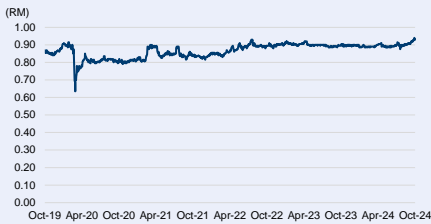


“1QFY25 realised net profit marginally weaker by 3% yoy – within estimates”

Share price performance



	1M	3M	12M
Absolute (%)	2.8	3.9	3.9
Rel KLCI (%)	4.2	3.3	-9.0

	BUY	HOLD	SELL
Consensus	1	1	-

Stock Data

Sector	REIT
Issued shares (m)	618.6
Mkt cap (RMm)/(US\$m)	575.3/133.7
Avg daily vol - 6mth (m)	1.0
52-wk range (RM)	0.88-0.95
Est free float	56.9%
Stock Beta	0.40
Net cash/(debt) (RMm)	(398.4)
ROE (FY25E)	6.7%
Derivatives	No
Shariah Compliant	No
FTSE4Good Constituent	No
FBM EMAS (Top 200)	Top 26 – 50%
ESG Risk Rating	20.1 (0.0 yoy)

Key Shareholders

Hextar Rubber Sdn	14.7%
Ong Kook Liong	10.4%
Teoh Siew Chin	5.6%

Source: Bloomberg, Affin Hwang, Bursa Malaysia

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KIP REIT (KIP MK)

HOLD (maintain)

Up/Downside: +6.5%

Price Target: RM0.99

Previous Target (Rating): RM0.99 (HOLD)

Higher management fees weighed on earnings

- KIP REIT's 1QFY25 realised net profit was marginally weaker by 3% yoy to RM10m as its higher revenue backed by additional contribution of KIPMall Kota Warisan was insufficient to cushion the higher management fees
- Sequentially, KIPREIT's 1QFY25 NPI dropped by 26% qoq primarily due to a lower revenue (-18% qoq) as a one-off full-year lease income of RM7m was recognized during the preceding quarter
- Maintain HOLD with an unchanged DDM-derived target price of RM0.99. While we like KIPREIT for its assets with differentiated market positioning and management aspirations, we are cautious about the outlook for micro tenants over recessionary risks

1QFY25 realised net profit was marginally weaker by 3% yoy

KIPREIT reported a mediocre set of results – 1QFY25 revenue grew by 19.4% yoy to RM26.7m on the back of the additional contribution from KIPMall Kota Warisan, acquired in Feb-24, which led to a 59.2% yoy spike in 1QFY25 rental income of RM9.8m from Central region. However, the higher revenue was insufficient to cushion the (i) surge in REIT expenses (+67.5% yoy), primarily due to higher management fees and (ii) higher borrowing cost by 34.3% yoy. This has resulted in a marginally weaker 1QFY25 realised net profit of RM10.1m (-3% yoy). Overall, the results were within our estimates but below consensus – KIPREIT's 1QFY25 realised net profit accounted for 24% and 20% of our and the street's full-year earnings forecasts, respectively.

Sequentially, 1QFY25 realised net profit declined by 16% qoq

Sequentially, KIPREIT's 1QFY25 NPI dropped by 25.6% qoq due to (i) a lower revenue of 18.2% qoq, as the previous quarter had recognized a one-off full-year lease income of RM7.1m and (ii) higher operating expenses (+13.3% qoq). This led to a decline in its 1QFY25 realised net profit by 15.9% qoq to RM10.1m. Notably, KIPREIT has been active on the acquisition front during the quarter with a total cash purchase consideration of RM108.1m, for the proposed acquisition of (i) TF Value, a hypermarket located in Gerik, Perak for RM14.8m and (ii) 4 industrial properties in Port Klang, Cheras, Bintulu and Johor for a total amount of RM93.3m.

Maintain HOLD with an unchanged DDM-derived price target of RM0.99

We maintain our earnings forecasts, HOLD rating and DDM-derived 12-month price target of RM0.99. While we like KIPREIT for its assets with differentiated market positioning and the management's expansion aspirations, we are cautious about the outlook for micro tenants over recessionary risks. Downside risks are weaker-than-expected economic growth, earnings disappointment, and steeper-than-expected hikes in OPR and global bond yields. Upside risks: stronger-than-expected quarterly earnings, unexpected cut in OPR and a sharp decline in global bond yields.

Earnings & Valuation Summary

FYE 30 June	2023	2024	2025E	2026E	2027E
Revenue	83.8	102.2	101.8	103.2	104.5
Net Property Income	62.2	77.8	75.4	76.5	77.4
Net income	60.8	47.3	45.1	46.5	47.2
Realised net profit	39.5	45.0	45.1	46.5	47.2
EPU (sen)	10.5	7.7	7.3	7.5	7.6
Realised EPU (sen)	6.5	7.3	7.3	7.5	7.6
Realised EPU growth (%)	-8.7	11.7	0.3	3.0	1.6
PER (x)	8.9	12.1	12.7	12.4	12.2
Realised PER (x)	14.3	12.8	12.7	12.4	12.2
DPU (sen)	6.2	6.7	6.9	7.1	7.3
Dividend Yield (%)	6.7	7.2	7.5	7.7	7.8
NAV (RM)	1.0	1.0	1.0	1.0	1.0

Chg in EPU (%)

Affin/Consensus (x)

-
0.9 0.9 0.9

Source: Company, Affin Hwang estimates

Fig 1: Results Comparison

FYE 30 June (RMm)	1Q24	4Q24	1Q25	QoQ % chg	YoY % chg	Comments
Revenue	22.4	32.6	26.7	-18.2	19.4	Lower 1Q25 revenue qoq due to recognition of full-year lease income amounted RM7m during the preceding quarter
Operating expenses	-5.9	-6.2	-7.0	13.3	20.2	
Net Property Income	16.5	26.4	19.7	-25.6	19.1	Higher NPI yoy due to additional NPI contribution from KIPMall Kota Warisan which completed its acquisition in Feb-24
<i>NPI margin (%)</i>	73.8	81.0	73.7	-7.3 ppt	-0.2 ppt	
Revaluation surplus & Others	0.3	-4.1	-0.1	-96.7	-148.4	
Net Investment Income	16.8	22.4	19.5	-12.6	16.3	
Int expense	-3.8	-4.6	-5.2	13.1	34.3	Higher 1Q25 interest expense yoy due to additional borrowings incurred to finance KIPMall Kota Warisan
REIT's expenses	-2.6	-1.8	-4.3	>100	67.5	Higher 1Q25 REIT expenses yoy and qoq as its management fee spiked to RM3.3m (+315% qoq, +84% yoy)
Pretax profit	10.4	16.0	10.1	-37.2	-3.0	
Net Profit	10.4	16.0	10.1	-37.2	-3.0	
Realised net profit	10.4	12.0	10.1	-15.9	-3.0	Within ours but below consensus expectations
EPU (sen)	1.71	2.59	1.66	-35.9	-3.0	
Realised EPU (sen)	1.71	1.94	1.66	-14.2	-3.0	
DPU (sen)	1.55	1.96	1.52	-22.3	-1.8	

Source: Affin Hwang, Company

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