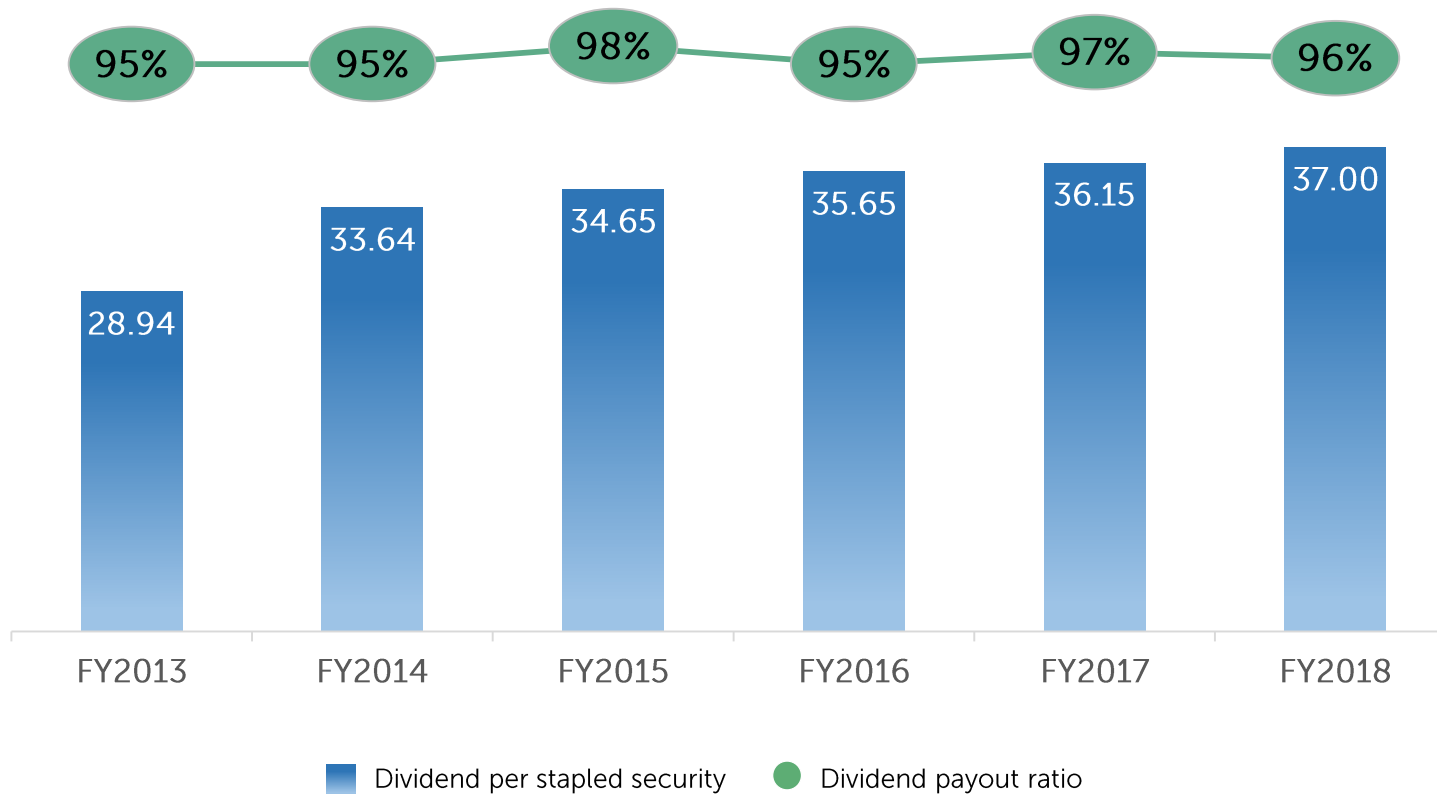
# Firm balance sheet providing support for sustainable growth and long term stability

## Statement of Financial Position (31 Dec 18 vs 31 Dec 17)





# Increased distribution of 5.3% qoq and 2.4% yoy, delivering sustainable returns





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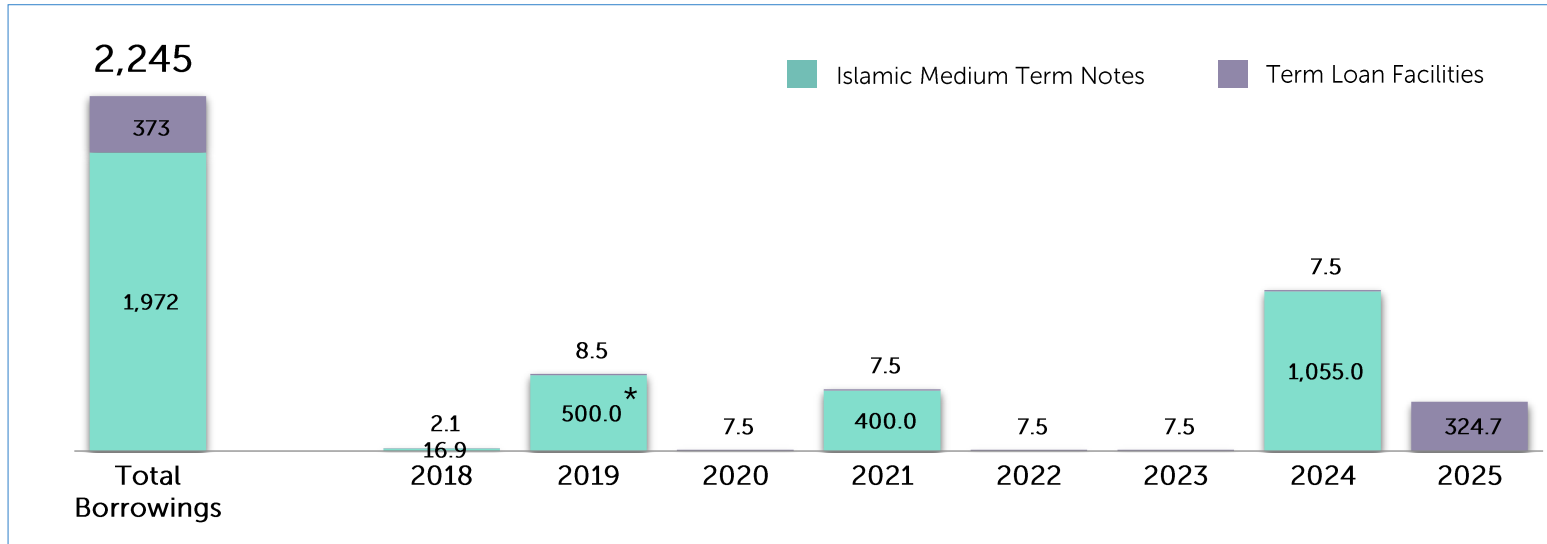
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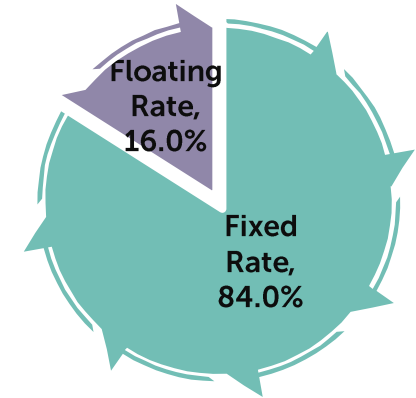


# Optimal capital structure to support business needs

## Debt Maturity Profile



## Interest Rate Profile



Fixed rate borrowings

**84%**

(Dec 17 – 84%)

Gross gearing ratio

**17.2%**

(Dec 17 – 17.2%)

Average maturity period

**4.08** years

(Dec 17 – 5.09 years)

Average cost of Debt

**4.59%**

(Dec 17 – 4.55%)

\* Includes RM100m interco from KLCCP

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# Stamping our mark in the industry



## The Edge Billion Ringgit Club 2018

- Highest ROE over 3 years

## National Corporate Report Awards (NACRA) 2018

- Industry Excellence Award for REITS and Investment Funds



## TheEdgeProperty.com Malaysia's Best Managed Property Awards 2018

- Gold Award for Below 10 Years Mixed Development Category for Menara 3 PETRONAS



## MOSHPA OSH Excellence Award 2018

- Silver Platinum Premier Award for KLCC Parking Management Sdn Bhd



## Mandarin Oriental, Kuala Lumpur


- Recognised with 20 awards regionally and internationally including Best business Hotel in Kuala Lumpur by Business Traveler Asia Pacific and many more

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# Defining transparent and strong sustainability practices across our business


**Reduced** **16%** of energy consumption since 2015 

**10%** of GHG emissions since 2015


**17%** of water consumption since 2015

**Invested** **RM2.0 mil** in community programs 

**Achieved** **85%** employee satisfaction 

**Achieved** **1:1.4** succession management ratio 

**Maintained** **Zero** fatal incidents rate since 2012 

**Achieved** **37.5%** women on Board 



The Asset Corporate Awards 2018

Gold Award for Excellence in Environmental, Social & Governance



The 10th Annual Global CSR Summit & Awards 2018

Gold Award for Best Governed & Transparent Company



Constituents of FTSE4Good Emerging Index & FTSE4Good ASEAN 5 Index

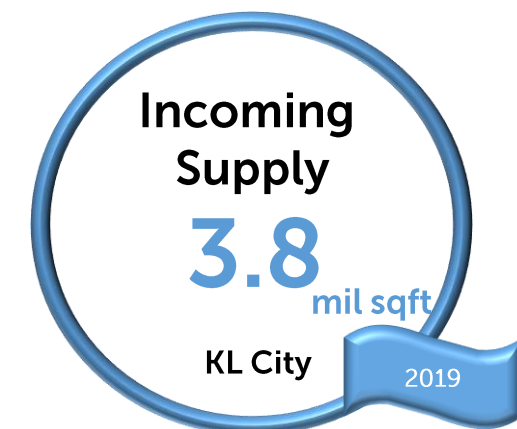
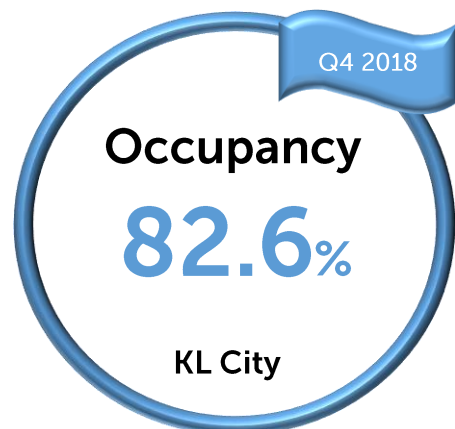
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# Office Industry : Continue to remain tenant-led

## 2019 Outlook

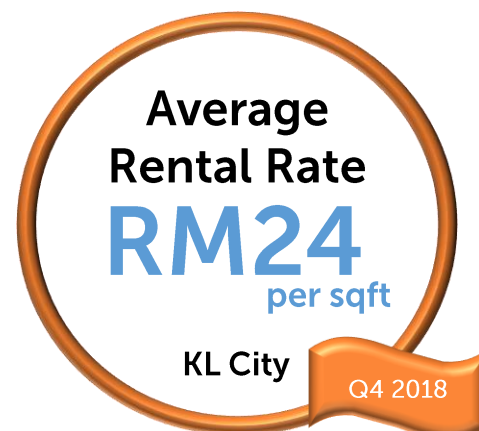
- KL office sector will remain tenant-led as there is no immediate catalysts to boost demand
- Rental & occupancy levels will remain under pressure as landlords continue to offer attractive leasing options to attract new occupiers & retain existing tenants
- Growing mismatch in supply & demand coupled with rising financing costs would continue to impinge on price growth as market finds its equilibrium



# Retail Industry : To remain resilient despite challenging market

## 2019 Outlook

- KL retail sector is expected to remain resilient despite the growing e-commerce which will affect retail space demand
- Strong reversions will remain challenging as tenants will prefer to prioritise occupancy over reversions
- Pleasant shopping experiences crucial by creating modern shopping and leisure destinations
- Prime malls located at strategic locations with access to public transport will top retailers' preference





# Hotel Industry : Demand to improve despite the influx of supply

## 2019 Outlook

- KL hotel sector demand is expected to improve despite the influx of hotel supply while room rates remain unchanged
- New entrants are expected to launch aggressive campaigns to gain market share
- The departure levy which is to take effect from June 2019 is anticipated to marginally impact the number of tourist arrivals and ultimately, the number of foreign hotel guests



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# Staying ahead of the curve in driving sustained returns to the holders of Stapled Securities

## Industry challenges

Impending supply with tight leasing market; conversion to co-working spaces

Continues to face strong headwinds from oversupply; ongoing digital disruption

Challenging environment with intense competition amidst softer business sentiments and reduced tourists arrivals



## 2019 Focus

- Conceptualising & creating a “Workplace for Tomorrow” for our tenant
- Rigorous approach to leasing and close tenant relationship

- Intensive curation of the mall to bring out each retailer’s uniqueness, providing an immersive customer experience

- Personalised offerings and superlative guest experience which transcends accommodation
- Intensified digital marketing to broaden network and capture market share

**Thank You**

