

KIP Real Estate Investment Trust

TP: RM1.13 (+32.1%)
Setapak Central Anchors Next Growth Leg

Last Traded: RM0.855

Buy (ESG: ★★★★★)

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Review

- KIP REIT's 9MFY26 realised net profit of RM53.4mn (+46.7%) came in within expectations, accounting for 78% of our and 76% of consensus full-year estimates.
- 3QFY26 distribution per unit (DPU) stood at 1.73sen/unit, bringing 9MFY26 DPU to 5.23sen/unit (+9.4% YoY). Based on the last closing price, this translates into an attractive dividend yield of 8.2%.
- 9MFY26 revenue and net property income (NPI) rose 33.9% YoY and 37.3% YoY to RM128.9mn and RM94.5mn, respectively. Growth was driven by stronger contributions from its existing KIPMall portfolio and incremental income from newly acquired retail and industrial assets. Retail remained the key contributor, accounting for 93.4% of total revenue, while the industrial segment accounted for 6.6%.
- On a QoQ basis, 3QFY26 revenue rose 2.7% to RM44.6mn, while NPI was down marginally by 0.3% to RM32.3mn due to higher property operating expenses. Realised net profit improved 2.1% QoQ to RM18.2mn, mainly supported by lower borrowing costs.

Impact

- We leave our earnings forecasts unchanged, pending finalisation and relevant approvals for the proposed acquisition and private placement exercise.

Proposed Acquisition of Setapak Central Mall for RM435mn

- KIP REIT has proposed to acquire Setapak Central Mall for RM435mn, marking its largest acquisition since IPO. The purchase price is in line with the independent market valuation and will be funded via a combination of bank borrowings and proceeds from a proposed private placement. The placement involves up to 220.0mn new units, representing 22.95% of existing units, and is expected to raise gross proceeds of c.RM184.8mn based on an indicative issue price of RM0.84/unit. Of this, RM176.8mn will be used to part fund the purchase consideration, with the remaining c.RM258.2mn funded by borrowings.
- Setapak Central Mall is a stabilised community mall in Setapak, Kuala Lumpur, with NLA of 514,777 sq ft and occupancy of 99.9% as at Feb 2026. Based on an estimated NPI yield of 7.2% on the acquisition cost, the asset could generate annual NPI of c.RM31.3mn. Management sees further value creation potential through tenant remixing, operational improvement and targeted AELs.
- Based on our illustrative estimates, assuming the proposals are completed by end 4QCY26, the acquisition and placement could result in FY27 EPU dilution of c.10%, as the asset contributes for only half a year while the unit base is enlarged. Based on full year contribution in FY28, dilution is expected to narrow to c.2%, before factoring in potential upside from

Share Information

Bloomberg Code	KIP MK
Stock Code	KIPREIT
Listing	Main Market
Share Cap (mn)	958.6
Market Cap (RMmn)	819.6
52-wk Hi/Lo (RM)	0.96/0.82
12-mth Avg Daily Vol ('000 shrs)	1659.1
Estimated Free Float (%)	63.9
Beta (x)	0.1
Major Shareholders (%)	
	Dato' Ong Choo Meng - 8.8
	Dato' Ong Kook Liang - 7.5

Forecast Revision

	FY26	FY27
Forecast Revision (%)	0.0	0.0
Net profit (RMm)	68.3	74.4
Consensus	70.6	76.3
TA's / Consensus (%)	96.7	97.5
Previous Rating	Buy (Maintained)	
Consensus TP (RM)	1.11	

Financial Indicators

	FY26	FY27
Net Gearing (%)	40.2	40.7
FCF/share (sen)	(12.1)	10.9
P/CFPS (x)	(7.0)	7.8
ROE (%)	7.1	7.2
ROA (%)	4.0	4.1
NAV/Share (RM)	1.1	1.1
Price/NAV (x)	0.8	0.8

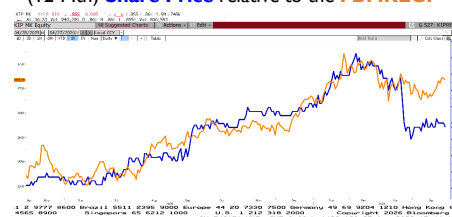
Scorecard

	% of FY	
vs. TA	78.2	Within
vs. Consensus	75.6	Within

Share Performance (%)

Price Change	KIP	FBM KLCI
1 mth	0.0	0.3
3 mth	(8.6)	(3.0)
6 mth	(1.7)	6.1
12 mth	(0.6)	13.8

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

tenant remixing, rental reversions and active asset management. Pro forma gearing is expected to rise to c.43% post-acquisition and private placement from 38.1% as at 31 Mar 2026, which remains manageable.

- We believe the dilution could be temporary, given KIP REIT's demonstrated asset management track record. DPulze Shopping Centre has shown clear value creation within one year of acquisition, with rental income up 33.3%, rental rate psf up 22.7%, NPI up 16% and occupancy sustained at 100%. If Setapak Central Mall delivers a conservative 10% NPI growth in FY28, we estimate the transaction could turn from 1.8% EPU dilution to 1.4% accretion.
- Overall, we are positive on the acquisition as it strengthens KIP REIT's Klang Valley retail exposure, lifts portfolio scale and raises total property value to c.RM2.1bn. This effectively allows KIP REIT to meet management's RM2.0bn AUM target ahead of the original end 2027 timeline. While near term dilution is expected due to the placement, we view the trade off as justified, given the quality and stabilised income profile of the asset, as well as the longer-term upside from tenant remixing and active asset management.

Figure 1: Dilution Impact to KIP REIT's FY27-28 EPU

Dilution Impact		
Impact on		
Units in circulation	958.6	958.6
Placement Shares	220.0	220.0
Enlarged Share Capital	1,178.6	1,178.6
Gross proceeds from private placement*	184.8	184.8
Impact on net profit (RM mn) **		
Net Profit	74.4	78.2
Add: Incremental income contribution of new asset #	15.6	31.3
Less: Incremental management, trustee and property management fees	(2.2)	(4.5)
Cost of financing ##	(5.3)	(10.6)
Net profit post private placement & acquisition	82.5	94.4
Impact on EPU		
EPU (sen/unit)	7.8	8.2
EPU post private placement & acquisition (sen/unit)	7.0	8.0
EPU accretion/(dilution) post-private placement & acquisition (%)	(9.8)	(1.8)

* Assuming placement shares issue price of RM0.84/unit
** Assuming both the private placement and asset acquisition to be completed by September 2026
NPI of RM31.3mn is based on 7.2% NPI Yield on acquisition cost of RM435mn
Based on 4.1% interest rate p.a. for debt financing of RM258.2mn

Source: KIP REIT, TA Securities

Briefing Highlights

- Management maintained its FY26 rental reversion guidance at 5 to 7%, supported by steady necessity-based demand, tenant remixing and festive period footfall. GTO rent remained a pocket of upside, contributing c.3.5% of total revenue.
- Overall portfolio occupancy improved to 98.5% in 3QFY26 from 98.2% in 2QFY26, supported by healthy occupancy across both retail and industrial assets. Management continues to position its malls as one stop community centric malls curated for the mass market, which supports resilient necessity driven footfall.
- KIPMall Tampoi's AEI was completed in February 2026 with a strengthened tenant mix, while management is shifting focus to quality growth through AEIs at KIPMall Masai, KIPMall Kota Warisan and AEON Mall Kinta City. These initiatives are intended to sharpen leasing, drive rental reversions and keep assets relevant to evolving consumer needs.

Valuation

- We roll forward our valuation base year to CY27 and derive a new TP of RM1.13/unit, from RM1.12/unit previously. We raise our target yield to 6.75%, from 6.5%, to factor in the cessation of the preferential 10% withholding tax rate for REIT distributions from YA2026, which could reduce net yields for affected investors and lift required gross yields. A 3% ESG premium is applied for KIP REIT's 4-star ESG rating. Maintain **Buy**.
- KIP REIT remains our top pick in the MREIT sector, underpinned by its above sector yield, defensive community mall portfolio and visible growth from AEs, and the proposed Setapak Central Mall acquisition. We believe its necessity-based retail exposure, supported by local catchments, should remain resilient despite global trade volatility and recent war driven market uncertainty. Key downside risks are weaker rental reversions, higher financing costs, placement dilution and delays in acquisition completion

Table 1: Earnings Summary (RM mn)

FYE June	FY24	FY25	FY26f	FY27f	FY28f
Gross Rental Income	102.2	136.1	155.0	165.3	173.2
Net Property Income	77.8	96.8	123.0	131.0	135.8
NPI Margins (%)	76.2	71.1	79.3	79.2	78.4
Core Pretax profit	45.0	53.4	68.3	74.4	78.2
Core Net Profit	45.0	51.6	68.3	74.4	78.2
Distributable Income	45.6	52.7	63.5	69.2	72.7
Core EPU (sen)	7.3	7.1	7.4	7.8	8.2
Core EPU Growth (%)	11.7	(2.1)	4.6	4.5	5.1
PER (x)	11.8	12.0	11.5	11.0	10.5
DPU (sen)	6.7	6.8	6.9	7.2	7.6
Div Yield (%)	7.8	8.0	8.1	8.4	8.9
ROE (%)	6.7	6.6	7.1	7.2	7.5

Table 2: 3QFY26 Results Analysis (RM mn)

FYE June	3Q25	2Q26	3Q26	QoQ (%)	YoY (%)	9MFY25	9MFY26	YoY (%)
Gross Revenue	39.5	43.5	44.6	2.7	12.9	96.2	128.9	33.9
Net property income	27.5	32.4	32.3	(0.3)	17.6	68.8	94.5	37.3
Interest Income	0.2	0.2	0.2	5.6	11.9	0.8	0.7	(14.0)
Change in fair value of inv prop / l	(0.6)	(0.4)	(0.3)	(26.8)	(52.1)	(1.5)	(1.2)	(18.6)
Net investment Income	27.1	32.3	32.3	0.1	19.0	68.1	94.0	37.9
Finance Costs	(7.0)	(8.3)	(7.4)	(11.0)	5.9	(17.7)	(22.1)	25.1
Other trust expenses	(1.3)	(1.1)	(1.6)	44.2	26.7	(3.1)	(3.7)	20.6
Income before taxation	13.8	17.5	18.2	3.7	31.4	35.9	52.9	47.5
Net profit	13.8	17.5	18.2	3.7	31.4	35.9	52.9	47.5
Core Net Profit	14.3	17.8	18.2	2.1	26.7	36.4	53.4	46.7
Income available for distribution	14.2	17.8	18.5	3.8	30.5	37.0	53.9	45.9
EPU (sen)	1.7	1.8	1.9	4.7	10.8	4.9	5.7	15.1
DPU (sen)	1.6	1.7	1.7	1.8	8.1	4.8	5.2	9.4
				ppt	ppt			ppt
NPI Margin (%)	69.5	74.6	72.4	(2.2)	2.9	71.5	73.3	1.8
Core Net Margin (%)	36.3	40.9	40.7	(0.2)	4.4	37.8	41.4	3.6

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
Scoring	★★★★	★★★★	★★★★	★★★★
Remark	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 inclusivity through a 61% female workforce and 31% 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 Tuesday, April 28, 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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