

## KIP Real Estate Investment Trust

Earnings Supported by Portfolio Expansion

**TP: RM1.12 (+22.3%)**

Last Traded: RM0.92

**Buy (ESG: ★★★★★)**

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### Results preview

KIP REIT is scheduled to announce its 2QFY26 results next week. We expect 2QFY26 realised net profit to come in at RM18–20mn, implying a 44–60% YoY increase. On this basis, 1H FY26 realised net profit is forecasted at RM35.5–37.5mn, accounting for 52–55% of our full-year estimate.

Earnings should mainly reflect the full-quarter contribution from recently acquired assets, namely KIPMall Desa Coalfields, KIPMall Kuantan, and the Bintulu industrial assets, alongside the initial contribution from the Pasir Gudang industrial property, which was completed in October 2025.

### AEI Update – KIPMall Tampoi

The key ongoing asset enhancement initiative (AEI) at KIPMall Tampoi is nearing completion and remains on track for a grand opening on 8 February 2026. While the exercise does not materially increase NLA, it is expected to contribute to rental uplift and operating efficiency, supported by a refreshed fresh market-anchored neighbourhood mall concept. Income upside is expected to come from broader gross turnover rent adoption, higher parking income, and the introduction of new tenants, alongside a reconfigured centre court for promotional and community-led activities. ESG-related upgrades include solar expansion, chiller upgrades, LED conversion, improved ventilation and drainage, and additional recycling facilities, with the mall targeting GreenRE Gold certification.

### Steady Progress Towards RM2.0bn AUM Target

YTD FY26, KIP REIT has completed four acquisitions, namely KIPMall Desa Coalfields, KIPMall Kuantan, and industrial assets in Bintulu, Sarawak and Pasir Gudang, Johor. These additions expand the portfolio to 18 income-generating properties across Peninsular Malaysia and Sarawak, lifting total AUM to RM1.7bn. Management continues to target RM2.0bn in assets under management (AUM) by 2027, supported by acquisitions across both the retail and industrial segments.

On the AEIs front, we understand that KIPMall Masai is currently being evaluated as a potential next AEI project. In addition, following the earlier MoU, AEON and KIP REIT executed a term sheet in October 2025 for the proposed expansion of AEON Mall Kinta City, Perak, crystallising the principal commercial terms of the arrangement and improving execution visibility. We remain positive on KIP REIT's AEI strategy, given its track record of delivering income uplift and asset value enhancement.

As a recent reference point, the AEI at KIPMall Senawang (Feb-24 to Sep-24) lifted the asset's valuation by c.20% YoY to RM30mn as at June-25, while occupancy improved to 98% from an average of c.80% over 2017–24. The scope included tenant reconfiguration, mall entrance refurbishment, M&E upgrades,

### Share Information

Bloomberg Code	KIP MK
Stock Code	KIPREIT
Listing	Main Market
Share Cap (mn)	958.6
Market Cap (RMmn)	881.9
52-wk Hi/Lo (RM)	0.925/0.82
12-mth Avg Daily Vol ('000 shrs)	1289.2
Estimated Free Float (%)	63.9
Beta (x)	0.1
<b>Major Shareholders (%)</b>	
	Dato's Ong Choo Meng - 8.8
	Dato' Ong Kook Liong - 7.5

### Forecast Revision

	FY26	FY27
Forecast Revision (%)	0.0	0.0
Net profit (RMm)	68.3	74.4
Consensus	70.0	75.2
TA's / Consensus (%)	102.6	101.1
Previous Rating	Buy (Maintained)	
Consensus TP (RM)	1.03	

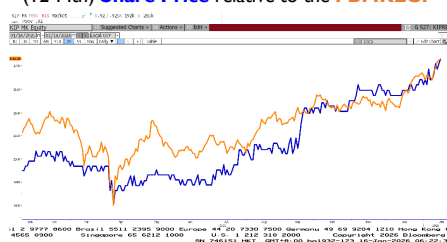
### Financial Indicators

	FY26	FY27
Net Gearing (%)	40.2	40.7
FCF/share (sen)	(12.1)	10.9
P/CFPS (x)	(7.6)	8.4
ROA (%)	7.1	7.2
ROE (%)	4.0	4.1
NAV/Share (RM)	1.1	1.1
Price/NAV (x)	0.9	0.9

### Share Performance (%)

Price Change	KIP	FBM KLCI
1 mth	3.4	4.1
3 mth	5.1	6.4
6 mth	8.2	13.5
12 mth	5.7	10.3

### (12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

and the reconfiguration of c.51,000 sq ft for new anchor tenant ST Rosyam.

### ESG Progress Update

We are upgrading KIP REIT’s ESG rating to ★★★★★ from ★★★★, reflecting improved progress in execution and disclosure. The REIT has completed portfolio-wide climate risk assessments, adopted ESG-linked financing, and was included in the FTSE4Good Bursa Malaysia Index in June 2025, alongside receiving a Gold Award at the 2024 ESG Positive Impact Awards.

Operationally, FY25 saw RM1.78mn in energy cost savings from solar adoption, a 92% water recycling rate, and a reduction in waste intensity. Looking ahead, a newly signed 20-year agreement with KJTS for chiller upgrades at key assets is expected to reduce energy costs by c.15%. Pending Green Building Certifications for KIPMall Bangi and KIPMall Tampoi could further support asset valuations.

On the social and governance front, the REIT reports a 61% female workforce and continued engagement with SMEs, including women-owned tenants. Governance enhancements include board-level ESG training and supplier screening, while the group is in the process of adopting IFRS S1 and S2, which should improve climate-related financial disclosures.

See **Table I** for a summary of ESG enhancements.

**Table I: ESG Progression Summary – From Disclosure to Execution**

Pillar	FY25 Highlights	Improvement Over Time (2018–2025)
<b>Environmental</b>	<ul style="list-style-type: none"> <li>100% of operations assessed for climate-related risks</li> <li>100% of climate policy milestones achieved</li> <li>103% reduction in waste intensity</li> <li>94% of total waste recycled</li> <li>92% of total water recycled</li> <li>Sustainability-linked Unrated Medium-Term Note issued</li> </ul>	<ul style="list-style-type: none"> <li>2018–2020: Basic environmental disclosures initiated</li> <li>2021–2022: ESG framework developed; climate risk mapping introduced</li> <li>2023: TCFD-aligned climate risk assessment conducted</li> <li>2024–2025: Full operational coverage, measurable circularity metrics, and ESG-linked financing embedded</li> </ul>
<b>Social</b>	<ul style="list-style-type: none"> <li>61% of employees are female</li> <li>49% of local employees in management roles</li> <li>31% of SME tenants are women-owned</li> <li>100% of employees completed human rights training</li> <li>100% of community concerns on human rights violations addressed</li> <li>RM736k invested in community programs</li> <li>RM59k invested in employee well-being</li> <li>24k training hours completed</li> </ul>	<ul style="list-style-type: none"> <li>2018–2020: Stakeholder groups identified; initial social disclosures</li> <li>2021–2022: Materiality reassessment and stakeholder engagement formalised</li> <li>2023: Internal audit introduced for ESG controls</li> <li>2024–2025: Full coverage of training and grievance resolution; expanded gender and SME inclusion; scaled-up investment in well-being and community</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>100% of Board and Senior Management completed ESG training</li> <li>100% of suppliers screened using ESG criteria</li> <li>100% of customer privacy complaints addressed</li> <li>External limited assurance conducted on 8 common sustainability matters</li> <li>Included in FTSE4Good Bursa Malaysia Index</li> <li>Gold award at ESG Positive Impact Awards 2024</li> </ul>	<ul style="list-style-type: none"> <li>2018–2020: ESG risks mapped to UNSDGs; initial governance disclosures</li> <li>2021–2022: Sustainability Working Committee formed; ESG embedded into daily operations</li> <li>2023: Internal audit for ESG controls; climate risk governance formalized</li> <li>2024–2025: Full leadership training, supplier ESG screening, external assurance, and third-party validation achieved</li> </ul>

### Forecast

We maintain our FY26-28 earnings forecasts.

### Valuation

We incorporate a 3% ESG premium into our valuation following the ESG rating upgrade. As a result, our TP is raised to RM1.12/unit (from RM1.09/unit), based on an unchanged CY26 target yield of 6.5%. We maintain our Buy recommendation on KIP REIT.

## Earnings Summary

Profit and Loss (RM mn)					
FYE Jun	FY24	FY25	FY26f	FY27f	FY28f
Gross revenue	102.2	136.1	155.0	165.3	173.2
Net property income	77.8	96.8	123.0	131.0	135.8
Finance cost	(16.7)	(24.9)	(30.3)	(33.0)	(33.9)
EI	2.3	61.8	0.0	0.0	0.0
Reported pretax profit	47.3	115.1	68.3	74.4	78.2
Core pretax profit	45.0	53.4	68.3	74.4	78.2
Reported net profit	47.3	115.1	68.3	74.4	78.2
Core net profit	45.0	51.6	68.3	74.4	78.2
EPU (sen)	7.3	7.1	7.4	7.8	8.2
EPU growth (%)	11.7	(2.1)	4.6	4.5	5.1
PER (x)	12.7	13.0	12.4	11.9	11.3
GDPS (sen)	6.7	6.8	6.9	7.2	7.6
Div yield (%)	7.2	7.4	7.5	7.8	8.2
Core ROE (%)	6.7	6.6	7.1	7.2	7.5
NPI margin (%)	76.2	71.1	79.3	79.2	78.4
Core PBT margin (%)	44.0	39.2	44.0	45.0	45.2
Core net margin (%)	44.0	37.9	44.0	45.0	45.2

### Cash Flows (RM mn)

FYE Jun	FY24	FY25	FY26f	FY27f	FY28f
PBT	47.3	115.1	68.3	74.4	78.2
Op profit before change in WC	61.1	76.1	101.3	110.0	114.5
CFO	36.8	130.5	78.9	110.5	114.9
Capex	(94.1)	(384.0)	(190.3)	(6.0)	(6.0)
Others	0.0	0.0	0.0	0.0	0.0
CFI	(94.1)	(384.0)	(190.3)	(6.0)	(6.0)
Net proceed from share issuance	10.0	148.5	132.0	0.0	0.0
Net borrowings	90.0	200.0	100.0	20.0	20.0
Dividend	(41.2)	(49.1)	(63.5)	(69.2)	(72.7)
Others	(15.9)	(23.8)	(30.3)	(33.0)	(33.9)
CFF	42.8	275.6	138.2	(82.2)	(86.6)
Change in cash	(14.4)	22.2	26.8	22.3	22.3

### Balance Sheet (RM mn)

FYE Jun	FY24	FY25	FY26f	FY27f	FY28f
Non current assets	1,064.3	1,512.4	1,699.9	1,703.2	1,706.8
Receivables	36.8	7.6	15.1	16.1	16.9
Cash	34.9	57.1	83.9	106.2	128.5
Total CA	71.7	64.7	99.0	122.3	145.3
Total assets	1,135.9	1,577.0	1,798.8	1,825.5	1,852.1
Trade and other payables	21.7	36.9	21.9	23.3	24.5
Borrowings	313.9	16.4	16.4	16.4	16.4
Total CL	335.6	53.3	38.3	39.7	40.9
Unitholders' capital	583.6	730.5	862.5	862.5	862.5
Undistributed income	94.0	163.7	168.4	173.6	179.1
Total unitholders' funds	677.6	894.2	1,030.9	1,036.1	1,041.6
Borrowings	109.5	606.4	706.4	726.4	746.4
Long term liabilities	13.3	23.3	23.3	23.3	23.3
Total non current liabilities	122.7	629.6	729.6	749.6	769.6
Total liabilities and equities	1,135.9	1,577.0	1,798.8	1,825.5	1,852.1

### Ratios

FYE Jun	FY24	FY25	FY26f	FY27f	FY28f
Gearing (%)	37.3	39.5	40.2	40.7	41.2
NAV/unit (RM)	1.1	1.1	1.1	1.1	1.1
P/NAV (x)	0.8	0.8	0.9	0.9	0.8
ROE (%)	6.7	6.6	7.1	7.2	7.5
ROA (%)	4.2	3.8	4.0	4.1	4.3

### Sector Recommendation Guideline

**OVERWEIGHT:** The total return of the sector, as per our coverage universe, exceeds 12%.

**NEUTRAL:** The total return of the sector, as per our coverage universe, is within the range of 7% to 12%.

**UNDERWEIGHT:** The total return of the sector, as per our coverage universe, is lower than 7%.

### Stock Recommendation Guideline

**BUY :** Total return of the stock exceeds 12%.

**HOLD :** Total return of the stock is within the range of 7% to 12%.

**SELL :** Total return of the stock is lower than 7%.

**Not Rated:** The company is not under coverage. The report is for information only.

**Total Return of the stock** includes expected share price appreciation, adjustment for ESG rating and gross dividend. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

**Total Return of the sector** is market capitalisation weighted average of total return of the stocks in the sector.

### ESG Scoring & Guideline

	Environmental	Social	Governance	Average
<b>Scoring</b>	★★★★	★★★★	★★★★	★★★★
<b>Remark</b>	KIP REIT has implemented full climate risk assessments and achieved measurable impact across waste and water recycling. It issued an ESG-linked Medium Term Note and set clear environmental targets aligned with Net Zero Carbon 2050.	The REIT promotes inclusive engagement through a 61% female workforce and 31% women-owned SME tenants. It has achieved full coverage in human rights training and grievance resolution, with continued investment in community and employee well-being.	All Board and Senior Management have completed ESG training, and 100% of suppliers are screened using ESG criteria. External assurance and recognition through FTSE4Good inclusion and ESG Positive Impact Gold Award reflect strong governance and disclosure practices	

- ★★★★★ (≥80%) : Displayed market leading capabilities in integrating ESG factors in all aspects of operations, management and future directions. +5% premium to target price
- ★★★★ (60-79%) : Above adequate integration of ESG factors into most aspects of operations, management and future directions. +3% premium to target price
- ★★★ (40-59%) : Adequate integration of ESG factors into operations, management and future directions. No changes to target price
- ★★ (20-39%) : Have some integration of ESG factors in operations and management but are insufficient. -3% discount to target price
- ★ (<20%) : Minimal or no integration of ESG factors in operations and management. -5% discount to target price

### Disclaimer

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As of Friday, January 16, 2026, the analyst, Thiam Chiann Wen, who prepared this report, has interest in the following securities covered in this report:  
(a) nil

**Kaladher Govindan – Head of Research**

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