21 January 2025

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AFFIN HWANG INVESTMENT BANK
Daiwa Capital Markets Hong Kong Limited

Results Note | **RM0.875 @ 21 January 2025**

"6MFY25 DPU rose by 3% yoy – within estimates"

Share price performance

	1M	3M	12M
Absolute (%)	0.0	-5.9	-1.1
Rel KLCI (%)	0.7	-2.0	-7.0

	BUY	HOLD	SELL
Consensus	2	-	-

Stock Data

Sector	REIT
Issued shares (m)	798.6
Mkt cap (RMm)/(US$m)	698.8/156.3
Avg daily vol - 6mth (m)	1.3
52-wk range (RM)	0.87-0.95
Est free float	60.2%
Stock Beta	0.34
Net cash/(debt) (RMm)	(554.8)
ROE (FY25E)	7.4%
Derivatives	No
Shariah Compliant	No
FTSE4Good Constituent	No
FBM EMAS (Top 200)	Top 26 – 50%
ESG Risk Rating	n/a

Key Shareholders

Hextar Rubber Sdn	11.4%
Ong Kook Liong	9.0%
EPF	6.1%
Teoh Siew Chin	4.3%

Source: Bloomberg, Affin Hwang, Bursa Malaysia

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KIP REIT (KIP MK)

BUY (maintain)
Up/Downside: +17.7%

Price Target: RM1.03
Previous Target (Rating): RM1.03 (BUY)

Improved 6MFY25 earnings by 5% yoy – within estimates

- **KIPREIT's 6MFY25 core net profit rose by 5% yoy to RM22m on new acquisitions and higher occupancy across existing assets which effectively offset the 39% yoy increase in borrowing costs**
- **We expect KIPREIT's 2HFY25E core net profit to see further growth on the back of full quarterly contributions of DPulze Shopping Centre which could add c.RM13m-RM23m to KIPREIT's FY25E-26E NPI**
- **Maintain BUY with an unchanged DDM-derived 12-month target price of RM1.03. Its FY25E-26E DPU yield of 8% looks attractive to us**

KIPREIT's 6MFY25 core net profit rose by 5% yoy to RM22m

6MFY25 revenue rose by 26.1% yoy to RM56.7m, driven by new acquisitions and higher occupancy across existing assets, offsetting a 39% rise in borrowing costs to RM10.7m, and delivering a 4.9% growth in 6MFY25 core net profit of RM22.1m. Sequentially, KIPREIT's 2QFY25 core net profit grew by 18.9% qoq, supported by (i) partial contributions from the newly acquired Dpulze Shopping Centre and Gerik hypermarket which were completed in Dec-24 and Nov-24, respectively, and (ii) improved occupancy across 7 KIPMalls of 97.1%, up 2.7pts qoq. KIPREIT's healthy set of results translated into a higher 2QFY25 DPU of 1.66sen (1QFY25: 1.52sen). Overall, the results were within our and consensus estimates – KIPREIT's 6MFY25 realised net profit accounted for 39.8% and 42.6% of our and the street's full-year earnings forecasts, respectively.

2HFY25E core net profit is poised for further growth

We expect KIPREIT's 2HFY25E core net profit to see further growth, supported by the full quarterly contributions of DPulze Shopping Centre which adds c.RM13m-RM23m to KIPREIT's FY25E-26E NPI. Despite the dilutive effect from its placement exercise, we expect KIPREIT to deliver a steady core EPU growth of 2-9% in FY25E-26E. Overall, we remain positive on KIPREIT given its solid positioning as a neighbourhood mall-focused REIT in a stable inflation environment, with recessionary risks for micro-tenants appearing less concerning now, supported by a favourable economic backdrop, steady employment levels, and minimum wage growth which could cushion the RON95 subsidy rationalization.

Maintain BUY with an unchanged DDM-derived price target of RM1.03

We maintain our BUY rating on KIPREIT with a DDM-derived 12-month price target of RM1.03. We favour KIPREIT for its assets with differentiated market positioning and the management's expansion aspirations. Besides, its FY25E-26E DPU yield of 8% looks attractive to us. Downside risks to our view are weaker-than-expected economic growth, deterioration in rental reversion, earnings disappointment, and steeper-than-expected hike in the OPR and global bond yields.

Earnings & Valuation Summary

FYE 30 June	2023	2024	2025E	2026E	2027E
Revenue	83.8	102.2	129.0	155.4	157.5
Net Property Income	62.2	77.8	92.4	110.1	111.7
Net income	60.8	47.3	55.5	63.8	65.0
Realised net profit	37.7	44.5	55.5	63.8	65.0
EPU (sen)	10.0	7.6	7.8	8.0	8.1
Realised EPU (sen)	6.2	7.2	7.8	8.0	8.1
Realised EPU growth (%)	-12.8	15.6	9.0	2.0	2.0
PER (x)	8.7	11.4	11.2	11.0	10.7
Realised PER (x)	14.1	12.2	11.2	11.0	10.7
DPU (sen)	6.2	6.7	7.1	7.2	7.3
Dividend Yield (%)	7.1	7.6	8.1	8.2	8.4
NAV (RM)	1.1	1.1	1.2	1.0	1.1
Chg in EPU (%)			-	-	-
Affin/Consensus (x)			1.1	1.0	0.9

Source: Company, Affin Hwang estimates

Fig 1: Results Comparison

FYE 30 June (RMm)	2Q24	1Q25	2Q25	QoQ % chg	YoY % chg	6M24	6M25	YoY % chg	Comments
Revenue	**22.6**	**26.7**	**30.0**	**12.3**	**32.7**	**45.0**	**56.7**	**26.1**	Higher 2Q25 revenue qoq on (i) contributions from newly acquired assets – DPulze Shopping Centre and Gerik hypermarket and (ii) improved occupancy across existing assets
Operating expenses	-5.8	-7.0	-8.4	19.1	43.8	-11.7	-15.4	32.0	
Net Property Income	**16.8**	**19.7**	**21.6**	**9.9**	**28.9**	**33.3**	**41.3**	**24.0**	
NPI margin (%)	*74.2*	*73.7*	*72.1*	*-1.6 ppt*	*-2.1 ppt*	*74.0*	*72.8*	*-1.2 ppt*	
Revaluation surplus & Others	0.3	-0.1	-0.2	23.7	-165.0	0.5	-0.3	-156.3	
Net Investment Income	**17.0**	**19.5**	**21.5**	**9.8**	**25.9**	**33.8**	**41.0**	**21.2**	
Int expense	-3.9	-5.2	-5.6	7.8	43.7	-7.7	-10.7	39.0	Higher 6M25 interest expense yoy due to additional borrowings to finance its debt-funded acquisitions
REIT's expenses	-2.5	-4.3	-3.9	-9.0	55.3	-5.1	-8.2	61.5	2Q25 REIT expenses decreased qoq on lower management fees
Pretax profit	**10.6**	**10.1**	**12.0**	**18.9**	**12.5**	**21.0**	**22.1**	**4.9**	
Net Profit	**10.6**	**10.1**	**12.0**	**18.9**	**12.5**	**21.0**	**22.1**	**4.9**	
Realised net profit	**10.6**	**10.1**	**12.0**	**18.9**	**12.5**	**21.0**	**22.1**	**4.9**	Within our and consensus expectations
EPU (sen)	1.72	1.63	1.50	-7.9	-12.8	3.46	3.41	-1.4	
Realised EPU (sen)	1.72	1.63	1.50	-7.9	-12.8	3.46	3.41	-1.4	
DPU (sen)	1.55	1.52	1.66	9.1	7.1	3.10	3.18	2.6	

Source: Affin Hwang, Company

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