

“6MFY26 DPU rose by 10% yoy – within estimates”

### Share price performance



	1M	3M	12M
Absolute (%)	4.5	6.9	6.9
Rel KLCI (%)	2.0	1.3	-1.0

	BUY	HOLD	SELL
Consensus	4	-	-

### Stock Data

Sector	REIT
Issued shares (m)	958.6
Mkt cap (RMm)/(US\$m)	896.3/221.4
Avg daily vol - 6mth (m)	1.7
52-wk range (RM)	0.82-0.95
Est free float	63.9%
Stock Beta	0.41
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: +11.2%

### Price Target: RM1.04

Previous Target (Rating): RM1.04 (BUY)

### 6MFY26 DPU rose 10% yoy – within estimates

- KIPREIT's 6MFY26 core net profit rose by 60% yoy to RM35m on new acquisitions. Despite the dilutive effect from the placement exercise, its 6MFY26 DPU grew by 10% 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 an unchanged DDM-derived 12-month target price of RM1.04. Its FY26E-28E DPU yields of 8% look attractive to us

### KIPREIT's 6MFY26 core net profit rose by 60% yoy to RM35m

KIP REIT delivered a strong set of results, with 6MFY26 revenue rising 48.6% yoy to RM84.2m, driven by incremental rental contributions from newly acquired assets primarily DPulze Shopping Mall, and higher occupancy across existing portfolio. This more than offset a 37.5% increase in borrowing costs to RM14.7m, lifting 6MFY26 core net profit by 59.7% yoy to RM35.2m. Sequentially, 2QFY26 core net profit increased 1.9% qoq to RM17.8m, supported by a 1.7ppt qoq expansion in NPI margin, as utilities costs declined 19% qoq while revenue rose 6.6% qoq on additional rental contributions from newly acquired KIPMall Desa Coalfields and East Coast-based assets. Reflecting the stronger earnings base, 6MFY26 DPU improved to 3.50 sen (6MFY25: 3.18 sen), despite dilution from the recent placement exercise.

### Setting the stage for stable earnings growth

Overall, the results were within our and consensus estimates – 6MFY26 core net profit accounted for 48-53% 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 an unchanged DDM-derived price target of RM1.04

We maintain our BUY rating on KIPREIT with an unchanged DDM-derived 12-month target price of RM1.04. We favour KIPREIT for its differentiated asset positioning and management's proactive expansion strategy. Its FY26E-28E DPU yields of 7.6-8.0% 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	162.9	168.1	170.0
Net Property Income	77.8	96.8	119.7	124.7	126.4
Reported net profit	47.3	115.1	73.7	76.4	78.0
Realised net profit	44.5	51.3	73.7	76.4	78.0
EPU (sen)	7.6	15.9	7.7	8.0	8.1
Realised EPU (sen)	7.2	7.1	7.7	8.0	8.1
Realised EPU growth (%)	15.6	-1.2	8.4	3.6	2.1
PER (x)	12.2	5.9	12.2	11.7	11.5
Realised PER (x)	13.0	13.2	12.2	11.7	11.5
DPU (sen)	6.7	6.8	7.1	7.3	7.5
Distribution Yield (%)	7.1	7.3	7.6	7.9	8.0
NAV (RM)	1.1	1.2	1.1	1.1	1.1

Chg in EPU (%)

Affin/Consensus (x)

1.1 1.0 1.0

Source: Company, Affin Hwang estimates

Fig 1: Results Comparison

FYE 30 June (RMm)	2Q FY25	1Q FY26	2Q FY26	QoQ % chg	YoY % chg	6M FY25	6M FY26	YoY % chg	Comments
<b>Revenue</b>	<b>30.0</b>	<b>40.8</b>	<b>43.5</b>	<b>6.6</b>	<b>44.9</b>	<b>56.7</b>	<b>84.2</b>	<b>48.6</b>	6MFY26 revenue rose yoy on new asset acquisitions, mostly arising from DPulse's rental contribution
Operating expenses	-8.4	-11.0	-11.1	0.1	32.0	-15.4	-22.1	43.4	
<b>Net Property Income</b>	<b>21.6</b>	<b>29.7</b>	<b>32.4</b>	<b>9.1</b>	<b>49.9</b>	<b>41.3</b>	<b>62.1</b>	<b>50.5</b>	
<i>NPI margin (%)</i>	<i>72.1</i>	<i>72.9</i>	<i>74.6</i>	<i>+1.7 ppt</i>	<i>+2.5 ppt</i>	<i>72.8</i>	<i>73.8</i>	<i>+0.9 ppt</i>	Improved 2QFY26 NPI margin qoq on higher revenue and flattish opex
Revaluation surplus & Others	-0.2	-0.3	-0.2	-49.3	-8.4	-0.3	-0.5	50.7	
<b>Net Investment Income</b>	<b>21.5</b>	<b>29.4</b>	<b>32.3</b>	<b>9.7</b>	<b>50.4</b>	<b>41.0</b>	<b>61.7</b>	<b>50.5</b>	
Int expense	-5.6	-6.5	-8.3	28.3	48.9	-10.7	-14.7	37.5	Higher 6MFY26 interest expense yoy due to additional borrowings to partially finance its acquisitions
REIT's expenses	-3.9	-5.7	-6.5	13.0	65.1	-8.2	-12.2	48.3	
<b>Pretax profit</b>	<b>12.0</b>	<b>17.2</b>	<b>17.5</b>	<b>1.6</b>	<b>46.2</b>	<b>22.1</b>	<b>34.8</b>	<b>57.5</b>	
Net Profit	<b>12.0</b>	<b>17.2</b>	<b>17.5</b>	<b>1.6</b>	<b>46.2</b>	<b>22.1</b>	<b>34.8</b>	<b>57.5</b>	
<b>Realised net profit</b>	<b>12.0</b>	<b>17.5</b>	<b>17.8</b>	<b>1.9</b>	<b>48.4</b>	<b>22.1</b>	<b>35.2</b>	<b>59.7</b>	Within ours and consensus estimates
<b>Distributable income</b>	<b>12.3</b>	<b>17.6</b>	<b>17.8</b>	<b>1.3</b>	<b>44.6</b>	<b>22.7</b>	<b>35.4</b>	<b>56.0</b>	
EPU (sen)	1.50	1.87	1.83	-2.3	21.8	3.13	3.70	18.2	
Realised EPU (sen)	1.50	1.89	1.86	-2.0	23.7	3.13	3.75	19.8	
DPU (sen)	1.66	1.80	1.70	-5.6	2.4	3.18	3.50	10.0	

Source: Affin Hwang, Company

## Important Disclosures and Disclaimer

### Equity Rating Structure and Definitions

<b>BUY</b>	Total return is expected to exceed +10% over a 12-month period
<b>HOLD</b>	Total return is expected to be between -5% and +10% over a 12-month period
<b>SELL</b>	Total return is expected to be below -5% over a 12-month period
<b>NOT RATED</b>	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.*

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