CIMB Securities

BURSA RISE+
Brought to you by Bursa Malaysia
Supported by Capital Market Development Fund

18 Sep 2025

KIP REIT

Buy

Price
RM0.85

Target Price
RM0.95

Market Data

Bloomberg Code	KIP MK
No. of shares (m)	921.6
Market cap (RMm)	778.8
52-week high/low (RM)	0.95 / 0.82
Avg daily turnover (RMm)	1.4
KLCI (pts)	1,611.7

Source: Bloomberg, CIMB Securities

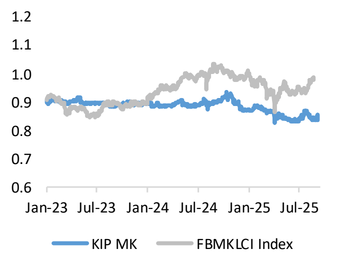
Major Shareholder (%)

Dato' Eddie Ong Choo Meng	10.4%
Dato' Ong Kook Liong	7.8%
EPF	4.2%
Free Float	77.6%

Source: Bloomberg, CIMB Securities

Performance

	3M	6M	12M
Absolute (%)	1.2	(2.3)	(6.6)
Rel Market (%)	(5.4)	(8.5)	(3.7)



Source: Bloomberg, CIMB Securities

Analyst

Lim Yue Jia

yuejia.lim@cimb.com

Ivy Ng Lee Fang

ivy.ng@cimb.com

8% yield from community retail REIT

KIP REIT offers resilient earnings, anchored by its niche focus on community-centric retail malls in underserved secondary towns across Peninsular Malaysia. Its defensive portfolio is supported by stable occupancy rates and consistent rental reversions, while growing interest from institutional investors adds further appeal. We project a strong 13% core net profit CAGR over FY25–28F, driven by asset acquisitions, resilient occupancy, and sustained rental growth. We initiate coverage with a Buy rating and a DDM-derived target price of RM0.95, incorporating a 25% liquidity risk discount. Key re-rating catalysts include potential earnings accretive asset acquisitions, lower-than-expected borrowings cost, and higher-than-expected rental reversions.

Financial highlights

FYE Jun	2024	2025	2026F	2027F	2028F
Revenue (RM mil)	102.2	136.1	158.2	165.3	172.7
Net property income	77.8	96.8	116.4	121.6	127.0
Realised net profit(RM mil)	44.5	53.3	67.2	71.2	76.5
EPU (sen)	8.3	7.4	7.3	7.7	8.3
EPU Growth (%)	34.0	(11.4)	(1.0)	5.9	7.5
DPS (sen)	6.7	6.8	6.8	7.2	7.7
P/E (x)	10.1	11.4	11.6	10.9	10.1
Dividend yield (%)	7.9	8.0	8.1	8.5	9.2
ROE (%)	8.8	7.3	7.8	8.3	8.9
Gearing (%)	37.3	39.5	38.2	38.1	37.9

Source: Company, CIMB Securities

Carving a niche in community-focused suburban retail malls

KIP REIT was listed on Bursa Malaysia on 6 Feb 2017 at an initial offering price of RM1.00, with a clear focus on community-centric neighbourhood malls strategically located in secondary towns across Peninsular Malaysia. Its portfolio, anchored by the KIPMall brand, primarily serves middle-income households by providing essential goods and services in mass-market catchments. At listing, the REIT owned six retail properties valued at RM580m. Since then, it has expanded through a mix of sponsor injections and third-party acquisitions (including AEON Mall Kinta in 2019), growing to 11 retail and 6 industrial assets with a total asset value of RM1.6bn as at end-Aug 2025. The REIT has attracted rising institutional interest, with the Employees' Provident Fund (EPF) becoming a substantial unitholder, holding a 6% stake as at 30 Jun 2025 before paring down to 4% as at 31 Aug 2025. As at 3 Sep 2025, KIP REIT ranks 13th out of 20 listed REITs on Bursa Malaysia by market capitalisation.

Strategic advantage in secondary cities supports higher asset yields

KIP REIT's asset yield profile is anchored by its niche focus on secondary city retail, where limited competition underpins stable occupancy rates. Its portfolio of community-centric neighbourhood malls caters largely to essential spending, ensuring steady tenant demand and supporting positive rental reversions. The relatively lower asset valuations in these locations also enable KIP REIT to deliver higher asset yields of 10% on average, compared with the 8.9% average for peers in more saturated urban markets as at FY24. In addition, regular asset enhancement initiatives (AEIs) help maintain asset relevance and elevate the shopper experience in line with evolving consumer expectations.

REIT with the highest yield under our coverage

We initiate coverage on KIP REIT with a Buy rating and a DDM-derived target price of RM0.95, implying a total return potential of 20%. The REIT offers attractive distribution yields of 8.1–9.2% over FY6/26–28F, with its yield spread over the 10-year Malaysia Government Securities (MGS) standing at 4.3%, against the sector's average yield spread of 1.8% as at 8 Sep 2025. Our target price is based on a 25% discount to its DDM valuation. This is to reflect KIP REIT's low trading liquidity and market capitalisation. We believe the REIT's niche exposure to underserved secondary cities, stable rental income, and prudent capital management position it well to deliver sustainable long-term returns.

Background

Defensive community-centric retail portfolio

KIP REIT was listed on 6 Feb 2017 at an initial offering price of RM1.00. Its portfolio is anchored by community-focused neighbourhood malls located in secondary towns and suburban areas across Peninsular Malaysia, serving the mass-market segment. In 2022, the REIT diversified into the industrial segment with assets in Pulau Indah to strengthen portfolio resilience and income stability. As at 3 Sep 2025, KIP REIT had a market capitalisation of RM0.8bn, ranking 13th out of 20 listed REITs on Bursa Malaysia. As at end-Aug 2025, its portfolio comprised 11 retail assets and 6 industrial properties with a combined asset value of RM1.6bn.

The REIT was founded by its promoters, the late Dato' Chew Lak Seong and Dato' Ong Kook Liong, who also co-founded the KIP Group of Companies. Established in 1993, KIP Group is a residential and commercial property developer that also develops retail and hospitality assets, including the KIPMall chain and KIP Hotel.

At the time of IPO, the late Dato' Chew and Dato' Ong Kook Liong each held 38.4% stakes in the REIT. However, the shareholding structure has since evolved following the passing of Dato' Chew in 2021 and the gradual reduction of Dato' Ong Kook Liong's holdings. During this period, Dato' Eddie Ong Choo Meng emerged as a substantial unitholder, while KIP REIT also attracted increased institutional participation through placements.

Dato' Eddie Ong Choo Meng is the group CEO and executive director of Hextar Technologies Solutions Bhd (HEXTECH MK; Non Rated), a role he assumed in early 2023. He has been involved in the strategic direction and expansion of the Hextar group of companies for over two decades, during which the group diversified into chemicals manufacturing and distribution, logistics, food, and telecommunication solutions. Dato' Eddie Ong also holds substantial shareholdings in several other listed companies besides KIP REIT, including Hextar Global Bhd (HAL MK; Non Rated), Hextar Healthcare Bhd (HEXCARE MK; Non Rated), Hextar Industries Bhd (HEXIND MK; Non Rated), Hextar Capital Bhd (HEXCAP MK; Non Rated), Hextar Retail Bhd (HEXRTL MK; Non Rated), and Hextar Technologies Solutions Bhd.

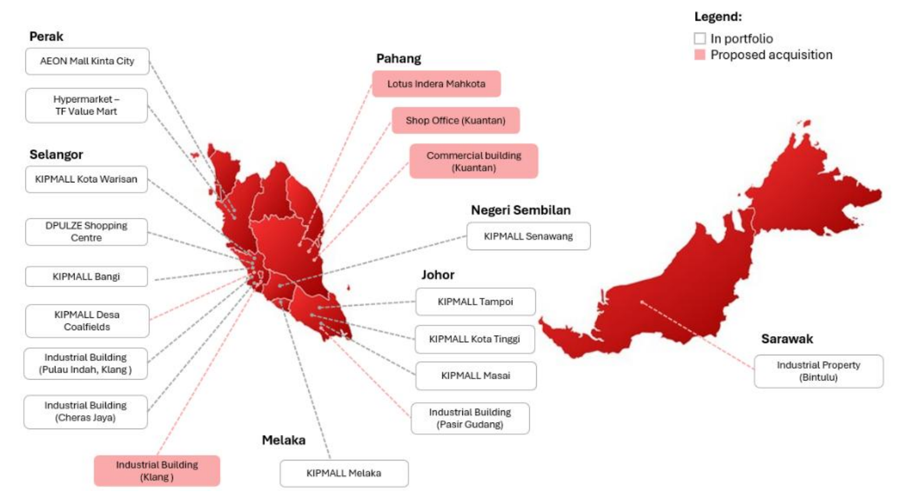
As at 31 Aug 2025, Dato' Eddie Ong is the largest unitholder with a 10% stake, followed by Dato' Ong Kook Liong with 8% and the Employees Provident Fund (EPF) with 4%. Institutional investors own approximately 9% of shares as at 31 Aug 2025 based on statistics from LSEG.

Investment thesis

Defensive community-centric retail portfolio

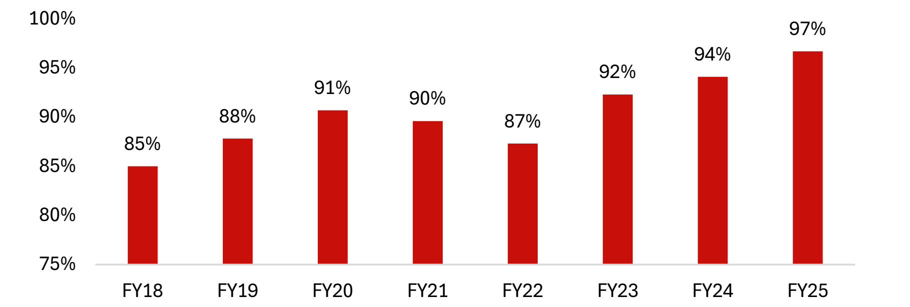
KIP REIT's retail assets are strategically located in suburban and secondary townships across Peninsular Malaysia, with a tenant mix centred on essential services such as fresh markets, grocers, food and beverage (F&B) outlets, and health and wellness stores. This necessity-driven positioning has supported resilient footfall and occupancy levels at its malls, which achieved an average occupancy rate of 85–94% between FY18 and FY25. These community-centric malls primarily serve the middle-income segment, where retail demand is anchored by daily essentials rather than discretionary spending.

Exhibit 1: KIP REIT's existing assets and proposed acquisitions as at 31 Aug 2025



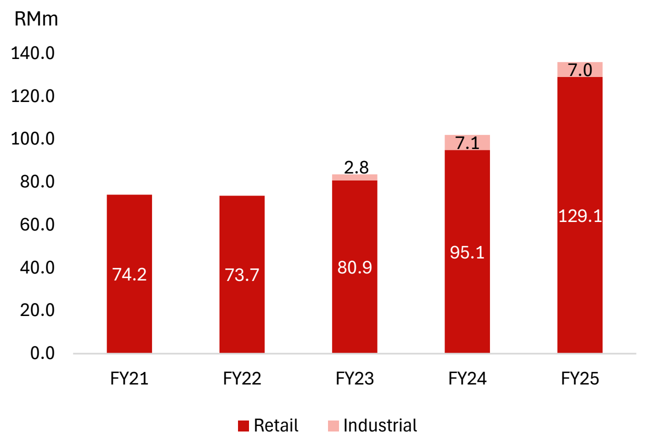
Source: Company reports, CIMB Securities

Exhibit 2: Historical occupancy rate of KIP REIT assets



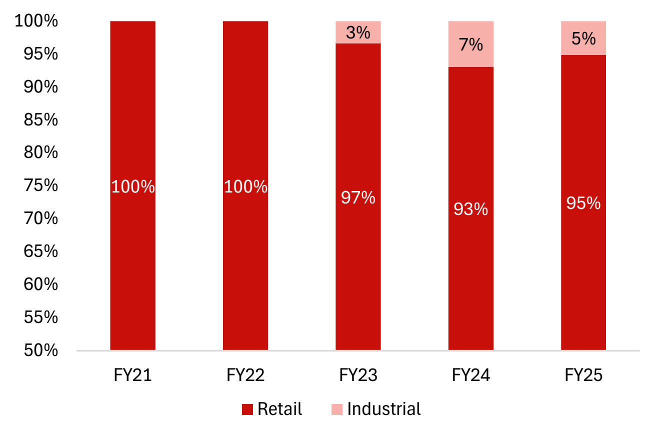
Source: Company reports, CIMB Securities

Exhibit 3: Exhibit 3: Industrial assets started contributing to KIP REIT revenue in FY23 (RMm)



Source: Company reports, CIMB Securities

Exhibit 4: Retail assets dominate revenue contribution (%)



Source: Company reports, CIMB Securities

Active portfolio expansion efforts to hit growth target by 2027

Over the past nine years, KIP REIT has expanded its asset value by 2.6x to RM1,484.8m in FY25. This was achieved through the acquisition of retail assets totalling RM622.8m and industrial assets amounting to RM101.3m over FY17–25.

KIP REIT has set a medium-term target to grow its total asset value to RM2.0bn by FY27F, up from RM1.5bn in FY25. This goal is underpinned by its recently proposed acquisitions of retail and industrial properties worth RM193.7m, which are expected to boost portfolio value by 13.0% from FY25. To reach the RM2.0bn target, KIP REIT will need to acquire an additional RM321.5m in assets over the next two financial years. The REIT has indicated a preference for expanding its retail portfolio, aligning with its core expertise and established track record in the segment.

In Mar 2025, KIP REIT signed a memorandum of understanding (MOU) with AEON Co (M) Bhd to expand and refurbish AEON Mall Kinta City, its largest asset, accounting for 24% of the REIT's total asset value and 23% of total revenue as at FY24.

AEON has also renewed its existing lease on the AEON Mall Kinta City for another five years and will master lease the new space upon its expected completion in 2028 — underscoring the tenant's long-term commitment and providing visibility for future rental growth.

Exhibit 5: Breakdown of KIP REIT asset value and revenue as at FY24

FY24	Asset value		Revenue	
	RMm	% contribution	RMm	% contribution
KIPMall Tampoi	181.0	17%	18.3	18%
KIPMall Kota Tinggi	59.0	6%	6.0	6%
KIPMall Masai	187.0	18%	18.0	18%
KIPMall Senawang	25.0	2%	2.1	2%
KIPMall Melaka	60.0	6%	9.9	10%
KIPMall Bangi	128.0	12%	13.5	13%
KIPMall Kota Warisan	88.0	8%	4.4	4%
AEON Mall Kinta City	254.0	24%	23.0	23%
Hextar Chemicals (Lot 5)	27.2	3%	2.4	2%
Teju Logistics (Lot 9)	28.3	3%	2.5	2%
Teju Logistics (Lot 3A)	24.1	2%	2.1	2%
Total	**1,061.6**	**100%**	**102.2**	**100%**

Based on latest Annual Report of FY2024
Source: Company reports, CIMB Securities

Improving cost efficiency through energy optimisation

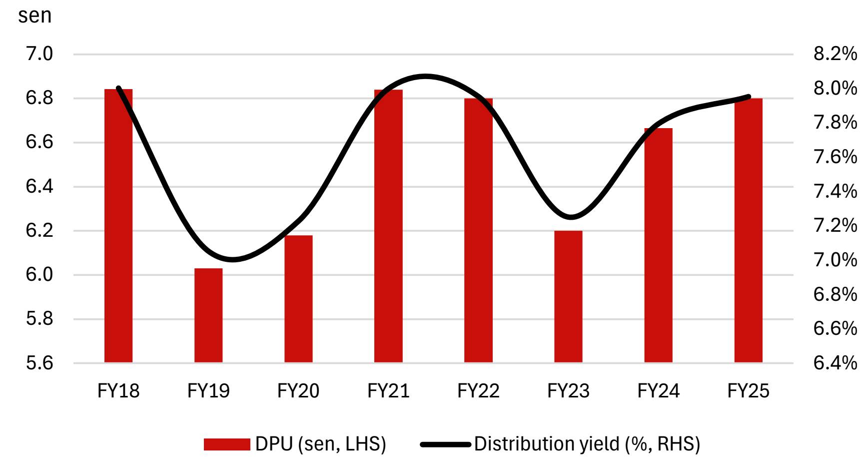
KIP REIT has taken a proactive step to mitigate rising electricity costs through a 20-year partnership with KJTS Group Bhd (KJTS MK; Buy) to retrofit chiller systems across seven of its malls. The initiative, fully funded by KJTS with a capital investment of RM25.3m, is expected to reduce cooling-related energy costs by 15%, net of recovery of upfront investment. These cost savings are expected to enhance KIP REIT's earnings and partially offset the impact of potential electricity tariff hikes. Additionally, the initiative supports the REIT's sustainability agenda by reducing carbon emissions. We have not factored these cost savings into our earnings forecasts.

Attractive dividend yield of 8%, above peer average of 5%

KIP REIT has consistently delivered a distribution yield of above 7%, making it one of the highest-yielding names within the Malaysian REIT (M-REIT) sector. This strong yield performance is underpinned by its resilient and income-generating portfolio, which primarily comprises community-centric retail assets in underserved suburban markets. KIP REIT declared a DPU of 6.80 sen for FY25. This translates to a distribution yield of 8.0%, outperforming the sector's average yield of 5.2% based on the share price as at 12 Sep 2025.

KIP REIT's ability to maintain attractive and consistent yields is supported by healthy asset yields. Unlike retail REITs operating in more saturated urban centres, KIP REIT benefits from lower competitive pressure in its target suburban markets. This not only enables it to command favourable rental rates and achieve steady rental reversions, but also contributes to lower tenant turnover and stable occupancy rates.

Exhibit 6: DPU declared and distribution yield trend



*Based on share price as at 12 Sep 2025
Source: Company reports, CIMB Securities, Bloomberg

Suburban malls for everyday needs

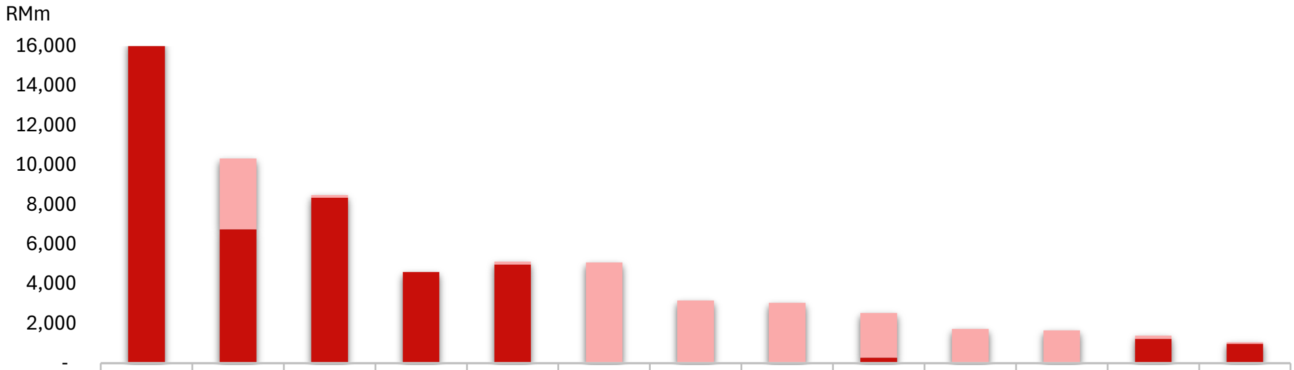
Pioneer in the big-box retail mall segment

KIP REIT focuses on community-centric retail industry, primarily operating neighbourhood retail assets under the KIPMall brand. Listed on Bursa Malaysia in 2017, its portfolio comprises strategically located retail properties across Peninsular Malaysia, catering to suburban middle-mass communities with household goods and services. Additionally, KIP REIT owns six industrial assets spanning across Selangor, Johor and Sarawak as at 31 Aug 2025.

At IPO, KIP REIT's portfolio consisted of six retail properties — KIPMall Tampoi, Kota Tinggi, Masai, Senawang, Melaka, and Bangi — valued at RM580m and totalling 937,190 sq ft. Following the IPO, the group injected 11 properties from its sponsor and third parties with an aggregated acquisition value of RM838m as at 31 Aug 2025.

In 2019, KIP REIT completed its first third-party acquisition since IPO, AEON Mall Kinta in Perak, adding 530,181 sq ft of net lettable area (NLA) for RM208m. In 2022, the REIT diversified into the industrial segment through the acquisition of three industrial properties in Selangor from related parties — Hextar Global Bhd, Hextar Industrial Chemicals Sdn Bhd, and Teju Logistics Sdn Bhd — all companies in which Dato' Eddie Ong Choo Meng is a major shareholder. KIP REIT's active asset acquisition strategy has expanded its total asset value to RM1.6bn as at 31 Aug 2025, representing 2.7x growth since listing. The portfolio remains retail-heavy, with retail assets accounting for 93% of total asset value and 95% of revenue as of FY25. As at 3 Sep 2025, KIP REIT ranked 13th among 20 REITs listed in Bursa Malaysia in terms of portfolio value.

Exhibit 7: Asset value of M-REITs



	KLCCP Stapled Group	Sunway REIT	Pavilion REIT	IGB REIT	CLMT	Axis REIT	IGB Comm. REIT	YTL Hosp. REIT	Sentral REIT	UOA REIT	Al-'Aqar Healthcare REIT	Hektar REIT	KIP REIT
Total	16,201	10,328	8,490	4,600	5,131	5,091	3,161	3,052	2,537	1,726	1,654	1,387	1,062
Non-retail	-	3,574	130	-	145	5,091	3,161	3,052	2,259	1,726	1,654	150	80
Retail	16,201	6,754	8,360	4,600	4,985	-	-	-	278	-	-	1,237	982

Retail Non-retail

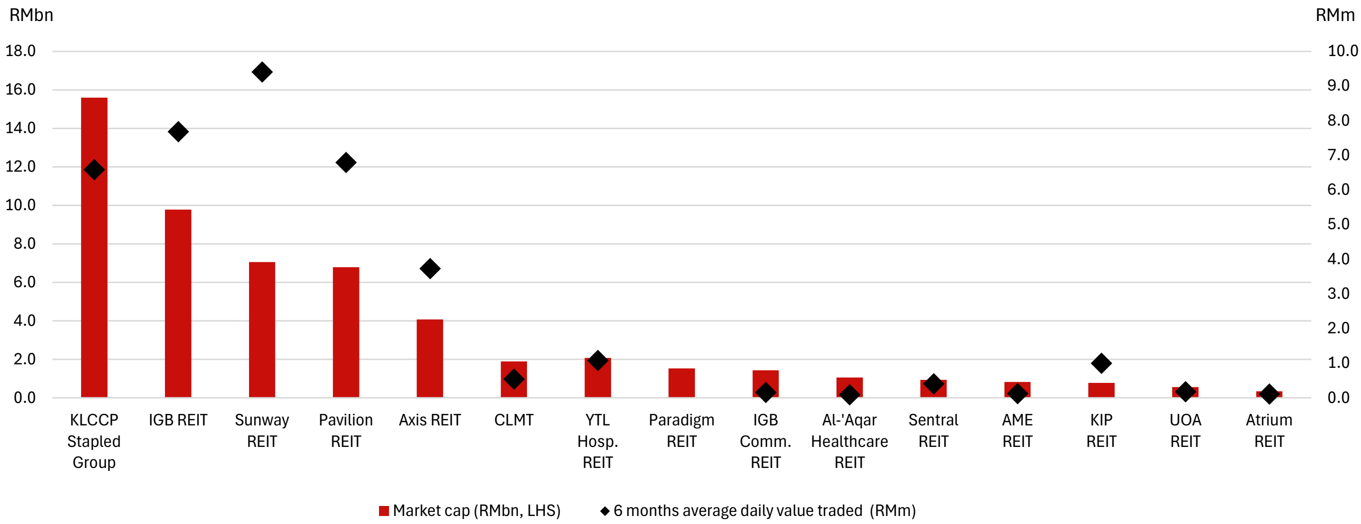
Based on latest annual report as at FY24
Source: Company reports, CIMB Securities

Exhibit 8: NAV and market cap size of REIT players in Malaysia as at 31 Aug 2025

	Bbg ticker	Market cap (RMbn)	Net asset value (NAV, RMbn)	Premium/ discount to NAV*
KLCCP Stapled Group	KLCCSS MK	15.5	13.6	1.1
IGB REIT	IGBREIT MK	9.8	4.3	2.3
Sunway REIT	SREIT MK	7.0	5.9	1.2
Pavilion REIT	PREIT MK	6.8	5.4	1.3
Axis REIT	AXRB MK	4.1	3.3	1.2
Capitaland Malaysia Trust	CLMT MK	2.1	2.9	0.7
YTL Hospitality REIT	YTLREIT MK	1.9	2.9	0.6
IGB Commercial REIT	IGBCR MK	1.4	2.3	0.6
Al-'Aqar Healthcare REIT	AQAR MK	1.0	1.1	1.0
Sentral REIT	SENTRAL MK	0.9	1.4	0.7
KIP REIT	KIP MK	0.8	0.9	0.9
UOA REIT	UOAR MK	0.6	1.0	0.6

*>1 indicates premium, vice versa
Source: Company reports, CIMB Securities, Bloomberg

Exhibit 9: Top 15 REITs' market capitalisation and average daily value traded as at 3 Sep 2025



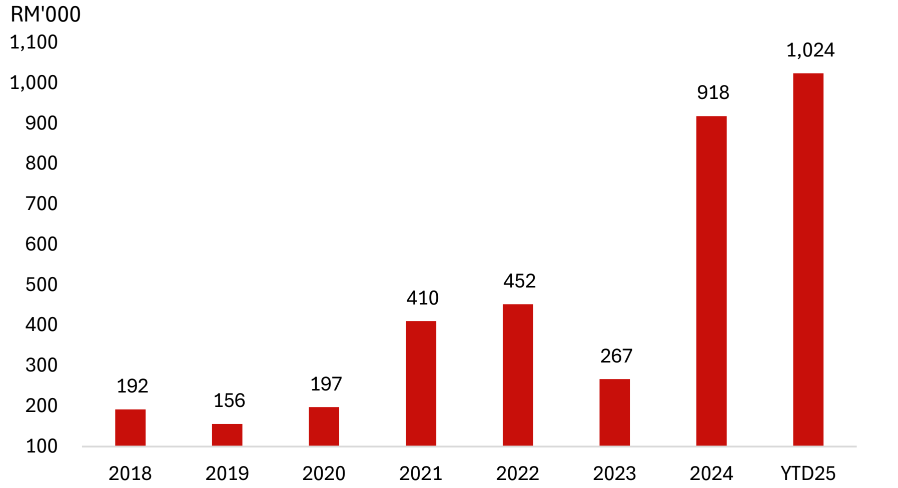
Source: Company reports, CIMB Securities, Bloomberg

Exhibit 10: KIP REIT's portfolio

Assets	Asset type	Location	Year acquired	NLA (sqft)	Market value (MV, RMm)	Market value/ sqft (RM/ sqft)	MV as at	Sponsor	Third-party acquisition	Related-party acquisition
KIPMall Tampoi	Retail	Johor	2017	170,526	193	1132	30-Jun-25	✓		
KIPMall Kota Tinggi	Retail	Johor	2017	78,071	65	833	30-Jun-25	✓		
KIPMall Masai	Retail	Johor	2017	156,791	197	1256	30-Jun-25	✓		
KIPMall Senawang	Retail	Negeri Sembilan	2017	119,767	30	250	30-Jun-25	✓		
KIPMall Melaka	Retail	Melaka	2017	199,094	66	332	30-Jun-25	✓		
KIPMall Bangi	Retail	Selangor	2017	287,456	132	459	30-Jun-25	✓		
AEON Mall Kinta City	Retail	Perak	2019	530,181	258	487	30-Jun-25		✓	
Hextar Chemicals (Lot 5)	Industrial	Selangor	2022	112,508	28	249	30-Jun-25			✓
Teju Logistics (Lot 9)	Industrial	Selangor	2022	108,936	29	266	30-Jun-25			✓
Teju Logistics (Lot 3A)	Industrial	Selangor	2022	129,114	25	194	30-Jun-25			✓
KIPMall Kota Warisan	Retail	Selangor	2024	191,986	103	536	30-Jun-25	✓		
D'Pulze Shopping Centre	Retail	Selangor	2024	311,499	328	1053	30-Jun-25		✓	
TF Value-Mart	Retail	Perak	2024	60,895	17	279	30-Jun-25		✓	
Industrial Property - Cheras Jaya	Industrial	Selangor	2025	66,632	23	345	30-Jun-25			✓
Industrial Property - Bintulu	Industrial	Sarawak	2025	207,315	29	139	28-Jun-24			✓
Industrial Property - Klang	Industrial	Selangor	Ongoing	193,365	24	123	17-Jun-24			✓
Industrial Property - Pasir Gudang	Industrial	Johor	2025	184,120	24	131	2-Jul-24			✓
KIPMall Desa Coalfields	Retail	Selangor	2025	153,282	68	444	24-Feb-25	✓		
Lotus's Indera Mahkota	Retail	Pahang	Ongoing	107,527	40	372	18-Feb-25	✓		
Shop office- Kuantan	Retail	Pahang	Ongoing	39,824	13	326	18-Feb-25	✓		
Commercial building- Kuantan	Retail	Pahang	Ongoing	6,725	5	743	18-Feb-25	✓		

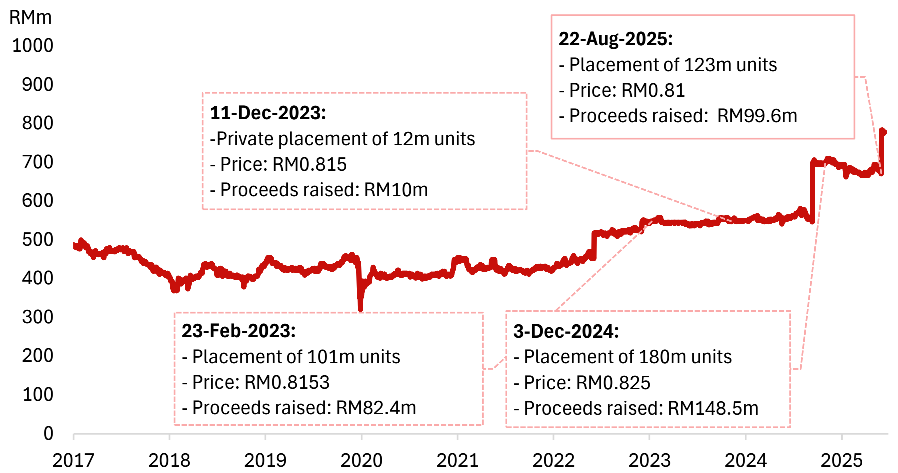
*Related-party acquisition relates to acquisitions from the Hextar group of companies
Source: Company reports, CIMB Securities

Exhibit 11: KIP REIT's total annual shares' turnover value has accelerated since 2024, attributable to sizeable placement activities



Data as at as at 4 Sep 2025
Source: Company reports, CIMB Securities, Bloomberg

Exhibit 12: KIP REIT's market capitalisation since IPO and historical placement exercise



Source: Company reports, CIMB Securities, Bloomberg

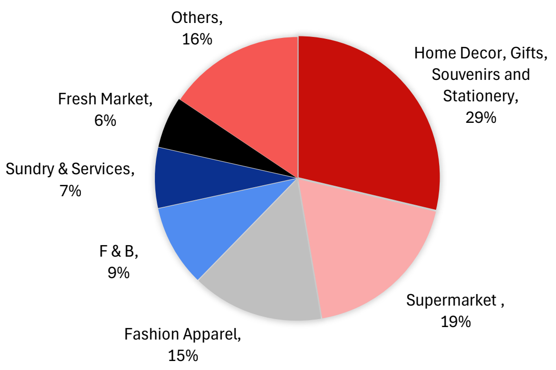
Strong asset yields thanks to focus on community retail malls

The strategic location of KIPMalls supports a diverse tenant mix that caters to local community demand. In FY24, home décor, supermarkets, and fashion apparel outlets collectively accounted for 62.3% of occupied NLA. In terms of gross rental income, the largest contributors were fashion apparel (22.5%), food and beverage (15.4%), and fresh market (15.1%).

As at FY25, occupancy rates across all KIPMalls remained above 80%. KIPMall Senawang recorded the most notable YoY improvement, with occupancy rising from 62.9% in FY24 to 89.0% in FY25. This was driven by the addition of ST Rosham, a new fresh market anchor tenant, which helped reduce tenant turnover issues faced previously.

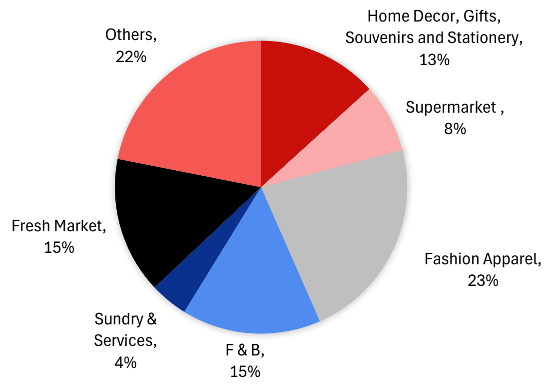
KIPMalls generated high asset yields ranging from 8.6% to 16.4% in FY24, supported by multiple rental reversion cycles, with some malls in operation since as early as 2004. Additionally, their suburban locations result in relatively lower asset valuations, translating into a higher asset yield compared with malls located in the central region.

Exhibit 13: Breakdown of occupied NLA for retail segment as at FY24



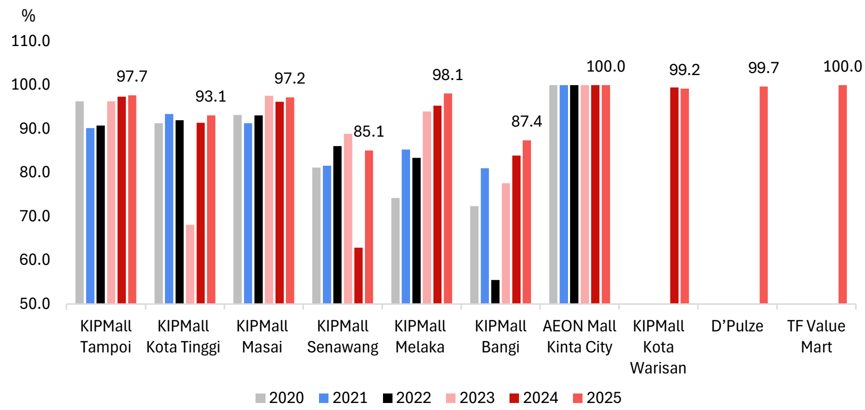
Source: CIMB Securities, Company reports

Exhibit 14: Breakdown of occupied gross rental income for retail segment as at FY24. Fashion apparel, fresh market, and F&B stores fetch higher rental income



Source: CIMB Securities, Company reports

Exhibit 15: Occupancy rate of KIP REIT retail assets as at FY25



Source: Company reports, CIMB Securities

Exhibit 16: Asset yield and occupancy rate of KIPMalls as at FY24

	Asset yield	Occupancy
KIPMall Melaka	16.4%	95%
KIPMall Bangi	10.5%	84%
KIPMall Kota Tinggi	10.1%	91%
KIPMall Tampoi	10.1%	97%
KIPMall Masai	9.6%	96%
KIPMall Senawang	8.6%	63%
KIPMall Kota Warisan*	4.9%	100%

*Asset acquisition completed in Feb 2024
Source: Company reports, CIMB Securities

Securing income with long-term agreements

KIP REIT's tenancy profile supports income stability. While KIPMalls operate on shorter rental cycles of two to four years, AEON Mall Kinta City and its industrial assets are secured under longer leases of 5–15 years, providing stronger income visibility with an average asset yield of 8%.

KIP REIT acquired AEON Mall Kinta City on 31 Jul 2019, with a remaining lease period of five years at the time. The master lease agreement, initially set to expire on 28 Sep 2025, offered a yield of 9.1% as of FY24. On 5 Mar 2025, the lease was renewed for an additional five years. Additionally, both parties signed an MOU for refurbishment works, including a planned mall expansion targeted for completion by 2028.

Shift in substantial unitholding from 2021

At the time of KIP REIT's IPO, the late Dato' Chew Lak Seong and Dato' Ong Kook Liong served as the promoters, both being co-founders of the KIP Group of Companies. They brought extensive experience in property development, retail operations, and hospitality, which positioned KIP REIT to benefit from a pipeline of potential assets within the group's portfolio.

Following the passing of Dato' Chew in Jun 2021, the leadership of KIP REIT has remained under the stewardship of Dato' Ong Kook Liong, who now serves as managing director and continues to play a central role in the REIT's strategic direction. He is supported by Valerie Ong Pui Shan, the CEO and executive director, who oversees key initiatives including acquisitions, asset enhancement, and leasing. Lim Boon Boon manages the financial operations as CFO, while Ong Tzu Chuen contributes to strategic planning as executive director.

The Board is chaired by Dato' Dr. Syed Hussain bin Syed Husman, who is also the executive director and CEO of SVTT Resources Sdn Bhd. He is supported by Datuk Mohamed Arsad bin Sehan (ex-Bank Rakyat) and Chiam Tau Meng (Chartered Accountant), both of whom are independent non-executive directors of KIP REIT.

Since its listing in 2017, KIP REIT's unitholding structure has undergone notable changes, particularly following the passing of its co-founder and former managing director Dato' Chew Lak Seong in Jun 2021. In the early years, major unitholders included Dato' Chew and Dato' Ong Kook Liong. Following Dato' Chew's passing, his unitholding in KIP REIT was transferred to his wife, Datin Teoh Siew Chin, as the designated beneficiary. On 13 Sep 2021, Dato' Chew's estate and Datin Teoh reduced their holdings by 30m units, while Dato' Ong Kook Liong pared down his stake by 20m units. Through a direct business transaction, Dato' Eddie Ong Choo Meng, via his 90%-owned Hextar Rubber Sdn Bhd, acquired these units and emerged as a substantial unitholder.

In Dec 2024, KIP REIT undertook a placement exercise involving up to 180m new units at RM0.825 per unit, raising approximately RM146.7m to partially fund the RM320m acquisition of D'Pulze Shopping Centre in Cyberjaya. The placement attracted strong institutional interest, with major allocations taken up by the EPF as well as the investment arms of Allianz, AIA, and Standard Chartered Bank. EPF emerged as a substantial unitholder on 4 Dec 2024, holding a 6.07% stake. Meanwhile, Standard Chartered's investment arm, Allianz Life

Insurance Malaysia, and Great Eastern Holdings held 3.13%, 2.08%, and 1.71% stakes, respectively, as of 4 Dec 2024.

As of 31 Aug 2025, Dato' Eddie Ong, via Hextar Rubber Sdn Bhd, remains the largest unitholder with a 10% stake, followed by Dato' Ong Kook Liong with 8% and EPF with 4%. Brahmal Vasudevan, CEO of Creador, also emerged as one of the top 10 unitholders with a 2% stake.

Exhibit 17: Top five unitholders of KIP REIT as at 31 Aug 2025

	Unitholding (%)
Dato' Eddie Ong Choo Meng	10%
Dato' Ong Kook Liong	8%
Employees Provident Fund	4%
Datin Teoh Siew Chin	4%
Allianz Life Insurance	2%

Source: CIMB Securities, LSEG

Outlook

Plans to grow portfolio size to RM2bn by 2027

KIP REIT is actively expanding its portfolio, as demonstrated by its ongoing and completed acquisitions in FY25. Since end-Jun 2025, it has acquired two fully occupied industrial properties from Hextar Group and a retail asset from its sponsor, worth RM120.9m in total. Pending deals include a fully occupied industrial property in Selangor (RM23.7m) from the Hextar Group, along with three retail assets (RM58.0m) in Kuantan from its sponsor, KIP Group. These acquisitions are expected to increase the REIT's total asset value by 13.6% to approximately RM1.7bn, from RM1.5bn as at 4QFY25. Following the completion, industrial assets will account for 10% of total assets (up from 7% as at FY24), while retail exposure will decline slightly to 90% (from 93%). This marks a key milestone in KIP REIT's broader growth strategy, which aims to expand its asset base to RM2.0bn by 2027. To achieve the target by 2027, KIP REIT will have to acquire RM321.5m over FY26–27F. The REIT plans to achieve this through third-party acquisitions, with a focus on suburban retail assets that leverage its core strengths.

Active management of portfolio

On 5 Mar 2025, KIP REIT formalised a strategic partnership with AEON through the signing of an MOU to expand AEON Mall Kinta City in Ipoh, Perak. Under the agreement, AEON will master-lease the newly developed retail space and extend the lease term for its existing mall another five years, reaffirming its long-term commitment to the property.

In parallel, asset enhancement initiatives (AEIs) are underway at KIPMall Tampoi, commencing in Jun 2025. The AEIs involve a comprehensive facelift, including upgrades to interior and exterior facades, improvements to mechanical and electrical systems, and enhancements to the overall shopping experience. The mall is also refreshing its tenant mix, with new additions such as CU convenience store, Mixue, and The Chicken Rice Shop to ensure the mall remains relevant and appealing to its catchment. The group has historically spent an average of RM6.4m per annum on AEIs. For FY26, KIP REIT has committed RM3.2m towards AEI works.

Regulatory changes may lead to higher costs

Effective 1 Jul 2025, Malaysia expanded the scope of the Sales and Service Tax (SST) to include a 6% tax on non-residential construction services, although a one-year grace period has been granted until 30 Jun 2026 for non-reviewable contracts signed on or before 9 Jun 2025. Additionally, the mandatory 2% EPF contribution for foreign workers will come into effect on 1 Oct 2025. These regulatory changes may lead to higher costs for KIP REIT's AEIs. On the rental front, we think the newly implemented 8% SST on leasing services will have limited indirect impact on KIP REIT, given its tenant base is predominantly composed of small and medium enterprises (SMEs), many of which may fall below the taxable revenue threshold of RM1m.

Separately, the revision of Tenaga Nasional's electricity tariff may raise utility expenses for KIP REIT's retail properties, while electricity costs for its industrial assets are fully borne by tenants. Nonetheless, the REIT is proactively mitigating this impact through energy efficiency initiatives, including the ongoing upgrading of its chiller systems, which is expected to reduce energy consumption and partially offset rising electricity costs.

SWOT analysis

KIP REIT's key strength lies in its focus on community-centric retail assets located within established neighbourhoods. Its malls are anchored by tenants offering daily-necessity products and services, supporting business resilience and recurring footfall. The REIT stands to benefit from rising urban migration into secondary cities, which underpins demand for essential retail offerings in suburban areas.

However, competition is intensifying as more REITs expand into non-central regions, which may heighten pressure on asset yields and narrow acquisition opportunities. In addition, changes in tax policies and a higher minimum wage could increase operating costs for both the REIT and its tenants, potentially dampening its ability to achieve higher rental reversion.

We also note the concentration risk within KIP REIT's industrial segment, where assets are primarily tenanted to companies affiliated with the Hextar group of companies. Should the tenants experience financial difficulties, income from the industrial segment may be adversely affected.

Exhibit 18: SWOT analysis

Strength	Weakness
Assets are strategically located in densely populated neighbourhoods, providing a ready catchment of footfall	Exposure to SME* tenants may pose credit risk during economic slowdowns, as they may have limited financial reserves compared to larger companies
Tenant mix primarily comprises daily-needs retailers, supporting resilience during periods of softer consumer sentiment	Industry diversification away from pricier central region assets may increase competition for community-centric malls, leading to yield compression and limit acquisition opportunities
Fixed rent contributes approximately 95% of rental income, providing income stability and reducing exposure to fluctuations in consumer spending	Industrial assets are leased to related parties of the Hextar Group, resulting in tenant concentration risk within the segment
Opportunities	**Threat**
Expanding into underserved communities with limited access to organised retail allows the REIT to tap into unmet consumer demand, offering a potential first-mover advantage	Changes in tax regimes, such as the imposition of sales and service tax, could potentially affect tenancy renewals and limit rental reversion for the REIT
Rising urbanisation in secondary cities support sustained footfall and demand for KIP REIT retail offerings	Higher minimum wage may lead to rise in property operating expenses, particularly if the REIT is unable to pass on the additional cost to tenants through higher service charges
Asset enhancement initiatives expand net lettable area and refresh the assets' overall appearance, helping to maintain its relevance	An oversupply of retail or industrial space may exert downward pressure on occupancy rates and limit rental reversion potential
Incorporation of solar systems could reduce property operating cost in the long term	
Potential electricity cost savings from KIP REIT's partnership with KJTS Group to retrofit chiller systems	

**Small medium enterprise*

Source: Company reports, CIMB Securities

Industry outlook

Growing interest in secondary cities' retail market

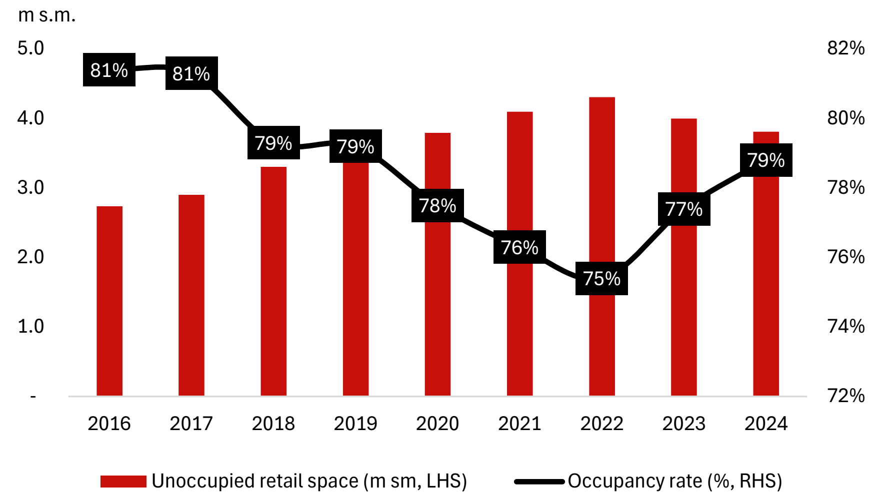
According to the National Property Information Centre (NAPIC), Malaysia's total retail space expanded by 1.5% in 2024 to 18.0m square metres (sm), spread across 1,085 shopping complexes. The bulk of this space remains concentrated in major urban centres such as the Klang Valley, Penang, and Johor Bahru. The occupancy rate of shopping complexes improved to 78.8% in 2024 (2023: 77.4%), continuing its recovery from COVID-19 pandemic low (2022: 75.4%), although still slightly below the pre-pandemic level of 79.2% recorded in 2019.

We note a growing trend among REITs to diversify into secondary cities, attracted by the potential for higher rental yields supported by comparatively lower property prices. This shift is underpinned by population growth in these areas, driven by ongoing urban decentralisation and the broader trend of de-urbanisation — as individuals move away from city centres in search of more affordable housing. At the same time, inter-state migration is also on the rise, as people seek proximity to employment hubs without living in core metropolitan areas. These structural trends are evident in the growth of emerging townships such as the City of Elmina in Selangor and Bandar Sri Sendayan in Negeri Sembilan.

Malaysia's retail mall landscape is also showing signs of maturity. In the past, new developments were predominantly large-scale malls (ranging from 46.4 sm to 92.9 sm) designed as integrated retail and entertainment destinations that draw both local and international visitors. The saturation in this space paves the way for the rise of smaller, community-centric malls, which serve to complement these destination malls by catering to the everyday needs of surrounding neighbourhoods.

In 2025, the retail market is expected to see the addition of approximately 888,000 sm of retail space across 32 shopping complexes, with a further 10 complexes totalling over 352,000 sm currently in the planned supply pipeline.

Exhibit 19: Shopping complex occupancy rate is gradually improving post pandemic



Source: CIMB Securities, NAPIC

Exhibit 20: Shopping complexes completed in 2024

Shopping complex	State	Location	NLA (sm)
Sunshine Tower Mall	Pulau Pinang	Jalan Thean Teik, Georgetown	76,772
Mayang Mall	Terengganu	Off Jalan Sultan Zainal Abidin, Kuala Terengganu	65,868
168 Retail Park	Selangor	Persiaran 3, Bandar Baru Selayang	51,000
Bloomsvale Mall	Kuala Lumpur	Jalan Puchong	27,871
Elmina Lakeside Mall	Selangor	Urban Park, Elmina	18,175
G-Orange Mall	Kelantan	Bandar Gua Musang	16,603
Pasar Payang Baru (arcade)	Terengganu	Jalan Bandar, Kuala Terengganu	5,724
Econsave Tasek	Perak	Jalan Kuala Kangsar, Ipoh	5,310
Padang Besar Street (arcade)	Perlis	Jalan Kangar – Padang Besar	3,838
BizBox Nilai (arcade)	Negeri Sembilan	Putra Nilai	328
Total			**271,489**

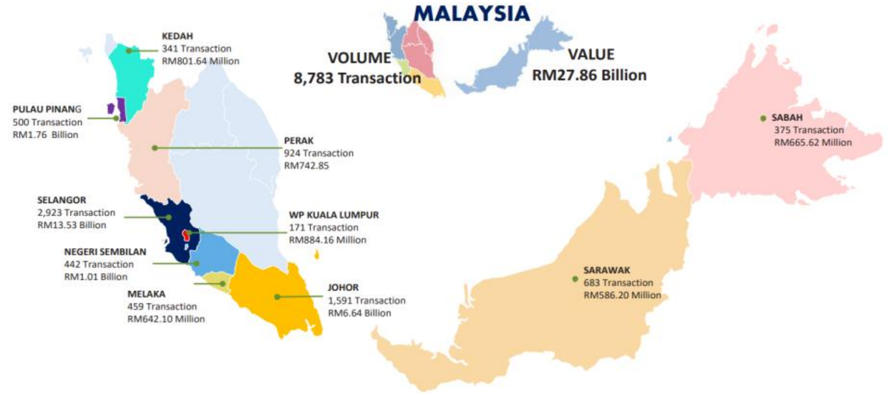
Source: CIMB Securities, NAPIC

Industrial property market recovery amid stronger demand

The industrial property segment showed signs of recovery in 2024; according to NAPIC, the number of overhang units declined by 12.7% YoY to 705 units, while the total value of overhang stock fell by 16.6% YoY to RM0.7bn. This improvement was supported by policy initiatives such as the 12th Malaysia Plan and New Industrial Master Plan 2030, which promotes high-value manufacturing and automation, thereby increasing demand for modern logistics and specialised industrial space. Additionally, demand for industrial assets was also supported by a 14.9% YoY increase in approved investments to RM378.5bn in 2024.

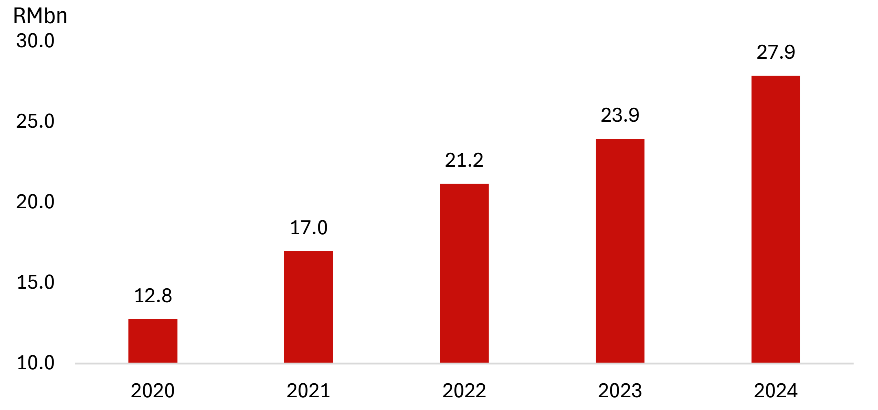
Based on NAPIC data, industrial asset price increase was recorded in selected locations in 2024 — particularly Johor and Selangor — driven by higher demand for warehouses and storage facilities. This trend is underpinned by the expansion of e-commerce, third-party logistics, and data centre developments.

Exhibit 21: Industrial property transactions by state in 2024



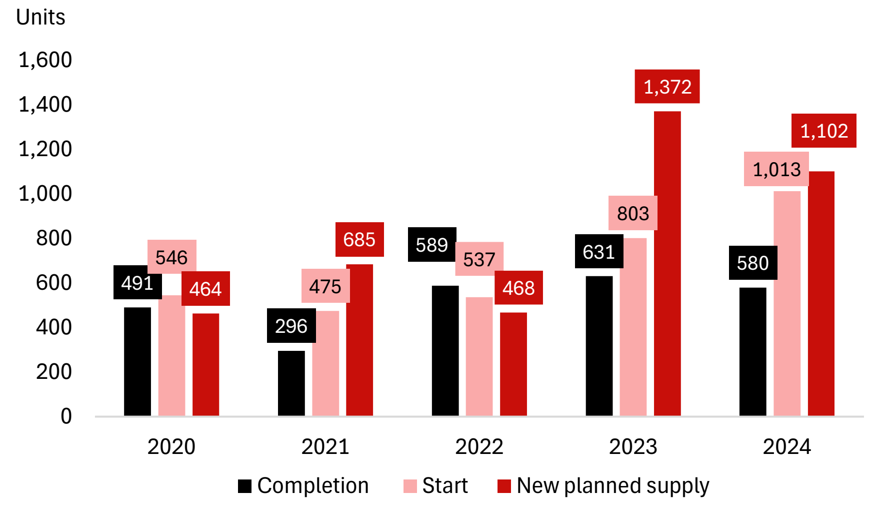
Source: NAPIC, CIMB SECURITIES

Exhibit 22: Industrial properties transaction value, 2020–24



Source: Company reports, CIMB Securities, NAPIC

Exhibit 23: Breakdown of industrial properties by type, 2020–24



Source: Company reports, CIMB Securities

Environmental, social, and governance (ESG) highlights

KIP REIT has steadily strengthened its ESG performance over the years. It moved from ESG Grading Band 2 between Dec 2022 to Dec 2023, to Band 3 in the Jun 2024 review and has maintained this rating since. Its ongoing commitment to ESG improvements paid off in Jun 2025, when the REIT earned a spot in the FTSE4Good Bursa Malaysia Index (F4GBM Index). It is now one of only seven REITs included in this benchmark.

Environment

- **Energy efficiency and emissions reduction.** As of FY24, all KIPMalls are equipped with solar photovoltaic systems to support their electricity consumption. In FY24, renewable energy generation reached 4,814,887 kWh (+12% YoY), representing 33.9% of total energy consumed during the year. KIP REIT targets increasing renewable energy usage to at least 40% by 2030 by expanding solar panel capacity, installing electric vehicle (EV) chargers, and implementing a facility management system across its malls.

- **Retrofit works and operations and maintenance (O&M) by KJTS.** On 5 Mar 2025, KIP REIT awarded KJTS a 20-year service agreement contract to provide retrofit works and operations and maintenance (O&M) services as well as supply chilled water for seven KIPMalls. This initiative is aimed at reducing electricity consumption for cooling, further supporting its sustainability goals. Under this contract, KJTS guarantees a 15% reduction in energy costs for the chiller plants post capex recovery, alongside lower carbon emission and enhanced energy efficiency.

- **1.65% of waste diverted from landfill in FY24.** This was achieved primarily through recycling. KIP REIT has provided designated areas for the disposal of recyclable waste within their buildings to encourage recycling wherever possible. Recyclable waste is collected weekly by authorized collectors, who weigh and document the volume of collected waste. Moving forward, KIP REIT aims to increase the recycling rate by 5%.
- **Water stewardship.** KIP REIT withdraws water from municipal potable sources. To optimise water consumption, Water Efficiency Labelling (WELS)–rated water fittings are used, and a transition to air cooled systems from water cooled systems is being implemented. These measures reportedly resulted in a 14% reduction in water use intensity as at FY24. By 2030, KIP REIT aims to reduce its water consumption in common areas by at least 1% compared with 2019 baseline data.
- **LED adoption.** Since 2018, all KIPMalls have been progressively upgrading their lighting systems, replacing fixtures in buildings, common areas (including car park), and signage with LED solutions to improve energy efficiency.

Social

- **Zero workplace injuries and fatalities.** KIP REIT operates with an Occupational Safety and Health (OSH) Policy. Health and safety representatives are appointed to ensure consistent health and safety practices across all KIP REIT's properties. Regular OSH training sessions are also conducted to educate employees on safety and health practices.
- **Labour and human rights policy.** The company strictly prohibits forced and child labour and emphasises the importance of non-discrimination in all employment practices. KIP REIT prioritises local employment, particularly for underprivileged communities, and adheres to minimum wage regulations. Responsibility for upholding these standards is distributed across all levels of the organisation, maintaining a strong stance against any form of discrimination. To uphold a strong ethical culture, KIP REIT is supported by policies like the Sexual Harassment Policy, designed to prevent workplace harassment and intimidation. Zero discrimination and human rights violation were reported for FY24.
- **Employee development and satisfaction.** KIP REIT facilitates employee development through various trainings and development programmes, including "Effective Financial Budget Control", "E-Invoicing", and "Agile Leadership". KIP REIT reported an 11% increase in average employee satisfaction in 2024.

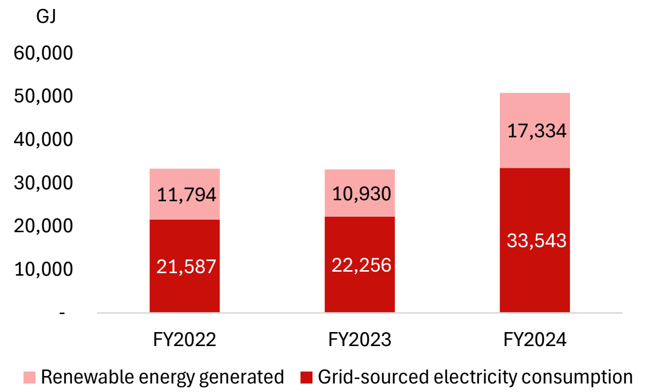
Governance

- **Customer privacy and data security.** KIP REIT recorded zero complaints relating to customer privacy or data loss. In May 2024, a business continuity plan (BCP) test was conducted, incorporating a disaster recovery plan (DRP) exercise, which simulated a full-scale malware intrusion. The exercise, which took place at KIP REIT KL (the primary data centre), demonstrated that KIP REIT's systems could successfully back up and recover data even if its headquarters was rendered inoperable owing to unforeseen circumstances.
- **Anti-corruption practices.** KIP REIT implements its Anti-Bribery Management System (ABMS) as a systematic approach to manage corruption risks. The REIT also enforces the Anti-Bribery and Corruption policy (ABC policy), which upholds a strict zero-tolerance stance on bribery and corruption. As at 30 Jun 2024, no incidents of corruption were reported.

- **Diversity policy.** As of FY24, women represent 33% of KIP REIT's Board of Directors and 75% of senior management. The REIT aims to maintain over 30% female representation on the Board and more than 50% female representation in senior management.

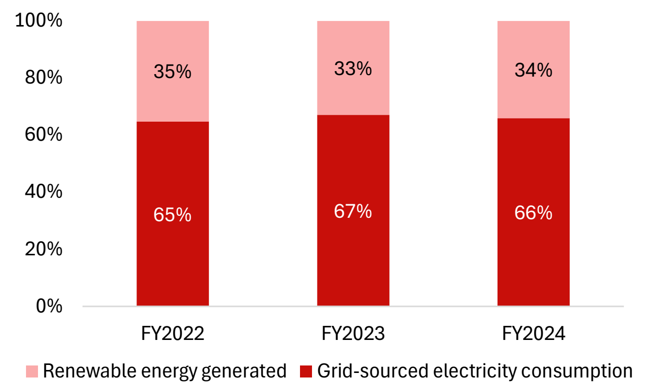
- **Corporate governance compliance.** KIP REIT aligns with the Malaysian Code on Corporate Governance (MCCG), with independent directors and the chairman comprising half of its board. Additionally, the roles of chairman and CEO are held by separate individuals, in line with MCCG guidelines. However, the board chairman also serves on the Audit and Risk Management Committee, Nomination Committee, and Remuneration Committee, which contradicts Practice 1.4 of the MCCG, which recommends that the chairman should not be a member of these committees to preserve board independence. KIP REIT has acknowledged this and is taking steps to address the matter.

Exhibit 24: Breakdown of annual energy consumption (GJ)



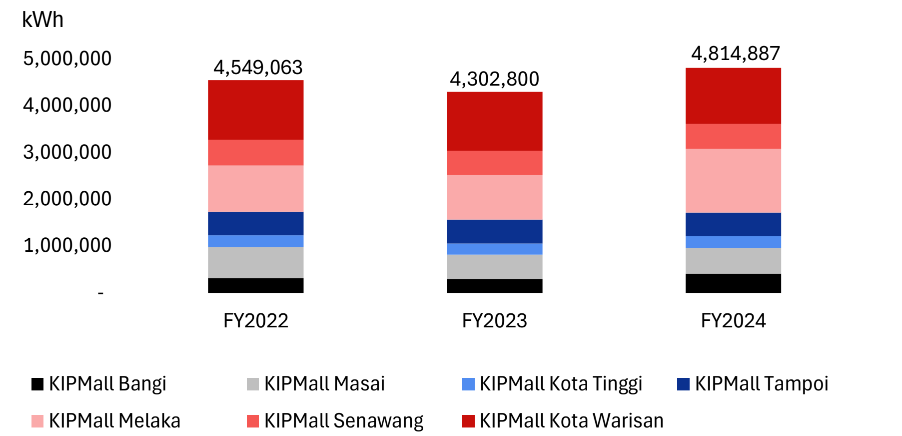
Source: Company reports, CIMB Securities

Exhibit 25: Breakdown of annual energy consumption (%)



Source: Company reports, CIMB Securities

Exhibit 26: KIP REIT's renewable energy generation since FY22



Source: Company reports, CIMB Securities

Exhibit 27: KIP REIT's Board of Directors and Committee

Individual	Designation	Board meetings attended	Board of Directors	Audit and Risk Management Committee	Nomination Committee	Remuneration Committee
Datuk Dr Syed Hussain bin Syed Husman, PJN. JP	Senior Independent Non-Executive Chairman	4/5	/	/	/	/
Dato' Ong Kook Liong	Managing Director	5/5	/			
Ms. Ong Pui Shan	Executive Director cum CEO	5/5	/			
Ms. Ong Tzu Chuen	Executive Director	5/5	/			
Datuk Mohamed Arsad bin Sehan	Independent Non-Executive Director	5/5	/	/	/	/
Mr. Chiam Tau Meng	Independent Non-Executive Director	5/5	/	/	/	/

Source: Company reports, CIMB Securities

Risks

Tenant concentration risk, particularly in industrial segment

KIP REIT's industrial segment exhibits a degree of tenant concentration, with current tenants in this portfolio linked to the Hextar group of companies, including Hextar Chemicals Sdn Bhd, Teju Logistics Sdn Bhd, and Hextar Industries Bhd. While these tenants provide stable rental contributions under long-term lease agreements, the reliance on a single corporate group heightens exposure to tenant-specific credit and renewal risks. Any material changes in the Hextar group of companies' business or financial standing could potentially affect rental income from this segment. We estimate that the Hextar group of companies accounts for approximately 5% of KIP REIT's revenue as at FY25; this share may rise to around 9% upon the full completion of ongoing industrial acquisitions. The Hextar-linked properties are expected to account for about 9% of total asset value once the acquisitions are completed.

High proportion of tenancies up for renewal

The majority of KIP REIT tenancies are for two-year terms, which exposes KIP REIT to a higher concentration of tenancy expiries in each tenancy cycle. This contrasts with other retail REITs, which typically secure longer agreements, averaging three years. The relatively shorter lease terms heighten KIP REIT's exposure to risks associated with tenancy expiries, including the risk of vacancies following non-renewal of tenancy which will reduce occupancy rates and lower gross rental income. Should a significant number of tenants choose not to renew their leases and replacement tenants are either delayed or secured at lower rental rates, prolonged vacancies could adversely impact KIP REIT's income.

Exposure to interest rate volatility

KIP REIT's borrowings comprise 40% fixed and 60% floating rate borrowings, at estimated rates of 4.2% and 4.5%, respectively. While the fixed-rate portion provides a degree of stability in financing costs, the floating-rate component exposes the REIT to potential increases in interest cost during periods of rising interest rates. This could weigh on earnings and distribution payouts, particularly in a sustained high interest rate environment. Conversely, a decline in interest rates could lower financing costs of its floating-rate borrowings, providing upside.

Rising competition in the retail landscape of secondary cities

KIP REIT has established its niche as a pioneer in operating community-focused retail malls within Malaysia's secondary cities. However, the competitive landscape is evolving as larger REITs and property developers begin venturing into this segment, attracted by its stable footfall, resilient consumer demand, and relatively attractive asset yields. This rising competition may affect the occupancy levels of KIP REIT's retail malls, particularly if competing properties offer more favourable lease terms or enhanced amenities. Furthermore, with tenants having a broader selection of malls to choose from, KIP REIT could face greater pressure during rental reversion negotiations.

Financials

Revenue growth driven by active portfolio management

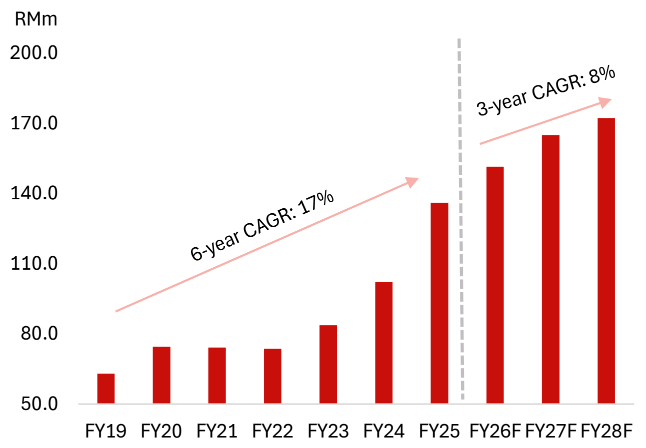
KIP REIT delivered a healthy top-line performance over the past six financial years (FY19–FY25), registering a 6-year revenue CAGR of 17%. This growth trajectory has been underpinned by the REIT's proactive capital management strategy, which focuses on expanding and optimising its asset portfolio.

Since FY19, KIP REIT has completed the acquisition of seven properties as at FY25, resulting in a 6-year total NLA CAGR of 18.1% and a portfolio value CAGR of 16.3%, enhancing its portfolio size.

Occupancy levels across the REIT's assets have generally remained robust, averaging 91% between FY19 and FY25. However, there were temporary dips at selected properties due to asset enhancement initiatives. KIPMall Senawang's occupancy fell to 63% in FY24 amid refurbishment works to convert its fresh market area into a larger retail space, but it has since recovered to 96% following completion. Meanwhile, KIPMall Bangi's occupancy dipped to 55% in FY22 owing to transitional renovations and anchor tenant fit-outs, but has since rebounded to 90% with improved tenant take-up.

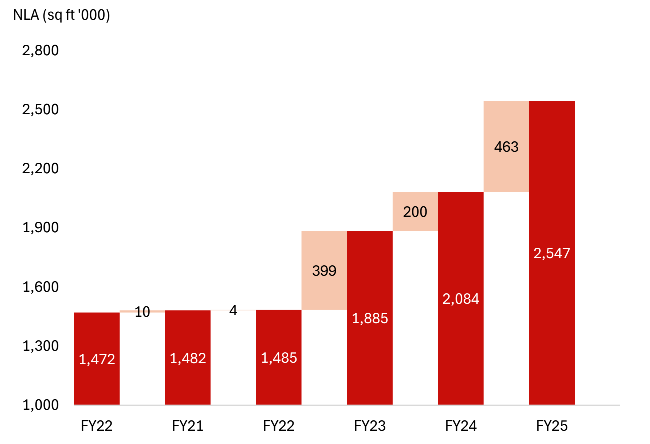
As of FY25, the retail segment contributed 95% to KIP REIT's total revenue, with the industrial segment accounting for the remaining 5%. Although the retail segment's shorter WALE poses a higher risk of non-renewal and potential revenue volatility, it also creates more frequent opportunities for upward rental reversion. In contrast, the industrial segment, while contributing a smaller share of revenue, benefits from a longer WALE, providing greater income stability albeit with more limited scope for near-term rental growth.

Exhibit 28: KIP REIT's revenue growth trend and 6-year CAGR (FY19–28F)



Source: Company reports, CIMB Securities

Exhibit 29: KIP REIT's NLA (FY22–25)



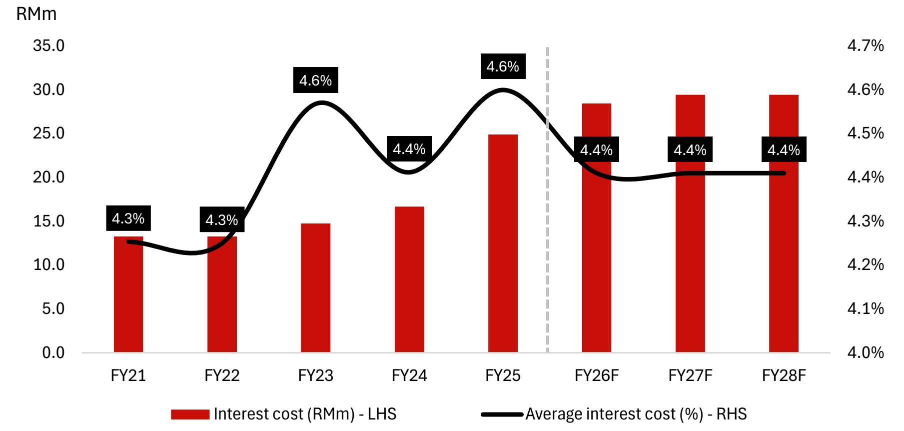
Source: Company reports, CIMB Securities

We forecast KIP REIT's revenue to grow at a 3-year CAGR of 8.2% over FY25–28F, underpinned by an average annual rental reversion of 5%, in line with its historical trend. Additionally, we also assume sustained occupancy rates of at least 90% across its portfolio. Revenue growth is expected to be supported by the stabilisation of recently refurbished malls and incremental contributions from completed acquisitions. Our current forecast has not factored in potential upside from KIP REIT's ongoing acquisitions — comprising three retail assets and one industrial asset — which, once completed, could contribute an additional 4.6% to FY27F revenue. These acquisitions are targeted for completion by Mar 2026.

Interest expense a major cost driver

Borrowing costs, which account for approximately 30% of KIP REIT's total expenses, are a key driver of earnings sensitivity. As at end-4QFY25, 60% of the REIT's borrowings were on floating rates, positioning it to benefit when interest rates are reduced. Based on our estimates, every 25 basis point (bps) decline in floating rate borrowing costs could lift KIP REIT's FY26F core net profit by approximately 1.4%, underscoring its exposure to interest rate movements and potential earnings upside in a lower-rate environment. We project an average borrowing cost of 4.4% for FY26F, moderating slightly from 4.6% in FY25, in line with the 25 bps overnight policy rate cut by Bank Negara Malaysia in Jul 2025.

Exhibit 30: Historical and projected interest cost and average interest rate



Source: Company reports, CIMB Securities

Exhibit 31: Core net profit sensitivity to changes in floating-rate debt

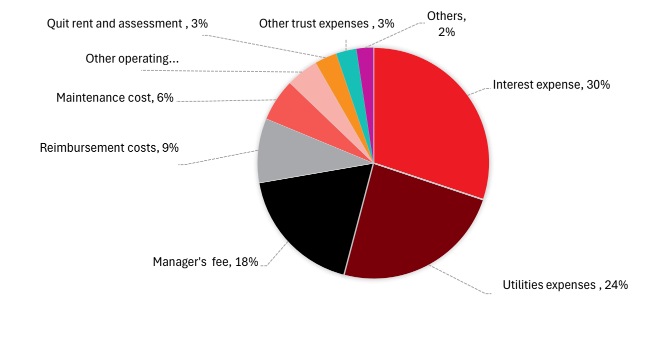
Changes to floating rate borrowings	Core net profit (RMm) FY26F	FY27F	FY28F
4.0%	69.1	73.2	78.5
4.3%	68.2	72.2	77.5
4.5%	67.2	71.2	76.5
4.8%	66.2	70.2	75.5
5.0%	65.3	69.2	74.5

Source: Company reports, CIMB Securities

Utilities are the second-largest expense

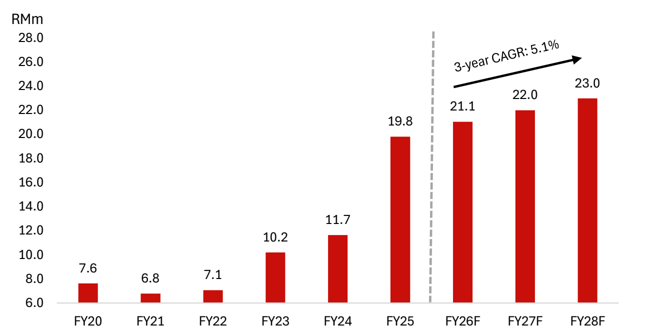
Utilities represent KIP REIT's second-largest expense item, accounting for approximately 24% of total expenses in FY25. This cost is primarily associated with its retail assets, where the REIT bears responsibility for electricity and cooling expenses in common areas. We project utilities costs to grow at a 3-year CAGR of 5% over FY25–28F, driven by the addition of newly acquired assets. To mitigate these rising costs, KIP REIT has entered into a 20-year partnership with KJTS to improve the energy efficiency of its cooling system. This arrangement is expected to lower the energy cost of its chiller plant by 15% after recovering capital expenses, thereby partially offsetting future increases in electricity consumption while improving its long-term cost efficiency. However, we do not expect this to have significant impact in FY26–28F.

Exhibit 32: KIP REIT's cost structure as at FY25



Source: Company reports, CIMB Securities

Exhibit 33: KIP REIT's utilities growth trend



Source: Company reports, CIMB Securities

Earnings growth hinges on acquisition activities

KIP REIT's earnings growth is dependent on its acquisition activities. In FY24, its core net profit rose 36.7% YoY driven by full-year contribution of three industrial properties in addition to rental income derived from its acquisition of KIPMall Kota Warisan, which had a high occupancy rate of 98% upon acquisition. These, in aggregate, contributed 11% to total FY24 revenue. In FY25, core net profit grew by 3.5%, supported by improved performance in its portfolio as well as part-year contribution from new assets acquired at end-2QFY24: D'Pulze and TF Value Mart.

We project a 3-year (FY26–FY28F) core net profit CAGR of 13% for KIP REIT, and net property income (NPI) margins are expected to remain healthy at 73–75% throughout the forecast period. Earnings growth will be mainly driven by contributions from newly acquired assets and steady rental reversions. Although the expansion of the SST and potential petrol subsidy rationalisation may temporarily affect consumers' discretionary spending and potentially affect some tenants' performance, we expect the earnings impact to be minimal, as variable rent contributes less than 5% of KIP REIT's total rental income. That said, there may be some downward pressure on rental reversion, particularly from tenants with annual revenues exceeding RM1m, who are likely to be subject to the 8% SST on leasing services. We estimate that every 0.5 percentage point decline in our rental reversion assumption of 5% could lower our FY26–28F earnings forecasts by 0.5–1.6%.

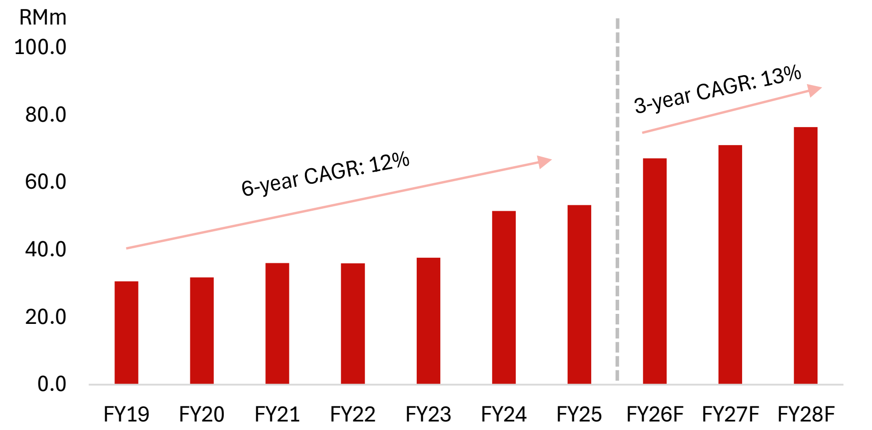
We foresee potential upside to our earnings projections, as KIP REIT is in the process of acquiring four additional properties, with completion targeted by end-3QFY26. Upon full contribution, these assets could increase revenue by 4.6% in FY27F, translating into additional earnings growth of 1.7%.

Exhibit 34: Earnings sensitivity to rental reversion assumption

Changes to rental reversion assumption	Core net profit (RMm) FY26F	FY27F	FY28F
3.5%	66.1	68.9	72.9
4.0%	66.5	69.6	74.1
4.5%	66.8	70.4	75.3
5.0%	67.2	71.2	76.5
5.5%	67.6	71.9	77.7
6.0%	67.9	72.7	78.9
6.5%	68.3	73.4	80.1

Source: Company reports, CIMB Securities

Exhibit 35: KIP REIT's core net profit growth trend and 5-year CAGR (FY19–28F)



Source: Company reports, CIMB Securities

Proposed placement to maintain gearing below regulatory limit

KIP REIT's gearing limit is capped at 50% of its total asset value, in line with the Securities Commission of Malaysia's REIT Guidelines. As at FY25, its gearing stood at approximately 39%, well below the regulatory threshold. However, the full completion of its ongoing retail and industrial asset acquisitions worth RM193.7m could bring gearing close to the 50% limit. To manage this, KIP REIT has proposed to undertake placement of new units by end-2025. On 9 Apr 2025, KIP REIT proposed to undertake a placement of up to 160m units (20% of issued units as at 9MFY25) to partly fund (i) the acquisition of KIPMall Desa Coalfields, Lotus's Indera Mahkota, and a shop office and commercial building in Kuantan; and (ii) AEIs at KIPMall Tampoi. Following the completion of placement, FY26F gearing could be reduced to approximately 41%.

Exhibit 36: Recent placement proposed aimed at keeping gearing level below regulatory limit

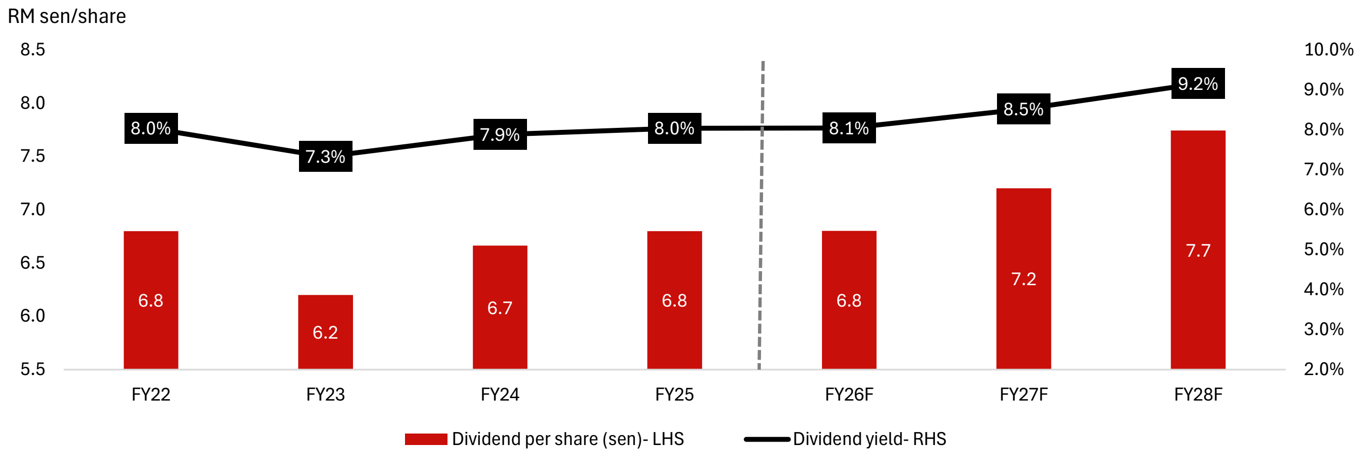
	As at 4QFY25	FY26F	
		Post-acquisition	Post-acquisition and placement
Total asset	1,577	1,759	1,830
Total borrowings	623	882	748
Gearing	39%	50%	41%

Source: Company reports, CIMB Securities

Quarterly payouts with minimum 90% distribution policy

In line with its distribution policy, KIP REIT pays out at least 90% of its annual distributable income to unitholders on a quarterly basis. By meeting this minimum threshold and completing distribution payments within two months after its financial year-end, the REIT qualifies for income tax exemption at the fund level, pursuant to Section 61A of the Malaysian Income Tax Act 1967. For FY26–28F, we project a distribution payout ratio of 93%, consistent with its historical average. This is expected to translate into an estimated distribution yield of 8.1–9.2% over the forecast period.

Exhibit 37: DPU and distribution yield — Historical and forecast



Source: Company reports, CIMB Securities

Valuation and recommendation

We initiate coverage on KIP REIT with a Buy recommendation and a target price of RM0.95, based on the Dividend Discount Model (DDM) owing to the predictable income distribution of the REIT sector. Our valuation assumes a WACC of 7.3% and a long-term dividend growth rate of 1.0%, reflecting KIP REIT's steady income profile and growth through asset acquisitions. We input a 25% discount to KIP REIT's fair value to reflect its lower liquidity and market capitalisation. At the current market price, the REIT offers a distribution yield of 8.1%, which we view as attractive relative to its historical average and peers.

KIP REIT's distribution yield is underpinned by the resilience of its retail segment and its strategic focus on suburban locations, where competition is relatively limited. This positioning enables the REIT to maintain stable occupancy and rental rates. In addition, KIP REIT actively undertakes regular AEIs to ensure its properties remain relevant and appealing to its target mass-market segment.

As at 17 Sep 2025, KIP REIT's 12-month forward yield spread of 4.3% is above its 10-year historical average yield spread of 4.1% and the broader REIT sector average of 1.8%, indicating attractive valuations.

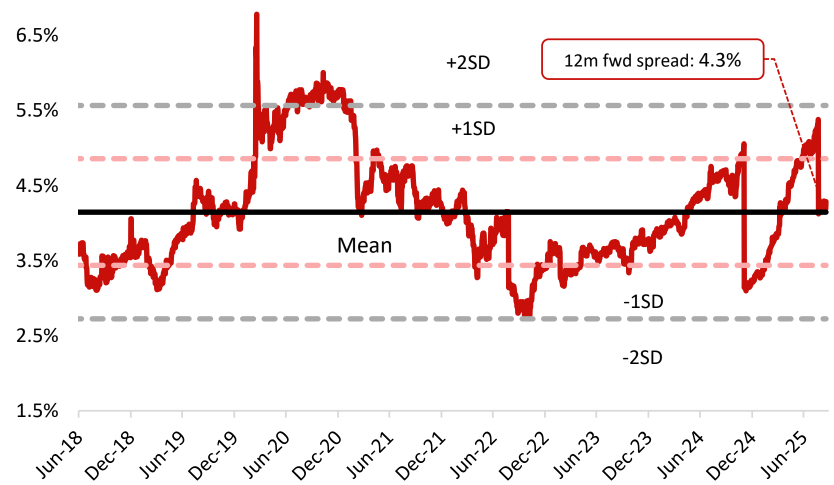
KIP REIT's gearing remained healthy at 39% as at end-4QFY25, below the regulatory ceiling of 50%. Currently, there are three other brokers covering the stock.

Exhibit 38: DDM-based valuation

	0	1	2	3	4	5	6	7	8	9	10	Terminal
	CY25F	CY26F	CY27F	CY28F	CY29F	CY30F	CY31F	CY32F	CY33F	CY34F	CY35F	value
DPU (sen)	6.8	7.0	7.5	7.6	7.7	7.8	7.9	8.1	8.2	8.3	8.4	135.8
NPV (sen)	6.8	6.5	6.5	6.1	5.8	5.5	5.2	4.9	4.7	4.4	4.2	67.4
Cost of equity (Ke)	*7.3%*											
Terminal growth	*1.0%*											
Total NPV (sen)	128.1											
DDM-based TP (RM)	1.28											
Discount	*25%*											
Discounted DDM-based TP (RM)	**0.95**											

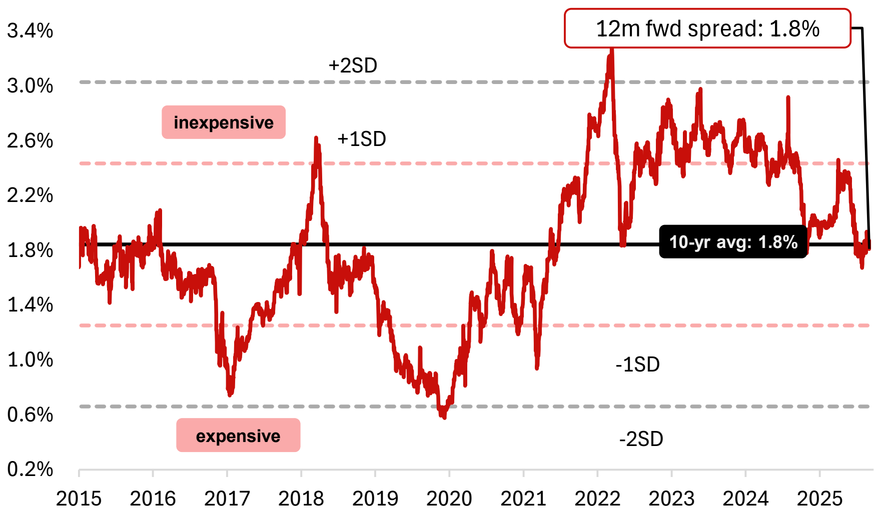
Source: Company reports, CIMB Securities

Exhibit 39: KIP REIT's yield spread as at 17 Sep 2025



Source: Company reports, CIMB Securities

Exhibit 40: REIT sector yield spread as at 17 Sep 2025



Source: Company reports, CIMB Securities

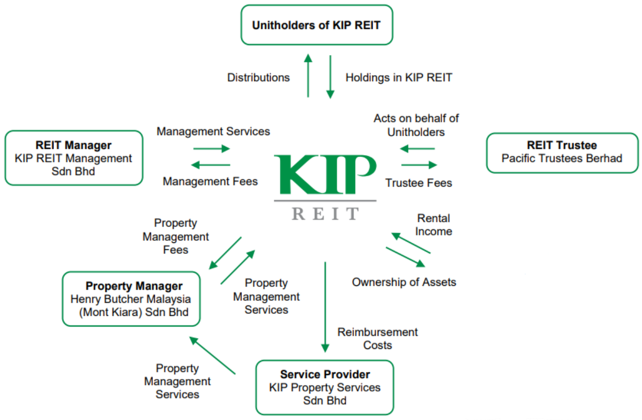
Exhibit 41: Peer comparison table

Company	Ticker	FY End	Rating	Market cap (RMm)	Share px (RM)	TP (RM)	P/E(x)		Core net profit (RMm)		EPS growth (%)		Distribution yield (%)	
							CY25F	CY26F	CY25F	CY26F	CY25F	CY26F	CY25F	CY26F
REIT														
Axis REIT	AXRB MK	Dec	Buy	4,163	2.06	2.13	20.4	19.4	204	215	7.9%	5.3%	4.9%	5.1%
Al-Aqar REIT	AQAR MK	Dec	Hold	1,041	1.24	1.33	16.7	15.5	62	67	(2.2%)	7.4%	5.8%	6.2%
KIP REIT	KIP MK	June	Buy	783	0.85	0.95	13.1	11.3	60	69	(0.3%)	3.1%	8.0%	8.2%
Sentral REIT	SENTRAL MK	Dec	Hold	932	0.78	0.80	11.5	11.1	81	84	1.5%	3.3%	8.2%	8.5%
Sunway REIT	SREIT MK	Dec	Hold	7,158	2.09	2.11	18.4	17.4	389	412	12.0%	5.8%	5.3%	5.6%
Sector average							**18.1**	**17.1**	**271**	**287**	**8.4%**	**5.4%**	**5.5%**	**5.8%**

Source: Company reports, CIMB Securities

APPENDIX

Exhibit 42: Structure of KIP REIT



Source: Company reports, CIMB Securities

Exhibit 43: KIP REIT Board of Directors and membership in key committees

Individual	Designation	Board meetings attended in FY24	Board of Directors	Audit and Risk Management Committee	Nomination Committee	Remuneration Committee
Datuk Dr Syed Hussain bin Syed Husman, PJN. JP	Senior Independent Non-Executive Chairman	4/5	/	/	/	/
Dato' Ong Kook Liong	Managing Director	5/5	/			
Ms. Ong Pui Shan	Executive Director cum CEO	5/5	/			
Ms. Ong Tzu Chuen	Executive Director	5/5	/			
Datuk Mohamed Arsad bin Sehan	Independent Non-Executive Director	5/5	/	/	/	/
Mr. Chiam Tau Meng	Independent Non-Executive Director	5/5	/	/	/	/

Source: Company reports, CIMB Securities

Exhibit 44: KIP REIT Board of Directors and composition of key committees

	Name	Currrent Position	Age (years)	Education background	Appointment Timeline
Board of Directors	Datuk Dr Syed Hussain bin Syed Husman, PJN. JP	Chairman/Senior Independent Non-Executive Director	67	- MBA, Western Illinois University, USA , - PhD. in Labour Relations, London, UK, - Doctorate in Business Administration, Asia e University, Malaysia	Senior Independent Non-Executive Director : 20 Apr 2016
	Datuk Mohamed Arsad Bin Sehan	Independent Non-Executive Director	71	- Bachelor of Economics (Statistics), University of Malaya	Independent Non-Executive Director : 20 Apr 2016
	Mr. Chiam Tau Meng	Independent Non-Executive Director	71	- Bachelor of Commerce Degree majoring in Accountancy, the University of Otago, Dunedin, New Zealand - Associate Chartered Accountant with the Chartered Accountants Australia and New Zealand - Chartered Accountant with the MIA	Independent Non-Executive Director : 15 Apr 2019
Board of Director and Management Team	Dato' Ong Kook Liong	Managing Director	64	- CMSL holder under the Capital Markets and Services Act 2007	Executive Director : 18 Dec 2015 Managing Director : 18 Aug 2022
	Ms. Ong Pui Shan	Executive Director cum CEO	36	-Bachelor of Arts, The University of Melbourne -Master of Science in Marketing, The University of West of England	Non-Independent Non-Executive Director : 30 Nov 2018 Executive Director : 18 Aug 2022 CEO : 5 Apr 2023
	Ms. Ong Tzu Chuen	Executive Director	41	- Bachelor of Commerce (Accounting), Macquarie University, Australia - Member of the Certified Practising Accountant (CPA), Australia since 2004 - Member of the Malaysian Institute of Accountants (MIA) since 2020	Executive Director : 18 Aug 2022
Management Team	Ms. Lim Boon Boon	Chief Financial Officer	45	- Chartered Accountant with the MIA - Holds a fellowship with the Associate of Chartered Certified Accountants (ACCA)	Chief Financial Officer : 13 Jun 2024
	Mr. Sean Lim Seng Yeow	Senior Manager, Business Development	40	- Imperial College with a Diploma in Construction Management, London, UK	Senior Manager, Business Development : 2 Jan 2024
	Mr. Northon Lee Tze Siang	Legal & Compliance Manager	37	- Bachelor of Laws Degree, University of London - Called to the Malaysian Bar in December 2015	Legal & Compliance Manager : 29 Sep 2023
	Ms. Linda Yau Oi Kam	Group Human Resource Manager	57	- Diploma in Executive Secretaryship, Stamford College Malaysia - Diploma in Human Resource Management, University of Newcastle, Australia	Group Human Resource Manager : 1 Nov 2022

Source: Company reports, CIMB Securities

Exhibit 45: Overview of KIP REIT's existing portfolio and proposed asset acquisitions

Property	Asset type	Location	NLA (sq ft)	Acquisition date	Occupancy rate as at 4QFY25	Age of Building (years)
KIPMall Tampoi	Retail	Johor	170,526	06-Feb-17	97%	20
KIPMall Kota Tinggi	Retail	Johor	78,071	06-Feb-17	95%	16
KIPMall Masai	Retail	Johor	156,791	06-Feb-17	96%	13
KIPMall Senawang	Retail	Negeri Sembilan	119,767	06-Feb-17	96%	11
KIPMall Melaka	Retail	Melaka	198,518	06-Feb-17	98%	10
KIPMall Bangi	Retail	Selangor	287,883	06-Feb-17	90%	24
KIPMall Kota Warisan	Retail	Selangor	191,886	08-Feb-24	100%	7
AEON Mall Kinta City	Retail	Perak	530,181	31-Jul-19	100%	26
DPULZE Shopping Centre	Retail	Selangor	311,499	12-Dec-24	100%	11
TF Value-Mart	Retail	Perak	60,895	15-Nov-24	100%	10
Lot 9, Pulau Indah	Industrial	Selangor	109,836	14-Dec-22	100%	4
Lot 5, Pulau Indah	Industrial	Selangor	112,508	14-Dec-22	100%	22
Lot 3A, Pulau Indah	Industrial	Selangor	129,114	14-Dec-22	100%	27
Industrial asset, Cheras	Industrial	Selangor	67,524	26-Feb-25	100%	7
Industrial asset, Bintulu	Industrial	Sarawak	205,433	25-Jul-25	100%	15
Industrial asset, Pasir Gudang	Industrial	Johor	184,455	25-Jul-25	100%	34
KIPMall Desa Coalfields	Retail	Selangor	153,282	22-Aug-25	approx. 99%	4
Industrial asset, Klang	Industrial	Selangor	193,284	Ongoing	100%	3
Lotus's Indera Mahkota	Retail	Pahang	107,527	Ongoing	100%	2
Shop lots, Kuantan	Retail	Pahang	39,824	Ongoing	100%	less than 1 year
Commercial building, Kuantan	Retail	Pahang	6,725	Ongoing	100%	9

Source: Company reports, CIMB Securities

Income Statement

FYE Jun (RMm)	2024	2025	2026F	2027F	2028F
Gross rental income	102.2	136.1	158.2	165.3	172.7
Property operating expenses	(24.3)	(39.3)	(41.8)	(43.7)	(45.6)
Net property income	77.8	96.8	116.4	121.6	127.0
Non-property expenses	(9.4)	(18.4)	(19.7)	(20.0)	(20.2)
PBITDA	64.2	140.1	96.7	101.7	106.8
PBIT	63.1	138.9	95.1	100.0	105.1
Interest expense	(16.7)	(24.9)	(28.5)	(29.5)	(29.5)
Exceptional item	(4.2)	61.8	-	-	-
PBT	47.3	115.1	67.2	71.2	76.5
Tax	-	-	-	-	-
Core Net Profit	51.5	53.3	67.2	71.2	76.5

Balance Sheet

FYE Jun (RMm)	2024	2025	2026F	2027F	2028F
Investment properties	1,054.5	1,484.8	1,671.6	1,671.6	1,671.6
Trade and other receivables	7.1	9.2	9.2	9.2	9.2
Cash and bank balances	34.9	57.1	26.2	28.8	38.5
Inventories	-	-	-	-	-
Total Assets	1,135.9	1,577.0	1,747.7	1,754.8	1,762.3
Payables and accruals	21.5	36.6	28.5	29.9	30.9
Short-term Borrowings	313.9	16.4	16.4	16.4	16.4
Long-term Borrowings	109.5	606.4	651.7	651.7	651.7
Payables and accruals	12.2	22.5	22.2	23.0	24.0
Unit holder's capital	583.6	730.5	860.1	860.1	860.1
Undistributed income to Reserves	94.0	163.7	168.4	173.3	178.7
Total unit holder's fund	677.6	894.2	1,028.5	1,033.4	1,038.8
Total liabilities and shareholder's fund	1,135.9	1,577.0	1,748.3	1,755.5	1,762.9

Cash flow Statement

FYE Jun (RMm)	2024	2025	2026F	2027F	2028F
Pretax profit	47.3	115.1	67.2	71.2	76.5
Working capital	(24.3)	54.5	(23.0)	(2.4)	4.3
Others	13.8	(39.1)	27.9	28.8	28.6
Operating cash flows	36.8	130.5	72.0	97.6	109.5
Acquisitions	(94.5)	(368.5)	(114.9)	-	-
Enhancement exp.	-	-	(71.9)	-	-
Others	(0.2)	(15.5)	0.6	0.6	0.8
Investing cash flows	(94.7)	(384.0)	(186.3)	0.6	0.8
Issue of shares	10.0	148.5	129.6	-	-
Dividend paid	(39.5)	(45.5)	(62.5)	(66.2)	(71.2)
Borrowings	90.0	200.0	45.3	-	-
Others	(17.1)	(27.4)	(28.5)	(29.5)	(29.5)
Financing cash flow	43.4	275.6	83.9	(95.6)	(100.6)
Net inflows/(outflows)	(14.4)	22.1	(30.3)	2.6	9.7
Change in receivables	(27.9)	29.1	(14.7)	(4.5)	2.3
Change in payables	3.6	25.4	(8.3)	2.2	2.1

Source: Bloomberg, CIMB Securities

DISCLAIMER

This report has been prepared by CIMB Securities Sdn Bhd ("**CIMB Securities**") pursuant to the Research Incentive Program under Bursa Research Incentive Scheme Plus ("**Bursa RISE+**") administered by Bursa Malaysia Berhad. This report has been produced independent of any influence from Bursa Malaysia Berhad or the subject company. Bursa Malaysia Berhad and its group of companies disclaims any and all liability, howsoever arising, out of or in relation to the administration of Bursa Research Incentive Program and/or this report. This research report can also be found in MyBursa platform or via the link: Market Research and Analysis – MyBURSA

The content of this report (including the views, opinions and recommendations expressed and the information contained in this report) has been prepared by and belongs to CIMB Securities Sdn Bhd ("**CIMB Securities**").

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.

By accepting this report, you represent and warrant that you are entitled to receive this report in accordance with the restrictions set forth below and agree to be bound by the limitations contained herein. Any failure to comply with these limitations may constitute a violation of law. This report is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means; or (ii) redistributed or passed on, directly or indirectly, to any other person, in whole or in part, without the prior written consent of CIMB Securities.

This report is general in nature and has been prepared for information purposes only and does not have regard to the specific investment objectives, financial situation and particular needs of any specific person who may receive this report. CIMB Securities does not act as a financial adviser, consultant, or fiduciary to you or any of your agents with respect to any information provided in this report.

The information, views, opinions or recommendations in this report are not and should not be construed or considered as an offer, or solicitation to buy or sell, or an invitation to subscribe for, the securities of the company(ies), related investments or other financial instruments or any derivative instrument, or any rights pertaining thereto.

You are advised to make your own independent evaluation of the information contained in this report, consider your own individual investment objectives, financial situation and particular needs and consult your own professional and financial advisers as to the legal, business, financial, tax and other aspects before participating in any transaction in respect of the securities of company(ies) covered in this report. The securities of the company(ies) may not be eligible for subscription or sale in all jurisdictions or to all categories of investors.

CIMB Securities may or may not issue regular reports on the subject matter of this report at any frequency and may cease to do so or change the periodicity of reports at any time. CIMB Securities has no obligation to update this report to include any omission or in the event of a change (whether material or not) to the information contained in this report.

This report does not purport to contain all the information that a prospective investor may require. CIMB Securities has no, and will not accept any obligation to (i) check or ensure that the contents of this report are current, reliable or relevant; or (ii) ensure that the contents of this report constitute all the information a prospective investor may require. CIMB and its affiliates, related and associate corporations do not make any guarantee, representation or warranty, express or implied, as to the adequacy, accuracy, completeness, reliability or fairness of any views, opinions, recommendations and information contained in this report. Accordingly, CIMB Securities and its affiliates, related and associate corporations (and their respective directors, connected persons, officers and/or employees) shall not be liable in any manner whatsoever for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any reliance thereon or usage of this report. In particular, CIMB Securities disclaims all responsibility and liability for the views, opinions and recommendations set out in this report.

Unless otherwise specified, this report is based upon sources or data which the analyst(s) considered to be reasonable, correct and reliable at the time of issue of this report. Such sources or data will, unless otherwise specified, for market data, be market data and prices available from the market, information aggregation service providers or stock exchange where the relevant security is listed, or, where appropriate, any other commonly accepted sources. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from his/her research.

Whilst the analyst(s) have made every effort to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered by the analyst(s) to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment.

This report may contain information obtained from third party content providers. Reproduction and distribution of third party contents in any form is prohibited except with the prior written consent of the related third party content provider.

Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such contents. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their contents.

CIMB Securities and its affiliates, related and associate corporations (and their respective directors, connected persons, officers and/or employees) may own or have positions in securities of the company(ies) covered in this report or any securities related to it, and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, CIMB Securities and its affiliates, related and associate corporations do and seek to do business with the company(ies) covered in this report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them to or buy them from clients (for its own account or the account of its clients) and may also perform or seek to perform significant investment banking

In reviewing this report, you should be aware that any or all of the foregoing, among other things, may give rise to actual or potential conflicts of interest. Subject to the duties of confidentiality, additional information may be available, on request, at our sole discretion.

RATING GUIDE

Stock Rating	Definition
Buy	The stock's total return is expected to exceed 10% over the next twelve (12) months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next twelve (12) months.
Reduce	The stock's total return is expected to fall below 0% or more over the next twelve (12) months.
	Note: The total expected return of a stock is defined as the sum of: *(a) the percentage difference between the target price and the current price; and* *(b) the forward net dividend yields of the stock. Stock price targets have an investment horizon of twelve (12) months.*
Sector Rating	**Definition**
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

DISCLOSURE OF CONFLICTS OF INTEREST

Disclosure by CIMB Securities

CIMB Securities hereby declares that:

(a) CIMB Securities, CIMB Investment Bank Berhad and/or CIMB Bank Berhad has/have proprietary positions in the following securities of the company(ies) mentioned in this report:

(b) CIMB Securities (only in respect of its Equities Research Department) received material benefit in relation to the production of this report for the following companies mentioned in this report:
Nil

Disclosure by Analyst(s)

The analyst(s) who prepared this report declares that:

(a) He/she received material benefit in relation to the production of this report for the following companies mentioned in this report:
Nil

(b) He/she has/have an interest in the securities in the following company(ies) recommended in this report:
Nil

(c) He/she serves as a director or board member of the following company(ies) mentioned in this report:
Nil

The analyst(s) responsible for the production of this report certifies that the views, opinions and recommendations expressed herein accurately and exclusively reflect his/her personal views, opinions and recommendations about any and all of the company(ies) or securities analysed in this report and were prepared independently and autonomously.

No part of the compensation of the analyst(s) was, is or will be directly or indirectly related to the inclusion of specific opinions, views or recommendations in this report. CIMB Securities prohibits the analyst(s) who prepared this report from receiving any compensation, incentive or bonus based on specific investment banking transactions or for providing a specific view, opinion or recommendation of a particular company(ies). Information barriers and other arrangements may be established, where necessary, to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/her coverage of company(ies) in the performance of his/her duties or the correlation between his/her views, opinions or recommendations and the performance of the securities of the company(ies) and may also participate in the businesses as described above.

This report is distributed or disseminated in Malaysia by CIMB Securities for the benefit of and for the use of the clients of CIMB Securities, CIMB Investment Bank Berhad and CIMB Bank Berhad. This report is also distributed or disseminated in any specific geographical area or jurisdiction by the affiliates or related corporations of CIMB Securities who are licensed in such jurisdictions, or any third party business partner pursuant to an arrangement between CIMB Securities and such third party business partner.

Recipients of this report are to contact CIMB Securities at Level 14, Chulan Tower, No. 3, Jalan Conlay, 50450 Kuala Lumpur in respect of any matters arising from or in connection with this report. CIMB Securities has no obligation to update or revise the information in or the contents of this report after the date of this report.