

*"1QFY26 DPU rose by 18.3% yoy
– within estimates"*

Share price performance



	1M	3M	12M
Absolute (%)	-1.7	0.6	-5.9
Rel KLCI (%)	-1.8	-4.9	-5.8

	BUY	HOLD	SELL
Consensus	4	-	-

Stock Data

Sector	REIT
Issued shares (m)	958.6
Mkt cap (RMm)/(US\$m)	834/199
Avg daily vol - 6mth (m)	1.5
52-wk range (RM)	0.82-0.94
Est free float	63.9%
Stock Beta	0.39
Net cash/(debt) (RMm)	(615.0)
ROE (FY26E)	7.0%
Derivatives	No
Shariah Compliant	No
FTSE4Good Constituent	No
FBM EMAS (Top 200)	Top 26 – 50%
ESG Risk Rating	n/a

Key Shareholders

Ong Choo Meng	8.8%
Ong Kook Liong	7.5%
AIA Bhd	4.4%
EPF	4.0%

Source: Bloomberg, Affin Hwang, Bursa Malaysia

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KIP REIT (KIP MK)

BUY (maintain)

Up/Downside: +19.5%

Price Target: RM1.04

Previous Target (Rating): RM1.02 (BUY)

Strong start of the year – 1QFY26 DPU rose 18.3% yoy

- KIPREIT's 1QFY26 core net profit rose by 71% yoy to RM17m on new acquisitions. Despite the dilutive effect from the placement exercise, its 1QFY26 DPU grew by 18% yoy
- FY26E-28E core net profit to see further growth on the back of (i) full-year contribution from DPulze Shopping Centre and (ii) recently completed acquisitions of KIPMall Desa Coalfields and its East Coast-based assets
- Maintain our BUY call with a higher DDM-derived 12-month target price of RM1.04. Its FY26E-28E DPU yields of 8-9% look attractive to us

KIPREIT's 1QFY26 core net profit rose by 71% yoy to RM17m

KIPREIT reported a strong set of results – 1QFY26 revenue rose by 52.6% yoy to RM40.8m, driven by new acquisitions and higher occupancy across existing assets, offsetting a 25.2% rise in borrowing costs to RM6.5m, and delivering a 71.1% growth in 1QFY26 core net profit of RM17.2m. Sequentially, KIPREIT's 1QFY26 core net profit grew by 10.5% qoq, supported by an improved NPI margin (+2.6ppts qoq) as utilities cost decreased (-17% qoq) while revenue improved (+2.2% qoq). KIPREIT's strong set of results translated into a higher 1QFY26 DPU of 1.8sen (1QFY25: 1.52sen), despite the dilutive effect from its placement exercise.

Setting the stage for stable earnings growth

Overall, the results were within our and consensus estimates – 1QFY26 core net profit accounted for 23-26% of our and consensus full-year earnings forecasts. KIPREIT's earnings outlook remains stable, supported by the full-year contribution from DPulze Shopping Centre, estimated to add c.RM23m to FY26E–28E NPI. In addition, the 2025 acquisitions of KIPMall Desa Coalfields, Lotus's Indera Mahkota, three double-storey units, and KFC Indera Mahkota (completed in 1QFY26) are expected to contribute RM8.6m annually to the Group's NPI. These additions have expanded its portfolio to 17 assets and lifted its AUM to a RM1.6bn, reinforcing the foundation for sustained earnings growth. Despite the dilutive impact from its placement exercise, we project steady DPU growth of 2.1–4.2% over FY26E–28E.

Maintain our BUY call with a higher DDM-derived price target of RM1.04

We maintain our BUY rating on KIPREIT with a higher DDM-derived 12-month target price of RM1.04 (from RM1.02), following minor revisions to our FY26E–28E core EPU to reflect (i) additional rental contributions from its recently completed 2025 acquisitions, as well as the dilutive effect from the issuance of 160m new units in its recent placement exercise. We favour KIPREIT for its differentiated asset positioning and management's proactive expansion strategy. Its FY26E–28E DPU yields of 8.4–8.6% also remain compelling. Downside risks to our view are deterioration in rental reversion, earnings disappointment, and steeper-than-expected hike in the OPR and global bond yields.

Earnings & Valuation Summary

FYE 30 June	2024	2025	2026E	2027E	2028E
Revenue	102.2	136.1	160.1	168.1	170.0
Net Property Income	77.8	96.8	115.4	124.7	126.4
Net income	47.3	115.1	69.8	76.4	78.0
Realised net profit	44.5	51.3	69.8	76.4	78.0
EPU (sen)	7.6	15.9	7.9	8.0	8.1
Realised EPU (sen)	7.2	7.1	7.9	8.0	8.1
Realised EPU growth (%)	15.6	-1.2	11.9	0.3	2.1
PER (x)	11.4	5.5	11.0	10.9	10.7
Realised PER (x)	12.1	12.3	11.0	10.9	10.7
DPU (sen)	6.7	6.8	7.3	7.3	7.5
Dividend Yield (%)	7.7	7.8	8.4	8.4	8.6
NAV (RM)	1.1	1.2	1.2	1.1	1.1
Chg in EPU (%)			-1.4	+0.9	+0.4
Affin/Consensus (x)			1.1	1.1	1.1

Source: Company, Affin Hwang estimates

Fig 1: Results Comparison

FYE 30 June (RMm)	1Q FY25	4Q FY25	1Q FY26	QoQ % chg	YoY % chg	Comments
Revenue	26.7	39.9	40.8	2.2	52.6	1QFY26 revenue rose yoy on new asset acquisitions, mostly arising from DPulze's rental contribution
Operating expenses	-7.0	-11.8	-11.0	-6.7	57.1	Lower 1QFY26 opex qoq as utilities cost decreased (-17% qoq)
Net Property Income	19.7	28.1	29.7	5.9	51.1	Improved 1QFY26 NPI margin qoq on lower opex and higher revenue
<i>NPI margin (%)</i>	73.7	70.3	72.9	+2.6 ppt	-0.8 ppt	
Revaluation surplus & Others	-0.1	63.6	-0.3	-100.5	123.7	
Net Investment Income	19.5	91.6	29.4	-67.9	50.6	
Int expense	-5.2	-7.3	-6.5	-11.0	25.2	Higher 1QFY26 interest expense yoy due to additional borrowings to partially finance its acquisitions
REIT's expenses	-4.3	-5.1	-5.7	12.0	33.0	Higher 1QFY26 REIT expenses qoq as management fees increased (+12% qoq)
Pretax profit	10.1	79.3	17.2	-78.2	71.1	
Net Profit	10.1	79.3	17.2	-78.2	71.1	
Realised net profit	10.1	15.6	17.2	10.5	71.1	
Distributable income	10.4	15.7	17.6	12.2	69.5	Within our and consensus estimates
EPU (sen)	1.63	9.92	1.87	-81.1	14.8	
Realised EPU (sen)	1.63	1.95	1.87	-4.2	14.8	
DPU (sen)	1.52	2.02	1.80	-10.8	18.3	

Source: Affin Hwang, Company

Important Disclosures and Disclaimer

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.

OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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