

## KIP Real Estate Investment Trust

*New Assets to Propel Growth*

**TP: RM1.15** (+28.5%)

Last Traded: RM0.875

**Buy (ESG: ★★★)**

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### Two Acquisitions Announced This Year Were Completed Ahead of Schedule

KIP Real Estate Investment Trust (KIP REIT) is wrapping up an eventful 2024 with the early completion of the DPulze Shopping Centre (DPulze) acquisition last week, following the successful acquisition of TF Value Mart Gerik in November. Both transactions were finalised ahead of their initial IQ 2025 timeline.

This year, KIP REIT announced three major acquisitions totalling RM433.1mn: DPulze, TF Value Mart Gerik, and four industrial properties, with the latter set to be completed by mid-2026 – see Figure 1. The fully occupied DPulze, located in Cyberjaya, Selangor, is KIP REIT's largest acquisition since its IPO, adding 311,499 sq ft of net lettable area (NLA). Meanwhile, TF Value Mart Gerik, with an NLA of 60,895 sq ft, offers strong rental growth potential and an attractive 7.5% initial yield.

With the two new retail assets, KIP REIT's portfolio now comprises 13 properties with a total NLA of 2.46mn sq ft, including seven KIP Malls, AEON Mall Kinta City, and three industrial properties in Klang – see **Figure 2**.

### Progressing Towards RM2.0bn Portfolio Target Over the Next 3 Years

We believe KIP REIT's recent acquisitions are a significant step toward its target of expanding its portfolio value to RM2.0bn within the next three years, up from RM1.4bn currently (see **Figure 3**). These transactions highlight KIP REIT's ability to execute its strategy of accretive growth through high-quality retail, industrial, and commercial properties. KIP REIT is well-positioned to achieve its target by leveraging its Right of First Refusal on two pipeline assets—KIP Mall Desa Coalfields and KIP Mall Kuantan—while actively pursuing third-party opportunities to further diversify its portfolio.

We also see strong potential in its focus on expanding the industrial portfolio, targeting manufacturing, logistics, and warehouse facilities to secure long-term, stable tenancies. With three existing industrial assets valued at RM79.6mn and four upcoming properties worth RM98.3mn, industrial assets will represent 12% of the total portfolio value upon completion, reflecting their growing role in driving portfolio resilience and sustainable income growth.

### Focusing on Strategic AElS and Portfolio Optimisation

In addition to its inorganic growth through acquisitions, we believe KIP REIT's focus on organic growth via Asset Enhancement Initiatives (AElS) will be instrumental in driving portfolio expansion. KIP REIT has attracted quality tenants and strengthened asset performance by optimising properties and

#### Share Information

Bloomberg Code	KIP MK
Stock Code	KIPREIT
Listing	Main Market
Share Cap (mn)	798.6
Market Cap (RMmn)	698.8
52-wk Hi/Lo (RM)	0.945/0.87
12-mth Avg Daily Vol ('000 shrs)	974.8
Estimated Free Float (%)	60.2
Beta (x)	0.1

#### Major Shareholders (%)

Hextar Rubber S/B	- 11.4
Dato' Ong Kook Liong	- 9.0
Employees Provident Fund	- 6.1

#### Forecast Revision

	FY25	FY26
Forecast Revision (%)	1.9	26.8
Net profit (RMm)	51.8	66.2
Consensus	-	-
TA's / Consensus (%)	-	-
Previous Rating	Buy (Maintained)	
Consensus TP (RM)	NA	

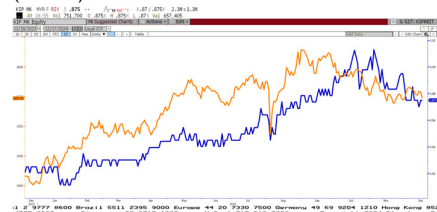
#### Financial Indicators

	FY25	FY26
Net Gearing (%)	43.9	45.5
FCF/share (sen)	(41.0)	5.9
P/CFPS (x)	(2.1)	14.9
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	(2.8)	0.3
3 mth	(3.8)	(4.0)
6 mth	(1.7)	(0.6)
12 mth	(2.2)	9.2

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



Source: Bloomberg

enhancing their value. This is reflected in the rising average occupancy rate, which improved to 94.4% in IQFY25 from 94.1% in FY24 (see **Figure 4**).

While most assets have achieved occupancy rates above 90%, KIPMall Senawang and KIPMall Bangi remain exceptions due to tenant optimisation following major AEs. However, the newly renovated ST Rosyam Supermarket at KIPMall Senawang (completed in September 2024) has lifted occupancy to 95%, while KIPMall Bangi saw occupancy recover from 70.1% in FY22 to 86.0% in IQFY25, following the completion of a facelift in February 2024. To further enhance portfolio performance, KIP REIT has allocated RM20mn for phased AEs in FY25–FY26, focusing on KIPMall Tampoi, property tech upgrades, solar installations, and minor works across its portfolio.

### Impact

We have raised our FY25/26/27 earnings forecasts by 2%, 27%, and 29%, respectively, driven by contributions from newly acquired assets, partially offset by one-time acquisition fees incurred during the acquisition year and higher base management fees from a larger portfolio. However, the EPU and DPU for FY25 and FY26 have been adjusted downwards by 13% and 2%, respectively, while FY27 EPU and DPU were revised slightly higher by 0.1%. These adjustments reflect the issuance of 180mn new placement units, which has increased the total number of units issued by 29%. To recap, the placement, completed on 2 December 2024, raised RM148.5mn at 82.5 sen per unit to partially fund the DPulze acquisition.

Despite the enlarged unit base, we expect KIP REIT's FY25 DPU to remain at FY24 levels, as there is only a 10-day gap between the timing of income flow from DPulze and the private placement. Looking ahead, we anticipate DPU growth of 15.5% in FY26 and 5% in FY27, driven by the full-year contribution from the newly acquired assets.

### Valuation

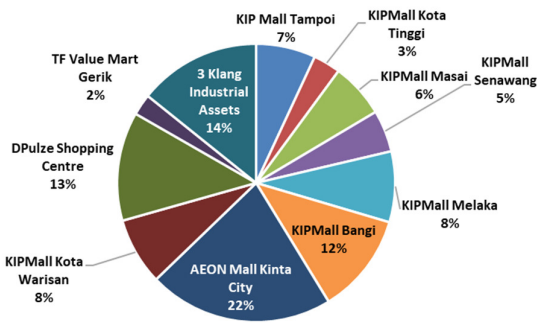
We like KIP REIT for its strategic initiatives, demonstrating a clear commitment to delivering value to stakeholders while steadily advancing toward its portfolio expansion targets. We see potential earnings upside from the addition of new assets, further strengthening our confidence in its growth prospects. We peg KIP REIT's valuation to a lower target yield of 6.25% (previously 6.75%) to reflect the improved earnings outlook. This target yield remains reasonable as it aligns with the average FY25 yield of retail-focused MREITs. We maintain TP for KIP REIT at RM1.15/unit and reiterate our Buy recommendation on KIP REIT.

**Figure 1: Acquisitions in 2024**

Date	Property	Asset Class	Acquisition Cost (RM mn)	NPI (RM mn)	Yield (%)	Remark
27-May-24	DPulze Shopping Centre	Retail	320.0	22.8	7.1	Acquisition completed on 12 December 2024
25-Aug-24	TF Value Mart Gerik	Retail	14.8	1.1	7.5	Acquisition completed on 15 November 2024
29-Aug-24	4 Industrial Properties	Industrial	98.3	7.2	7.3	Expected completion between Jun-25 and 1H26
			<b>433.1</b>	<b>31.1</b>	<b>7.2</b>	

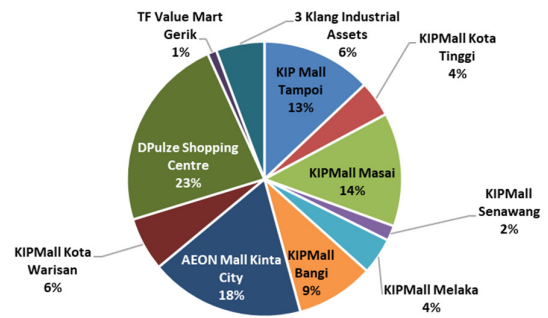
Source: KIPREIT, TA Securities

**Figure 2 : Total Net Lettable Area of KIP REIT Stands at 2.46mn sq ft**



Source: KIPREIT, TA Securities

**Figure 3 : DPulze, KIP REIT's largest asset, accounts for 23% of its RMI.4bn total asset value.**



Source: KIPREIT, TA Securities

**Figure 4: KIP REIT's Occupancy Rates by Assets**

	FY2021	FY2022	FY2023	FY2024	Q1FY25
KIPMall Tampoi	88.5%	80.5%	94.7%	97.4%	97.7%
KIPMall Kota Tinggi	88.0%	91.4%	89.1%	91.4%	94.5%
KIPMall Masai	88.9%	91.4%	94.9%	96.2%	97.2%
KIPMall Senawang	78.2%	83.8%	86.4%	62.9%	51.9%
KIPMall Melaka	80.1%	78.1%	89.8%	95.3%	97.4%
KIPMall Bangi	81.9%	70.1%	74.0%	83.9%	86.0%
KIPMall Kota Warisan	N/a	N/a	N/a	99.5%	99.3%
AEON Mall Kinta City	100.0%	100.0%	100.0%	100.0%	100.0%
Lot 5, Pulau Indah	N/A	N/A	100.0%	100.0%	100.0%
Lot 3A, Pulau Indah	N/A	N/A	100.0%	100.0%	100.0%
Lot 9, Pulau Indah	N/A	N/A	100.0%	100.0%	100.0%
<b>Average Occupancy Rate</b>	<b>89.6%</b>	<b>87.3%</b>	<b>92.9%</b>	<b>94.1%</b>	<b>94.38%</b>

Source: KIPREIT, TA Securities

## 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)	13.5	12.1	12.2	10.6	10.0
GDPS (sen)	6.2	6.7	6.7	7.7	8.1
Div yield (%)	7.1	7.6	7.6	8.8	9.3
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)
CFF	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

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### 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 Wednesday, December 18, 2024, the analyst, Thiam Chiann Wen, who prepared this report, has interest in the following securities covered in this report:  
(a) nil

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