

## KIP Real Estate Investment Trust

**TP: RM1.15 (+38.6%)**
*Acquiring RM118mn Worth of Assets from Sponsor*
*Last Traded: RM0.83*
**Buy (ESG: ★★★)**

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KIP REIT has proposed to acquire four retail assets for a total consideration of RM118mn. In tandem, the trust has also announced a private placement of up to 160mn new units to raise proceeds of up to RM132mn. The funds will be used to partially finance the acquisitions and undertake asset enhancement initiatives (AEIs) at KIPMall Tampoi. While the proposed acquisitions align with the REIT's long-term strategy to scale up its operations and grow its total assets under management (AUM) to RM2.0bn within the next three years, we remain neutral due to near-term earnings dilution stemming from the enlarged unit base post-placement. At this stage, we maintain our earnings forecasts pending the finalisation and necessary approvals for both the acquisition and placement exercise. Maintain Buy with an unchanged target price of RM1.15/unit, based on a target yield of 6.25%.

### Acquisition of Four Retail-Focused Properties for RM118mn

Pacific Trustees Bhd, acting as the trustee for KIP REIT, has entered into conditional sale and purchase agreements to acquire four retail-focused properties for a total cash consideration of RM118.0mn. The purchase consideration, arrived at on a willing-buyer, willing-seller basis, reflects a 6.3% discount to the aggregate market value of RM126.0mn, as independently appraised by CBRE WTW Valuation & Advisory Sdn Bhd. Refer to **Figure 1** for further details.

The proposed acquisitions are deemed as related party transactions, as Dato' Ong Kook Liong, the Managing Director and major shareholder of KIP REIT Management Sdn Bhd, is also a director and substantial shareholder of the vendor companies involved in the sale of the properties.

**Figure 1: Brief Information of the Four Assets**

	Property 1	Property 2	Property 3	Property 4	Aggregate
Vendor	SYRSB	Genuine	Genuine	Genuine & KHSB	
Location	Desa Coalfields, Selangor	Indera Mahkota, Kuantan	Indera Mahkota, Kuantan	Indera Mahkota, Kuantan	
Lettable Area (sq ft)	153,282	107,527	39,824	6,725	<b>307,358</b>
Market Value (RM mn)	68	40	13	5	<b>126</b>
Purchase Price (RM mn)	62	39	12	5	<b>118</b>
Pre/(Dis) to Market Value (%)	<b>(8.8)</b>	<b>(2.5)</b>	<b>(7.7)</b>	0.0	<b>(6.3)</b>
Rental Income (RM mn)	5.8	2.7	0.9	0.4	<b>9.8</b>
Property Yield (%)	9.4	7.0	7.6	7.0	<b>8.3</b>

Source: KIP REIT

The total acquisition cost of RM118mn will be funded through a combination of bank borrowings and proceeds from the proposed private placement, as illustrated in **Figure 2**.

**Share Information**

Bloomberg Code	KIP MK
Stock Code	KIPREIT
Listing	Main Market
Share Cap (mn)	798.6
Market Cap (RMmn)	662.9
52-wk Hi/Lo (RM)	0.945/0.82
12-mth Avg Daily Vol ('000 shrs)	1139.8
Estimated Free Float (%)	60.2
Beta (x)	0.1

**Major Shareholders (%)**

Dato' Ong Kook Liong	- 9.0
Dato's Ong Choo Meng	- 8.2
Employees Provident Fund	- 6.1

**Forecast Revision**

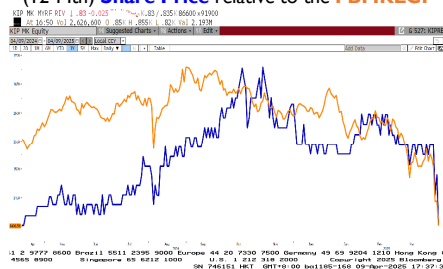
	FY25	FY26
Forecast Revision (%)	-	-
Net profit (RMm)	51.8	66.2
Consensus	-	-
TA's / Consensus (%)	-	-
Previous Rating	Buy (Maintained)	
Consensus TP (RM)	NA	

**Financial Indicators**

	FY25	FY26
Net Gearing (%)	43.9	45.5
FCF/share (sen)	<b>(41.0)</b>	5.9
P/CFPS (x)	<b>(2.0)</b>	14.1
ROA (%)	6.9	8.0
ROE (%)	3.9	4.2
NAV/Share (RM)	1.0	1.0
Price/NAV (x)	0.8	0.8

**Share Performance (%)**

Price Change	KIP	FBM KLCI
1 mth	<b>(4.6)</b>	<b>(9.5)</b>
3 mth	<b>(4.6)</b>	<b>(12.5)</b>
6 mth	<b>(10.3)</b>	<b>(14.3)</b>
12 mth	<b>(7.3)</b>	<b>(9.8)</b>

**(12-Mth) Share Price relative to the FBMKLCI**


Source: Bloomberg

**Figure 2: Source of Funding**

Source of funds	RM mn	(%)
Bank Borrowings	11.8	10.0
Gross Proceeds to be raised from the Proposed Placement	106.2	90.0
<b>Purchase Considerations</b>	<b>118.0</b>	<b>100.0</b>

Source: KIP REIT

### **Proposed Private Placement of up to RM132mn**

To partially fund the proposed acquisitions and planned AEs at KIPMall Tampoi, KIP REIT intends to undertake a private placement to raise gross proceeds of up to RM132mn via a book-building exercise. Based on an illustrative issue price of 82.5 sen per unit, the placement will involve the issuance of up to 160mn new units, representing approximately 20% of the existing fund size of 798.6mn units. Upon completion, the enlarged fund size will increase to 958.6 mn units.

The AEs at KIPMall Tampoi are targeted at strengthening the mall's market position through improvements in infrastructure, enhancement of F&B offerings, incorporation of digital solutions, and sustainability-focused upgrades.

Both the acquisition and placement proposals are subject to the approval of non-interested unitholders at an extraordinary general meeting to be convened. Completion is expected by 1QCY26 (or 3QFY26).

**Figure 3: Utilisation of Proceeds**

Use of Proceeds	Amount (RM mn)
Partial funding of acquisitions	106.2
AEs at KIPMall Tampoi (Johor)	21.9
Estimated expenses (legal, placement agent, regulatory)	3.9
<b>Total</b>	<b>132.0</b>

Source: KIP REIT

### **Our View**

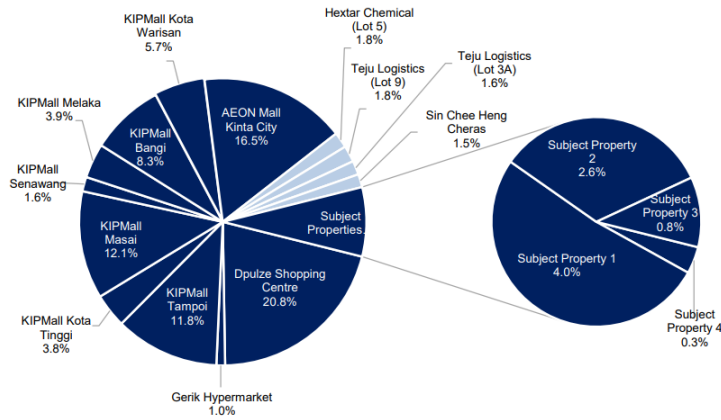
Assuming an NPI margin of 85%, the assets are projected to deliver a net yield of 7.1%, based on gross rental income of RM9.8mn and an acquisition cost of RM118mn. This falls within the historical yield range of 5.7%–8.0% for retail assets acquired by listed REITs, indicating a fair and reasonable pricing.

The properties are acquired at an aggregate 6.3% discount to their market valuations (totaling RM126.0mn) and come with strong tenancy profiles. KIPMall Desa Coalfields is ~99% occupied with key tenants such as Econsave, Guardian, MR.D.I.Y., and Watsons, while Lotus's Indera Mahkota is fully leased to Lotus under a 15-year term with step-up rents. The KFC outlet is fully tenanted under renewable 3-year leases up to 2042, offering long-term visibility. Although the three shop offices are currently unoccupied, all have secured tenancies commencing in early 2025.

Strategically located in suburban growth areas like Desa Coalfields in Selangor and Bandar Indera Mahkota in Kuantan, the assets are well-positioned to benefit from resilient community-driven demand. Post-acquisition, KIP REIT's portfolio

will expand to 18 properties, increasing total asset value by 8.3% to RM1.54bn. The acquisitions are aligned with the trust's goal of reaching RM2.0bn in assets under management within the next three years.

**Figure 4: Total Asset Portfolio after the Proposed Acquisitions**



Source: KIP REIT

### Forecast

For illustrative purposes, assuming both the private placement and the acquisitions are completed by the end of 1QCY26 (end 3QFY26), we estimate a net impact of -14.6% and -8.9% to our FY26 and FY27 earnings forecasts, respectively. This is based on a partial three-month contribution in FY26 and a full-year contribution in FY27 (refer to **Figure 5**). The projected dilution stems primarily from the enlarged unit base, as minority unitholders are not participating in the placement. Nevertheless, we believe a private placement remains the preferred capital-raising option given its speed and efficiency, especially in light of the trust's expansion strategy.

At this stage, we are keeping our earnings forecasts unchanged, pending the finalisation and requisite approvals for the acquisition and placement exercise.

**Figure 5: Dilution Impact to KIP REIT's FY26-27 EPU**

Dilution Impact		
<b>Impact on unit in issue (mn)</b>		
Units in circulation	798.6	798.6
Placement Shares	160.0	160.0
Enlarged Share Capital	958.6	958.6
Gross proceeds from private placement*	132.0	132.0
<b>Impact on net profit (RM mn) **</b>		
Net Profit	FY26	FY27
	66.2	69.5
Add: Incremental income contribution of new asset #	2.1	8.3
Less: Incremental management, trustee and property manag	(0.3)	(1.2)
Cost of financing ##	(0.1)	(0.6)
Net profit post private placement & acquisition	67.8	76.0
<b>Impact on EPU</b>		
EPU (sen/unit)	8.3	8.7
EPU post private placement & acquisition (sen/unit)	7.1	7.9
EPU accretion/(dilution) post-private placement & acquisition (%)	(14.6)	(8.9)

\* Assuming placement shares issue price of RM0.825/unit  
 \*\* Assuming both the private placement and asset acquisition to be completed by end 3QFY26  
 # Assuming 85% NPI margin on the RM9.8mn gross rental income  
 ## Based on 4.8% interest rate p.a. for debt financing of RM11.8mn

Source: KIP REIT, TA Securities

### Valuation

We maintain our Buy recommendation on KIP REIT with an unchanged target price of RM1.15, based on CY25 target yield of 6.25%.

#### Appendix 1: Details of the Properties

	Property 1	Property 2	Property 3	Property 4
<b>Vendor</b>	Senz Yang Realty Sdn Bhd (SYRSB)	Genuine Icon Sdn Bhd (Genuine)	Genuine Icon Sdn Bhd (Genuine)	Genuine Icon Sdn Bhd & KIP Holdings Sdn Bhd (KHSB)
<b>Location</b>	Desa Coalfields, Sungai Buloh, Selangor	Indera Mahkota, Kuantan, Pahang	Indera Mahkota, Kuantan, Pahang	Indera Mahkota, Kuantan, Pahang
<b>Land Area (sqm)</b>	30,045	27,289	4,484 (part of 6,518 total)	2,034 (part of 6,518 total)
<b>Tenure</b>	Freehold	Leasehold (99 years, exp. 11 Mar 2107)	Leasehold (99 years, exp. 11 Mar 2107)	Leasehold (99 years, exp. 11 Mar 2107)
<b>Description of Buildings</b>	2½-storey retail mall with drive-thru unit	Single-storey hypermarket (Lotus's)	Three 2-storey shop offices with carpark	Double-storey commercial building (KFC)
<b>Age (years)</b>	~4 (CCC: Sept 2020)	~2 (CCC: Jan 2023)	Newly completed (CCC: Dec 2024)	~9 (CCC: June 2016)
<b>Lettable Area (sq ft)</b>	153,282	107,527	39,824	6,725
<b>Occupancy Rate (%)</b>	~99%	100% (leased to Lotus until 2038)	0% (tenancies signed; commence in 2025)	100% (leased to KFC)
<b>Audited Net Book Value (RM mn)</b>	68.0	40.0	11.1	5.9
<b>Market Value (RM mn)</b>	68.0	40.0	13.0	5.0
<b>Purchase Price (RM mn)</b>	62.0	39.0	12.0	5.0
<b>Discount to Market Value (%)</b>	(8.8)	(2.5)	(7.7)	0.0
<b>Tenancy Description</b>	Mixed tenants incl. Eonsave, Guardian, Mr DIY (3-year terms, some turnover-linked)	15-year lease with Lotus's, with fixed rent escalation every 3 years (+6%)	MR DIY, Happy Home & Hujan Rimba Santai (leases start in 2025, 3+3 yrs)	KFC: 3-year terms, renewable up to 2042
<b>Initial Annual Rental Income (RM mn)</b>	5.8	2.7	0.9	0.4
<b>Property Yield (%)</b>	9.4	7.0	7.6	7.0

Source: KIP REIT

## Earnings Summary

### Profit and Loss (RM mn)

FYE Jun	FY23	FY24	FY25f	FY26f	FY27f
Gross revenue	83.8	102.2	120.5	143.5	148.2
Net property income	62.2	77.8	93.9	113.9	117.6
Finance cost	(14.8)	(16.7)	(24.7)	(31.4)	(33.0)
EI	21.3	2.3	0.0	0.0	0.0
Reported pretax profit	60.8	47.3	51.8	66.2	69.5
Core pretax profit	39.5	45.0	51.8	66.2	69.5
Reported net profit	60.8	47.3	51.8	66.2	69.5
Core net profit	39.5	45.0	51.8	66.2	69.5
EPU (sen)	6.5	7.3	7.2	8.3	8.7
EPU growth (%)	(9.0)	11.7	(1.1)	15.5	5.0
PER (x)	12.8	11.4	11.6	10.0	9.5
GDPS (sen)	6.2	6.7	6.7	7.7	8.1
Div yield (%)	7.5	8.0	8.0	9.3	9.8
Core ROE (%)	6.5	6.7	6.9	8.0	8.3
NPI margin (%)	74.2	76.2	77.9	79.3	79.3
Core PBT margin (%)	47.1	44.0	42.9	46.1	46.9
Core net margin (%)	47.1	44.0	42.9	46.1	46.9

### Cash Flows (RM mn)

FYE Jun	FY23	FY24	FY25f	FY26f	FY27f
PBT	60.8	47.3	51.8	66.2	69.5
Op profit before change in WC	51.8	61.1	77.0	98.3	103.2
CFO	55.6	36.8	97.3	99.3	103.4
Capex	(88.1)	(94.1)	(392.8)	(52.3)	(6.0)
Others	0.0	0.0	0.0	0.0	0.0
CFI	(88.1)	(94.1)	(392.8)	(52.3)	(6.0)
Net proceed from share issuance	82.4	10.0	148.5	0.0	0.0
Net borrowings	20.0	90.0	250.0	50.0	20.0
Dividend	(36.0)	(41.2)	(48.1)	(61.6)	(64.7)
Others	(16.1)	(15.9)	(24.7)	(31.4)	(33.0)
CCF	50.3	42.8	325.7	(43.0)	(77.7)
Change in cash	17.8	(14.4)	30.2	4.0	19.7

### Balance Sheet (RM mn)

FYE Jun	FY23	FY24	FY25f	FY26f	FY27f
Non current assets	965.8	1,064.3	1,456.5	1,508.2	1,513.5
Receivables	8.8	36.8	11.7	14.0	14.4
Cash	48.8	34.9	65.1	69.1	88.8
Total CA	57.6	71.7	76.9	83.1	103.2
Total assets	1,023.4	1,135.9	1,533.4	1,591.2	1,616.8
Trade and other payables	14.0	21.7	17.0	20.3	20.9
Borrowings	23.6	313.9	313.9	313.9	313.9
Total CL	37.7	335.6	330.9	334.1	334.8
Unitholders' capital	573.8	583.6	732.1	732.1	732.1
Undistributed income	86.2	94.0	97.6	102.3	107.1
Total unitholders' funds	660.0	677.6	829.8	834.4	839.3
Borrowings	309.6	109.5	359.5	409.5	429.5
Long term liabilities	16.2	13.3	13.3	13.3	13.3
Total non current liabilities	325.8	122.7	372.7	422.7	442.7
Total liabilities and equities	1,023.4	1,135.9	1,533.4	1,591.2	1,616.8

### Ratios

FYE Jun	FY23	FY24	FY25f	FY26f	FY27f
Gearing (%)	32.6	37.3	43.9	45.5	46.0
NAV/unit (RM)	1.1	1.1	1.0	1.0	1.1
P/NAV (x)	0.8	0.8	0.8	0.8	0.8
ROE (%)	6.5	6.7	6.9	8.0	8.3
ROA (%)	4.1	4.2	3.9	4.2	4.3

### Sector Recommendation Guideline

**OVERWEIGHT:** The total return of the sector, as per our coverage universe, exceeds 12%.

**NEUTRAL:** The total return of the sector, as per our coverage universe, is within the range of 7% to 12%.

**UNDERWEIGHT:** The total return of the sector, as per our coverage universe, is lower than 7%.

### Stock Recommendation Guideline

**BUY :** Total return of the stock exceeds 12%.

**HOLD :** Total return of the stock is within the range of 7% to 12%.

**SELL :** Total return of the stock is lower than 7%.

**Not Rated:** The company is not under coverage. The report is for information only.

**Total Return of the stock** includes expected share price appreciation, adjustment for ESG rating and gross dividend. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

**Total Return of the sector** is market capitalisation weighted average of total return of the stocks in the sector.

### ESG Scoring & Guideline

	Environmental	Social	Governance	Average
<b>Scoring</b>	★★★	★★★	★★★	★★★
<b>Remark</b>	It has implemented some green initiatives to reduce carbon emission.	Low exposure to social risks given that the sector is not labour-intensive.	Adequate transparency practices to ensure stakeholder engagement and management efficiency.	

★★★★★ (≥80%)	: Displayed market leading capabilities in integrating ESG factors in all aspects of operations, management and future directions.	+5% premium to target price
★★★★ (60-79%)	: Above adequate integration of ESG factors into most aspects of operations, management and future directions.	+3% premium to target price
★★★ (40-59%)	: Adequate integration of ESG factors into operations, management and future directions.	No changes to target price
★★ (20-39%)	: Have some integration of ESG factors in operations and management but are insufficient.	-3% discount to target price
★ (<20%)	: Minimal or no integration of ESG factors in operations and management.	-5% discount to target price

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As of Thursday, April 10, 2025, the analyst, Thiam Chiann Wen, who prepared this report, has interest in the following securities covered in this report:  
(a) nil

**Kaladher Govindan – Head of Research**

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