"12MFY26 DPU rose by 7% yoy – within estimates"

## Share price performance


| | 1M | 3M | 12M |
|---|---|---|---|
| Absolute (%) | 0.6 | -1.7 | -1.2 |
| Rel KLCI (%) | -1.4 | -1.3 | -11.8 |

| | BUY | HOLD | SELL |
|---|---|---|---|
| Consensus | 5 | - | - |

## Stock Data

| | |
|---|---|
| Sector | REIT |
| Issued shares (m) | 958.6 |
| Mkt cap (RMm)/(US$m) | 810/198.1 |
| Avg daily vol - 6mth (m) | 2.0 |
| 52-wk range (RM) | 0.82-0.96 |
| Est free float | 63.9% |
| Stock Beta | 0.45 |
| Net cash/(debt) (RMm) | (615.0) |
| ROE (FY26E) | 7.0% |
| Derivatives | No |
| Shariah Compliant | No |
| FTSE4Good Constituent | Yes |
| 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*

**Afifah Ishak**
**T** (603) 2146 7579
**E** Afifah.ishak@affingroup.com

**Isaac Chow**
**T** (603) 2146 7536
**E** Isaac.chow2@affingroup.com

# KIP REIT (KIP MK)

**BUY (maintain)**
*Up/Downside: +27.1%*

**Price Target: RM1.08**
*Previous Target (Rating): RM1.08 (BUY)*

## FY26 DPU rose 6.8% yoy – within estimates

- **KIPREIT's 12MFY26 core net profit rose by 42% yoy to RM74m on new acquisitions. Despite the dilutive effect from the placement exercise, its 12MFY26 DPU grew by 7% yoy**
- **FY27E-29E core net profit to see further growth on the back of (i) full-year contribution from completed/ongoing acquisitions of KIPMall Desa Coalfields, East Coast assets and Setapak Central Mall which will contribute RM40m in annual NPI**
- **Maintain our BUY call with an unchanged DDM-derived 12-month target price of RM1.08. Its FY27E-29E DPU yields of 9-10% look attractive to us**

### KIPREIT's 12MFY26 core net profit rose by 42% yoy to RM74m

KIP REIT delivered a strong set of results, with 12MFY26 revenue rising 30.1% yoy to RM177.1m, driven by the incremental contribution from its newly acquired assets, namely (i) DPulze Shopping Mall, (ii) KIPMall Desa Coalfields and (iii) East Coast-based assets. This more than offset a 21.5% yoy increase in finance costs to RM30.3m, lifting 12MFY26 core net profit by 41.5% yoy to RM73.6m. Sequentially, 4QFY26 core net profit grew 11% qoq to RM20.2m as stronger rental income more than offset higher operating expenses and higher finance costs. Reflecting the stronger earnings base, 12MFY26 DPU increased 6.8% yoy to 7.26 sen (12MFY25: 6.80 sen), despite dilution from the recent private placement.

### Setting the stage for stable earnings growth

Overall, the results were in line with our expectations but exceeded consensus, with 12MFY26 core net profit accounting for 100% and 104% of our and consensus full-year earnings forecasts, respectively. We remain positive on KIPREIT's earnings outlook, underpinned by the full-year contribution from DPulze Shopping Centre, which is expected to contribute approximately RM23m in annual NPI. In addition, acquisitions completed over 2025–2026, including Setapak Central Mall, KIPMall Desa Coalfields, Lotus's Indera Mahkota and several commercial assets, are expected to collectively contribute around RM40m in annual NPI. While the recent private placement and acquisition-related borrowings will result in unit dilution and higher finance costs, we expect the incremental rental income to more than offset these headwinds, supporting steady DPU growth of 3–4% over FY27E–FY29E.

### Maintain our BUY call with an unchanged DDM-derived price target of RM1.08

Post full-year FY26 results, we maintain our BUY call on KIPREIT with an unchanged DDM-derived 12-month target price of RM1.08. We continue to favour KIPREIT for its differentiated portfolio, proactive management and attractive FY27E–FY29E DPU yields of 9–10%. Downside risks include weaker-than-expected rental reversions, earnings disappointments, and a sharper-than-expected increase in the OPR and global bond yields.

### Earnings & Valuation Summary

| FYE 30 June | 2025 | 2026 | 2027E | 2028E | 2029E |
|---|---|---|---|---|---|
| Revenue | 136.1 | 177.1 | 216.6 | 243.4 | 243.7 |
| Net Property Income | 96.8 | 129.9 | 157.9 | 174.6 | 174.7 |
| Reported net profit | 115.1 | 145.3 | 86.4 | 97.7 | 100.4 |
| Realised net profit | 52.0 | 73.6 | 86.4 | 97.7 | 100.4 |
| EPU (sen) | 15.9 | 15.6 | 8.1 | 8.3 | 8.5 |
| Realised EPU (sen) | 7.1 | 7.9 | 8.1 | 8.3 | 8.5 |
| Realised EPU growth (%) | -1.2 | 10.6 | 3.0 | 2.6 | 2.7 |
| PER (x) | 5.3 | 5.4 | 10.5 | 10.3 | 10.0 |
| Realised PER (x) | 12.0 | 10.8 | 10.5 | 10.3 | 10.0 |
| DPU (sen) | 6.8 | 7.3 | 7.5 | 7.9 | 8.1 |
| Distribution Yield (%) | 8.0 | 8.5 | 8.9 | 9.3 | 9.5 |
| NAV (RM) | 1.2 | 1.2 | 1.2 | 1.1 | 1.1 |
| | | | | | |
| Chg in EPU (%) | | | -0.1 | - | New |
| Affin/Consensus (x) | | | 1.1 | 1.2 | N/A |

*Source: Company, Affin Hwang estimates*

**Fig 1: Results Comparison**

| FYE 30 June (RMm) | 4Q FY25 | 3Q FY26 | 4Q FY26 | QoQ % chg | YoY % chg | 12M FY25 | 12M FY26 | YoY % chg | Comments |
|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | **39.9** | **44.6** | **48.2** | **8.0** | **20.9** | **136.1** | **177.1** | **30.1** | 12MFY26 revenue rose yoy on new asset acquisitions, mostly arising from DPulze's rental contribution |
| Operating expenses | -11.8 | -12.3 | -12.8 | 3.9 | 8.1 | -39.3 | -47.2 | 20.2 | |
| **Net Property Income** | **28.1** | **32.3** | **35.4** | **9.6** | **26.2** | **96.8** | **129.9** | **34.1** | |
| *NPI margin (%)* | *70.3* | *72.4* | *73.4* | *+1.1 ppt* | *+3.1 ppt* | *71.1* | *73.3* | *+2.2 ppt* | Improved 4QFY26 NPI margin qoq as higher revenue effectively offset the higher opex |
| Revaluation surplus & Others | 63.6 | 0.0 | 74.6 | >100 | 17.4 | 62.9 | 74.1 | 17.9 | |
| **Net Investment Income** | **91.6** | **32.3** | **110.1** | **241.0** | **20.1** | **159.7** | **204.0** | **27.7** | |
| Int expense | -7.3 | -7.4 | -8.2 | 10.8 | 12.7 | -24.9 | -30.3 | 21.5 | Higher 12MFY26 interest expense yoy due to additional borrowings to partially finance its acquisitions |
| REIT's expenses | -5.1 | -6.7 | -5.1 | -24.3 | -0.1 | -19.7 | -24.0 | 22.2 | |
| **Pretax profit** | **79.3** | **18.2** | **96.8** | **>100** | **22.1** | **115.1** | **149.7** | **30.0** | |
| Net Profit | **79.3** | **18.2** | **92.4** | **>100** | **16.6** | **115.1** | **145.3** | **26.2** | |
| **Realised net profit** | **15.6** | **18.2** | **20.2** | **11.0** | **29.3** | **52.0** | **73.6** | **41.5** | Within our but above consensus estimates |
| **Distributable income** | **15.7** | **18.5** | **20.5** | **10.9** | **30.7** | **52.6** | **74.5** | **41.6** | |
| EPU (sen) | 9.92 | 1.89 | 9.64 | >100 | -2.9 | 15.94 | 15.62 | -2.0 | |
| Realised EPU (sen) | 1.95 | 1.89 | 2.10 | 11.0 | 7.7 | 7.10 | 7.86 | 10.7 | |
| DPU (sen) | 2.02 | 1.73 | 2.03 | 17.3 | 0.6 | 6.80 | 7.26 | 6.8 | |

*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 |



This report is printed and published by:
Affin Hwang Investment Bank Berhad (14389-U)
A Participating Organisation of Bursa Malaysia Securities Berhad

32nd Floor, Menara Affin,
Lingkaran TRX, Tun Razak Exchange,
55188 Kuala Lumpur.
Malaysia.

T : + 603 2142 3700
F : + 603 2146 7630
research@affingroup.com

www.affingroup.com