KIP REIT (KIP MK)

HOLD (maintain)
Up/Downside: +8.7%

Price Target: RM0.99
Previous Target (Rating): RM0.97 (HOLD)

"FY24 realised net profit grew by a robust 14% yoy, translating to higher DPU of 6.66 sen (+7.4% yoy) – within expectations"

A great end to the year – FY24 DPU grew by 7% yoy

- **KIP REIT's FY24 realised net profit grew by 14% yoy to RM45m on the back of higher revenue (+14% yoy), translating to higher FY24 DPU of 6.66 sen (+7% yoy). The results were within market and our expectations**
- **Sequentially, 4Q FY24 realised net profit was unchanged qoq at RM12m**
- **We tweaked our FY25–26E earnings by 1% after incorporating the full-year financial statement. In tandem, we revise our DDM-derived target price to RM0.99 (from RM0.97). Maintain HOLD**

FY24 realised net profit grew by 14% yoy – within estimates

KIPREIT reported a decent set of results – FY24 realised net profit grew by a robust 14% yoy to RM45m on the back of (i) higher occupancy rates which led to higher rental income across all assets, (ii) full-year contribution of its industrial assets and (iii) additional earnings contribution from its newly acquired KIPMall Kota Warisan. Overall, the results were within our and consensus estimates.

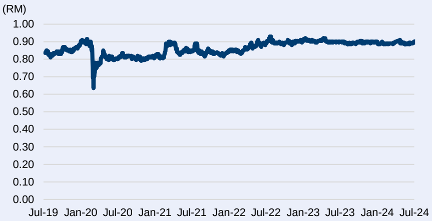
Sequentially, 4Q FY24 realised net profit was flattish at RM12m

Sequentially, KIPREIT reported a higher 4Q FY24 revenue by 33% qoq due to (i) the recognition of RM7.08m deferred lease incentives; (ii) full quarterly contribution from KIPMall Kota Warisan; and (iii) improved occupancy rates from retail spaces. However, KIPREIT's 4Q FY24 realised net profit (excluded the RM7.08m deferred lease incentives, RM4.2m of FV loss on investment properties and other one-offs) was flattish yoy at RM12m. During the quarter, KIPREIT has announced a proposal to acquire DPulze Shopping Centre for RM320m. The acquisition, representing the largest since the REIT's listing, will be financed through a mix of bank borrowings and proceeds from a proposed placement of new units.

Maintain HOLD with a revised DDM-derived TP of RM0.99

We maintain our HOLD rating with a revised DDM-derived target price of RM0.99 (from RM0.97) as we tweaked our FY25–26E earnings by 1% after incorporating the full-year financial statement. We have yet to incorporate the proposed acquisition of DPulze Shopping Centre depending completion of the deal, expected at 3QFY25. While we like KIPREIT for its assets with differentiated market positioning and the management's position, we are cautious about the outlook for micro tenants over recessionary worries. The downside risks are weaker-than-expected economic growth, earnings disappointment, steeper-than-expected hike in OPR and global bond yields. Upside risks: stronger-than-expected quarterly earnings, unexpected cut in OPR and sharp decline in global bond yields.

Share price performance



	1M	3M	12M
Absolute (%)	1.7	0.0	0.6
Rel KLCI (%)	-0.2	-2.8	-10.6

	BUY	HOLD	SELL
Consensus	1	1	-

Stock Data

Sector	REIT
Issued shares (m)	618.6
Mkt cap (RMm)/(US$m)	559.9/120.1
Avg daily vol - 6mth (m)	0.7
52-wk range (RM)	0.88-0.92
Est free float	43.4%
Stock Beta	0.41
Net cash/(debt) (RMm)	(388.4)
ROE (FY24E)	6.1%
Derivatives	No
Shariah Compliant	No
FTSE4Good Constituent	No
FBM EMAS (Top 200)	Top 26 – 50%
ESG Risk Rating	20.1 (-0.9 yoy)

Key Shareholders

Hextar Rubber Sdn	17.6%
Ong Kook Liong	10.1%
Teoh Siew Chin	5.6%

Source: Bloomberg, Affin Hwang, Bursa Malaysia

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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)	8.7	11.8	12.5	12.1	11.9
Realised PER (x)	14.0	12.5	12.5	12.1	11.9
DPU (sen)	6.2	6.7	6.9	7.1	7.3
Dividend Yield (%)	6.8	7.3	7.6	7.8	8.0
NAV (RM)	1.0	1.0	1.0	1.0	1.0
Chg in EPU (%)			+0.6	+0.9	new
Affin/Consensus (x)			0.9	0.9	n/a

Source: Company, Bloomberg, Affin Hwang forecasts

Fig 1: Results Comparison

FYE 30 June (RMm)	4Q23	3Q24	4Q24	QoQ % chg	YoY % chg	FY23	FY24	YoY % chg	Comments
Revenue	**22.4**	**24.5**	**32.6**	**33.0**	**45.8**	**83.8**	**102.2**	**22.0**	Stronger 4Q24 revenue qoq and yoy on (i) the recognition of RM7.08m deferred lease incentives; (ii) rental income across all regions and; (iii) full 3-month contributions from newly acquired KIPMall Kota Warisan
Operating expenses	-6.2	-6.5	-6.2	-3.8	0.8	-21.6	-24.3	12.7	
Net Property Income	**16.2**	**18.1**	**26.4**	**46.1**	**62.8**	**62.2**	**77.8**	**25.2**	
NPI margin (%)	*72.5*	*73.7*	*81.0*	*+7.3 ppt*	*+8.5 ppt*	*74.2*	*76.2*	*+2.0 ppt*	Stronger 4Q24 NPI margin qoq driven by lower operating expenses
Revaluation surplus & Others	23.4	0.2	-4.1	n/a	n/a	24.4	-3.4	-113.8	
Net Investment Income	**39.7**	**18.3**	**22.4**	**22.5**	**-43.6**	**86.5**	**74.4**	**-14.0**	
Int expense	-3.8	-4.4	-4.6	3.1	20.2	-14.8	-16.7	13.1	
REIT's expenses	-2.5	-3.6	-1.8	-51.2	-30.6	-11.0	-10.4	-5.0	Lower management fees (-53% yoy, -71% qoq)
Pretax profit	**33.3**	**10.2**	**16.0**	**56.8**	**-51.9**	**60.8**	**47.3**	**-22.2**	
Net Profit	**33.3**	**10.2**	**16.0**	**56.8**	**-51.9**	**60.8**	**47.3**	**-22.2**	
Realised net profit	**10.2**	**12.0**	**12.0**	**0.3**	**17.0**	**39.5**	**45.0**	**14.0**	Broadly within market and our expectations.
Distributable Income	**10.5**	**10.5**	**13.5**	**29.0**	**28.2**	**38.8**	**45.6**	**17.6**	
EPU (sen)	5.50	1.65	2.59	56.8	-52.8	10.47	7.72	-26.3	
Realised EPU (sen)	1.69	1.93	1.94	0.3	14.7	6.79	7.31	7.6	
DPU (sen)	1.75	1.60	1.96	22.5	12.0	6.20	6.66	7.4	

Source: Affin Hwang, Company

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Memberships:	Japan Securities Dealers Association, The Financial Futures Association of Japan, Japan Investment Advisers Association, Type II Financial Instruments Firms Association, Japan Security Token Offering Association