KIP Real Estate Investment Trust

Earnings Lifted by Retail and Asset Additions

TP: RM1.17 (+37.8%)

Last Traded: RM0.85

Buy (ESG: ★★★)

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Review

- KIP REIT's 9MFY25 realised net profit of RM36.4mn (+10.3% YoY) was within expectations, accounting for 70% of our full-year forecasts.
- 3QFY25 distribution per unit (DPU) stood at 1.60 sen, bringing 9MFY25 DPU to 4.78 sen (+1.7% YoY). Based on the last closing price, this translates to a 7.5% annualised dividend yield.
- KIP REIT's 9MFY25 revenue climbed 38.4% YoY to RM96.2mn, underpinned by a 39.0% increase in the retail segment, which contributed 94.8% of total revenue. The strong performance was driven by improved earnings from its seven existing KIP Malls, along with incremental contributions from the newly acquired DPulze and TF Value. Meanwhile, revenue from the industrial segment rose 28.8% YoY, supported by the one-month contribution from the Cheras Jaya Industrial property, which was acquired on 27 February 2025.
- Despite the strong revenue growth, 9MFY25 realised net profit grew only 10.3% to RM36.4mn, impacted by a 51.5% YoY increase in operating expenses, as well as higher management fees (+75.9% YoY) and borrowing costs (+45.7% YoY).
- QoQ, KIP REIT's 3QFY25 net profit increased by 15.3% to RM14.3mn, primarily benefiting from the full-quarter contribution of newly acquired assets, namely DPulze and TF Value.

Impact

- Maintain earnings forecasts.

Conference Call Highlights

- KIP REIT's portfolio occupancy improved by 3.4%-pts YoY to 97.2% as of 3QFY25, driven by higher occupancy across all retail assets. Management indicated that rental reversion for the period stood at 10%, reflecting healthy leasing demand and improved tenant confidence.
- To recap, KIP REIT announced on 10 April the acquisition of four retail assets for RM118mn, to be partially funded via a proposed private placement of up to 180mn new units raising RM132mn. Proceeds will also support AEIs at KIPMall Tampoi. While the acquisitions align with its long-term strategy to scale up operations and expand the REIT's asset under management to RM2.0bn over the next three years, we remain neutral due to near-term earnings dilution from the enlarged unit base. Management guided that both proposals are on track for completion by 2H2025.
- Management remains optimistic about KIP REIT's outlook, supported by the solid performance of its existing property portfolio, active leasing efforts, and continuous operational improvements. They remain committed to prudent capital management and sustainable returns to unitholders. With a strategic focus on acquiring yield-accretive assets and

Share Information	
Bloomberg Code	KIP MK
Stock Code	KIPREIT
Listing	Main Market
Share Cap (mn)	798.6
Market Cap (RMmn)	678.8
52-wk Hi/Lo (RM)	0.945/0.82
12-mth Avg Daily Vol ('000 shrs)	1146.5
Estimated Free Float (%)	60.2
Beta (x)	0.1
Major Shareholders (%)	
	Dato' Ong Choo Meng - 9.0
	Dato' Ong Kook Liong - 9.0
	Employees Providend Fund - 6.1

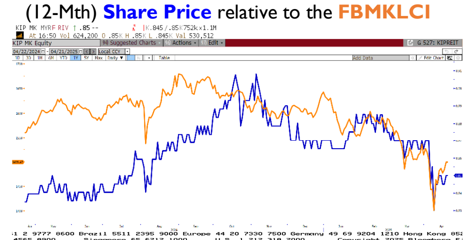
Forecast Revision	FY25	FY26
Forecast Revision (%)	0.0	0.0
Net profit (RMm)	51.8	66.2
Consensus	-	-
TA's / Consensus (%)	-	-
Previous Rating	Buy (Maintained)	
Consensus TP (RM)	NA	

Financial Indicators	FY25	FY26
Net Gearing (%)	43.9	45.5
FCF/share (sen)	(41.0)	5.9
P/CFPS (x)	(2.1)	14.5
ROE (%)	6.9	8.0
ROA (%)	3.9	4.2
NAV/Share (RM)	1.0	1.0
Price/NAV (x)	0.8	0.8

Scorecared	% of FY	
vs. TA	70	Within
vs. Consensus	NA	NA

Share Performance (%)		
Price Change	KIP	FBM KLCI
1 mth	(2.3)	(0.4)
3 mth	(2.9)	(5.1)
6 mth	(8.6)	(8.9)
12 mth	3.9	(3.1)

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

exploring growth opportunities in both the retail and industrial segments, management believes the REIT is well-positioned to drive long-term value and capture emerging opportunities.

Valuation

- Rolling forward our valuation base year to CY26, we arrive at a new TP of RM1.17/unit (previously RM1.15/unit), based on a target yield of 6.75%. Reiterate Buy.

Table 1: Earnings Summary (RM mn)

FYE June	FY23	FY24	FY25f	FY26f	FY27f
Gross Rental Income	83.8	102.2	120.5	143.5	148.2
Net Property Income	62.2	77.8	93.9	113.9	117.6
NPI Margins (%)	74.2	76.2	77.9	79.3	79.3
Core Pretax profit	39.5	45.0	51.8	66.2	69.5
Core Net Profit	39.5	45.0	51.8	66.2	69.5
Distributable Income	38.8	45.6	48.1	61.6	64.7
Core EPU (sen)	6.5	7.3	7.2	8.3	8.7
Core EPU Growth (%)	(9.0)	11.7	(1.1)	15.5	5.0
PER (x)	13.1	11.7	11.8	10.3	9.8
DPU (sen)	6.2	6.7	6.7	7.7	8.1
Div Yield (%)	7.3	7.8	7.9	9.1	9.5
ROE (%)	6.5	6.7	6.9	8.0	8.3

Table 2: 3QFY25 Results Analysis (RM mn)

FYE June		3Q24	2Q25	3Q25	QoQ (%)	YoY (%)	9MFY24	9MFY25	YoY (%)
Gross Revenue		24.5	30.0	39.5	31.8	61.1	69.5	96.2	38.4
Net property income		18.3	21.6	27.5	27.1	50.6	51.5	68.8	33.4
Interest Income		0.2	0.3	0.2	(37.6)	28.0	0.7	0.8	21.8
Change in fair value of inv prop / EI		(1.7)	(0.5)	(0.6)	14.3	(67.7)	(1.7)	(1.5)	(13.1)
Net investment Income		16.7	21.5	27.1	26.4	62.6	50.5	68.1	34.9
Finance Costs		(4.4)	(5.6)	(7.0)	25.2	57.4	(12.1)	(17.7)	45.7
Other trust expenses		(0.9)	(0.9)	(1.3)	45.4	51.1	(2.3)	(3.1)	33.2
Income before taxation		8.7	12.0	13.8	15.3	59.7	29.7	35.9	20.8
Net profit		10.2	12.0	13.8	15.3	35.1	31.3	35.9	14.8
Core Net Profit		12.0	12.0	14.3	15.3	20.2	33.0	36.4	10.3
Income available for distribution		10.5	12.3	14.2	15.0	35.7	32.1	37.0	15.2
EPU	(sen)	1.7	1.6	1.7	11.2	5.2	5.1	5.1	0.7
DPU	(sen)	1.6	1.7	1.6	(3.6)	0.0	4.7	4.8	1.7
					ppt	*ppt*			*ppt*
NPI Margin	(%)	74.3	72.1	69.5	(2.6)	(4.8)	74.1	71.5	(2.7)
Core Net Margin	(%)	48.7	41.6	36.4	(5.2)	(12.4)	47.5	38.8	(8.6)

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% to12%.

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% to12%.
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
Scoring	★★★	★★★	★★★	★★★
Remark	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

As of Tuesday, April 22, 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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