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APEX SECURITIES 鼎峰证券有限公司

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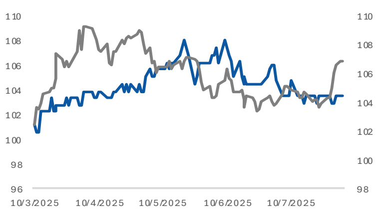
Recommendation:	BUY
Current Price:	RM 0.87
Previous Target Price:	RM 1.07
Target Price:	↓ RM 0.95
Capital Upside/Downside:	9.2%
Dividend Yield (%):	7.6%
Total Upside/Downside:	16.8%

Stock information

Board	MAIN
Sector	REITS
Bursa / Bloomberg Code	5280 / KIP MK
Syariah Compliant	No
ESG Rating	★★★
Shares issued (m)	958.6
Market Cap (RM' m)	838.8
52-Week Price Range (RM)	0.935-0.82
Beta (x)	0.4
Free float (%)	63.9
3M Average Volume (m)	2.2
3M Average Value (RM' m)	1.9

Top 3 Shareholders	(%)
Ong Choo Meng	9.9
Ong Kook Liong	9.0
Employees Provident Fund Board	5.5

Share Price Performance



	1M	3M	12M
Absolute (%)	-0.6	0.6	-5.4
Relative (%)	-1.3	-4.8	-5.5

Earnings Summary	FY26F	FY27F	FY28F
Revenue (RM'm)	164.4	183.9	195.6
PATAMI (RM'm)	70.6	78.9	85.9
CNP (RM'm)	70.6	78.9	85.9
EPU (sen)	8.8	9.2	10.0
P/E (x)	9.8	9.5	8.7

KIP Real Estate Investment Trust

Portfolio Expansion to Drive Earnings and DPU Growth

- **We project KIPREIT's 1QFY26 core earnings to come in within the range of RM16m–RM18m (+4.1% to +17.1% QoQ, +51.0% to 69.8% YoY), driven by partial recognition of its newly acquired assets.**
- **We have raised our FY26F/FY27F/FY28F core net profit forecasts by 1.2%/2.9%/4.6% to RM70.6m/RM78.9m/RM85.9m, respectively incorporating contributions from Pasir Gudang and PKFZ industrial properties.**
- **Following the recent private placement, which increased total units to 958.6m, we expect a near-term DPU dilution of 4.3%, with accretion from FY27 onwards as earnings from new assets fully kick in.**
- **We maintain our BUY rating with a lower TP of RM0.95 (from RM1.07), based on a 7% target distribution yield applied to FY26F DPU of 6.6 sen.**

Results preview. We project KIPREIT's 1QFY26 core earnings to come in at the range of RM16m-RM18m (+4.1% to +17.1% QoQ, +51.0% to +69.8% YoY), representing 22.7%–25.5% of our full-year forecast. The stronger performance is expected to be driven by the recognition of newly acquired retail and industrial assets, alongside steady occupancy and resilient rental income from its existing community malls.

Acquisition of new assets. We have updated our forecasts to incorporate the recent acquisitions of additional retail and industrial assets. While the retail assets were already included previously, we now factor in two industrial properties, Pasir Gudang (completed in Oct 2025) and PKFZ (expected completion in Feb 2026), which together are expected to contribute approximately 1.2% (or RM0.8m) to FY26F earnings, reflecting partial-year recognition before the full-year contribution if FY27 and FY28.

Figure 1: New Industrial Properties

	Portfolio	Location	Valuation (RM m')	Net Lettable Area (sq ft)	Average occupancy (%)
1	Industrial Property (Pasir Gudang)	Johor	24.1	184,120	100%
2	Industrial Property (Port Klang Free Zone)	Selangor	23.7	193,365	100%

Source: Company, Apex Securities

Completion of private placement. Recently, KIPREIT completed its private placement exercise to fund the acquisition of new retail and industrial assets. The proceeds have strengthened its capital base and will support future growth through asset enhancement initiatives (AEI) and portfolio expansion.

Outlook. The recent private placement enhances KIP REIT's financial flexibility and supports future DPU growth. While earnings will increase with the addition of new industrial assets funded via the placement, the enlarged share base will lead to near-term DPU dilution, prompting a 11.2% reduction in our target price. The exercise lifts AUM to RM1.7bn (from RM1.5bn in FY25) and positions KIP REIT closer to its medium-term RM2.0bn target, strengthening its balance sheet and capacity for further yield-accretive acquisitions.

Earnings revision. After incorporating the earnings contributions from two industrial assets funded via private placement (one already completed and another pending injection), we have raised our FY26/27/FY28F core net profit forecasts by 1.2%/2.9%/4.6% to RM70.6m/RM78.9m/RM85.9m, respectively.

Valuation & Recommendation. We maintain our **BUY** recommendation with a lower TP of **RM0.95** (from RM1.07), based on a 7% target distribution yield applied to FY26F DPU of 6.6 sen.

Risks. (i) Dilution risk from private placement, (ii) weaker consumer sentiment impacting retail performance, and (iii) governance risks involving key shareholders, and (iv) potential delays in asset completion or AEI execution.

KDN PP13226/06/2024 (035469)

Financial Highlights

Income Statement

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	**102.2**	**136.1**	**164.4**	**183.9**	**195.6**
Net Property Income	**77.8**	**96.8**	**123.3**	**137.9**	**148.6**
EBITDA	**64.2**	**140.2**	**98.7**	**110.2**	**119.0**
Depreciation & Amortisation	-1.0	-1.2	-0.8	-0.7	-0.7
EBIT	**63.1**	**138.9**	**98.0**	**109.5**	**118.3**
Changes in Investment income	-3.4	62.9	1.2	1.2	1.3
General & Administration	-27.1	-44.6	-53.8	-60.2	-64.1
Profit Before Tax	**47.3**	**115.1**	**70.6**	**78.9**	**85.9**
Tax	0.0	0.0	0.0	0.0	0.0
Profit After Tax	**47.3**	**115.1**	**70.6**	**78.9**	**85.9**
Other Comprehensive income	0.0	0.0	0.0	0.0	0.0
PATMI	**47.3**	**115.1**	**70.6**	**78.9**	**85.9**
(-) Exceptionals	-4.3	62.8	0.0	0.0	0.0
Core Net Profit	**51.6**	**52.3**	**70.6**	**78.9**	**85.9**

Key Ratios

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
P/E (x)	11.3	5.5	9.8	9.5	8.7
EPU	7.7	15.9	8.8	9.2	10.0
P/B (x)	0.8	0.8	0.7	0.7	0.7
Adjusted EV/EBITDA (x)	16.9	16.1	13.5	12.7	12.3
DPU (sen)	6.7	6.8	6.6	7.1	7.6
Distribution Yield (%)	7.7%	7.8%	7.6%	8.2%	8.7%
Adjusted EBITDA margin	62.8%	57.6%	60.1%	60.0%	60.8%
Adjusted EBIT margin	61.8%	56.7%	59.6%	59.6%	60.5%
PBT margin	46.3%	84.6%	43.0%	42.9%	43.9%
PAT margin	46.3%	84.6%	43.0%	42.9%	43.9%
Net Profit margin	46.3%	84.6%	43.0%	42.9%	43.9%
Core NP margin	50.5%	38.4%	43.0%	42.9%	43.9%
ROE	7.0%	12.9%	6.8%	7.6%	8.1%
ROA	4.2%	7.3%	3.9%	4.2%	4.3%
Net gearing	57.3%	63.3%	62.0%	67.6%	72.9%

Valuations	FY26F
Dividend Distribution paid	63.3
Distribution yield target (%)	7.0%
Market Capitalisation	903.9
Share Base	958.6
Fair Value (RM)	**0.95**

Source: Company, Apex Securities

Balance Sheet

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash & bank balances	34.9	57.1	73.1	91.1	94.4
Receivables	36.8	7.6	8.8	10.1	11.6
Other investment	0.0	0.0	0.0	0.0	0.0
Other current assets	0.0	0.0	0.0	0.0	0.0
Total Current Assets	**71.7**	**64.7**	**81.9**	**101.1**	**105.9**
PPE	1.4	1.4	1.3	1.3	1.3
Investment properties	1054.5	1484.8	1685.2	1769.5	1857.9
ROU	1.3	1.0	0.8	0.6	0.5
Receivables	7.1	9.2	9.2	9.2	9.2
Other non-current assets	0.0	16.0	16.0	16.0	16.0
Total Non-current assets	**1064.3**	**1512.4**	**1712.5**	**1796.5**	**1884.8**
Short-term debt	313.9	16.4	20.9	25.1	28.5
Short-term lease	0.2	0.3	0.4	0.5	0.6
Payables	21.5	36.6	32.5	39.0	46.8
Other Current Liabilities	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	**335.6**	**53.3**	**53.8**	**64.6**	**75.9**
Long-term debt	109.5	606.4	692.3	770.9	835.9
Long-term lease	1.1	0.8	0.5	0.4	0.3
Other non-current liabilities	12.2	22.5	16.0	19.2	23.1
Total Non-current Liabilities	**122.7**	**629.6**	**708.8**	**790.5**	**859.3**
Unitholder's equity	583.6	730.5	860.7	860.7	860.7
Retained earnings	94.0	163.7	171.0	181.9	194.9
Minority Interest	0.0	0.0	0.0	0.0	0.0
Equity	**677.6**	**894.2**	**1031.7**	**1042.5**	**1055.6**

Cash Flow

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Pre-tax profit	**47.3**	**115.1**	**70.6**	**78.9**	**85.9**
Depreciation & amortisation	1.0	1.2	0.8	0.7	0.7
Changes in working capital	-24.3	54.5	-11.7	8.4	10.1
Others	12.7	-40.3	27.3	30.6	32.4
Operating cash flow	**36.8**	**130.5**	**87.1**	**118.6**	**129.1**
Capex	-0.4	-0.5	-0.5	-0.5	-0.5
Acquisition of investment properties	-80.0	-362.4	-148.5	-84.3	-88.5
Others	-14.2	-21.0	-50.7	1.2	1.3
Investing cash flow	**-94.7**	**-384.0**	**-199.7**	**-83.5**	**-87.6**
Distribution paid	-39.5	-45.5	-63.3	-68.1	-72.9
Others	82.9	321.1	191.9	50.9	34.7
Financing cash flow	**43.4**	**275.6**	**128.7**	**-17.2**	**-38.1**
Net cash flow	**-14.4**	**22.2**	**16.1**	**17.9**	**3.3**
Forex	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash & cash equivalents	48.8	34.3	56.5	72.5	90.5
Ending cash & cash equivalents	34.3	56.5	72.5	90.5	93.8
Deposit with maturity period > 3 month	0.6	0.6	0.6	0.6	0.6
Cash & bank balances	**34.9**	**57.1**	**73.1**	**91.1**	**94.4**

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Scope 2 emissions rose 7.4% yoy to 6.7m/kg in FY23
Waste & Effluent	★★★	Co2 emissions reduced from 3.0m kg in FY21 to 2.5m kg in FY23
Energy	★★★	Energy consumption reduced from 8,014,556 kWh to 7,810,114 kWh
Water	★★★	Water consumption rose 5.4% yoy to 112,658m3 in FY23
Compliance	★★★	In compliance with local and international environmental regulations

Social

Diversity	★★★	73% of average employees age below 40, 21% of employees are female
Human Rights	★★★	Enforce and adopts Code of Ethics and Conduct
Occupational Safety and Health	★★	292 hours of OSH trainings completed, one worksite incidence in FY23
Labour Practices	★★★	Pay scale based on prevailing industry market rates as stipulated by the Act 732 National Wages Consultative Council Act

Governance

CSR Strategy	★★★	Donation to Sekolah Semangat Maju and participated in the Pesta Makanan Amal 2023
Management	★★	Average board members age @ 53, 2/9 female board composition, 4/9 Independent Directors
Stakeholders	★★★	4x analyst briefings per annum, 1x AGM per annum

Overall ESG Scoring: ★★★

Recommendation Framework:
BUY: Total returns* are expected to exceed 10% within the next 12 months.
HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.
SELL: Total returns* are expected to be below -10% within the next 12 months.
TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.
TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.
*Capital gain + dividend yield

Sector Recommendations:
OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.
NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.
UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:
★★★★★ : Appraised with 3% premium to fundamental fair value
★★★★ : Appraised with 1% premium to fundamental fair value
★★★ : Appraised with 0% premium/discount to fundamental fair value
★★ : Appraised with -1% discount to fundamental fair value
★ : Appraised with -5% discount to fundamental fair value

As of **Monday, 27 Oct, 2025**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:
(a) nil.