



Key Indices

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	52,342.6	(0.3)	(1.0)	1.9	8.9
S&P 500	7,720.4	(0.3)	0.7	0.6	12.8
FTSE 100	10,722.1	0.3	(0.0)	0.8	8.0
AS30	9,012.6	0.5	1.1	0.5	(0.1)
CSI 300	4,041.8	(1.0)	0.1	(7.2)	(12.7)
FSSTI	5,396.0	0.0	(0.5)	(4.9)	16.1
HSCEI	7,755.7	(0.5)	0.9	(5.6)	(13.0)
HSI	22,958.7	(0.6)	0.1	(6.4)	(10.4)
JCI	5,098.1	(3.5)	(5.4)	(16.0)	(41.0)
KLCI	1,611.2	(0.2)	0.2	(2.4)	(4.1)
KOSPI	5,937.7	(1.2)	7.3	(13.2)	40.9
Nikkei 225	64,659.5	1.1	2.8	(3.1)	28.4
SET	1,544.6	(1.4)	(0.7)	(0.9)	22.6
TWSE	46,368.3	(1.4)	0.2	(3.3)	60.1
BDI	2,712	2.3	0.7	(14.7)	44.5
CPO (RM/mt)	4,436	0.7	(0.3)	(0.8)	12.8
Brent Crude (US\$/bbl)	115	(0.4)	1.5	12.0	88.8

Source: Bloomberg

Corporate Events

	Venue	Begin	Close
TNFD Conference: Nature Means Business – Navigating Nature-Related Risks with TNFD	Malaysia	05 Nov	05 Nov
Virtual Meeting with UUE Holdings Berhad (UUE MK)	Malaysia	10 Nov	10 Nov
1HFY27 Post Results briefing with Valuetronics Holdings Ltd (VALUE SP)	Singapore	11 Nov	11 Nov
Analyst Marketing by Johnny Yum on GC AI Sector	Taipei	17 Nov	18 Nov
Regional 1H2027 Strategy Conference	Malaysia	02 Dec	02 Dec

Corporate and Macro Calendar

Economic Indicator/Event	Country/Region	Date
PMI	Malaysia	2 Nov
BNM OPR	Malaysia	5 Nov
Foreign Reserves	Malaysia	6 Nov

Top Stories

Sector Update | Oil & Gas

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- Ageing OSVs are becoming a more critical issue due to a lack of incentives for newbuild orders and fleet replacement. However, vessel age limit is also gradually fading in relevance for oil majors including Petronas, prioritising conditional assessments instead. Another shifting trend is ESG-focused, ie the increasing acceptance of alternative fuels and next generation hybrid designs over conventional models. We see non-rated players like Keyfield, Alam Maritim, Lianson Fleet and Perdana Petroleum as standouts Maintain sector MARKET WEIGHT.

Company Update | KIP REIT (KIP MK/BUY/RM0.865/Target: RM1.11)

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- KIP REIT's focus will be on organic growth, having achieved its AUM target of RM2.0b. KIPMall Setapak could achieve 20-25% higher rental rates for new tenants, while AEI for Masai Mall is expected to generate ROI of 10%. Maintain BUY with a lower target price of RM1.11 as we increase our cost of equity assumption and roll over our valuation base to FY27. KIP REIT is one of our top picks, offering attractive yields of 8.6% and 9.0% for FY27 and FY28.

What's Inside

Company Results | Axis REIT (AXRB MK/BUY/RM1.78/Target: RM2.04)

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- Axis REIT 3Q26 results were below our expectation due to higher financing cost, while we expect DPU to catch up in 4Q26 with an eventual recognition of consequential-loss insurance proceeds by year-end. Overall occupancy was flat qoq at 93% in 3Q26 and is expected to improve to 96-97% by year-end. We trim our earnings forecasts by 2-4% for 2026-28F due to a higher-than-expected financing cost. Maintain BUY with a lower target price of RM2.04.

Company Update | SD Guthrie (SDG MK/BUY/RM5.77/Target: RM8.30)

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- SDG is selling 1,623 acres of freehold oil palm land in Bukit Kerayong, Klang, to a JV with YTL Power International and Bumi Assets for RM933.6m, 5% above independent valuation and 15.6x book value. SDG keeps a 30% stake in the JV, which will build a light-to-medium industrial park. The sale brings a one-off gain of RM586m (8.5 sen/share) on completion in 1Q27, and RM744m of the proceeds will repay debt. Maintain BUY. Target price: RM8.30.

Market Spotlight

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- The FBMKLCI took a breather yesterday, sliding 2.71pt to close at 1,611.16 following mild profit-taking in blue chips, in-line with weakness across the region.
- US stocks were lower after the close on Thursday, as losses in the technology, basic materials and consumer services sectors led shares lower.

Technical Analysis

FBMKLCI, FCPO & FKL Index Outlook

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Traders' Corner

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Ann Joo Resources | AJR MK

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- Trading Buy Range: RM0.495-0.50

KPJ Healthcare | KPJ MK

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- Trading Buy Range: RM2.45-2.50

Eversendai Corporation | EVSD MK

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- Trading Buy Range: RM0.245-0.25

Oil & Gas

Offshore Support Vessel Market At A New Crossroads

Highlights

- **Takeaways from several OSV conferences reveal key shifts in OSV market conditions.** Firstly, ageing OSV fleets are becoming a more critical issue due to a lack of incentives for newbuild orders and fleet replacement. This arises from a combination of high newbuild costs, uncertainties in the timing rollout of upstream capex, restricted OSV financing, and a capped outlook on OSV daily charter rate (DCR). However, vessel age limit is also gradually fading in relevance, with oil majors including Petronas, which prioritises conditional assessments instead.
- **OSV players active in adaptation may show resilience.** Another shifting trend is ESG-focused, ie the increasing acceptance of alternative fuels and next generation hybrid designs over conventional models. However, the key hurdle is the capex premium. Still, OSV players should adapt to changing demand with regional collaborations and technology partners, while considering diversification to reduce reliance on OSV/O&G. We see non-rated players like Keyfield, Alam Maritim, Lianson Fleet and Perdana Petroleum as standouts. Maintain MARKET WEIGHT.

Analysis

- **Ageing OSV fleet becoming more critical...** According to Westwood Global Energy, the average age of the global offshore support vessel (OSV) fleet is 16 years, and based on the current orderbook, "young" OSVs (ie, OSV below 15 years of age) will comprise merely 17% of the global fleet by 2030. Platform Supply Vessel (PSV) fleet now averages 17.5 years old. For Malaysia's OSV market, the average fleet age is around 13.2-14 years. Having said that, the newbuild numbers are unlikely to be exciting. Westwood estimates only 178 newbuilds on order (~6% of global fleet). This scarcity was a primary reason for the OSV utilisation upcycle in 2022-24, leading to daily charter rate (DCR) for anchor handling tug/supply (AHTS) and subsea vessels, and ultimately cashflow turnaround for many OSV owners.
- **...but decreasing in relevance.** Shipowners were faced with two options on fleet replacement. There is the option for replacement tonnage, but today's high cost of newbuilds would imply capital costs far exceeding previous cycles. Extending the vessels' life was the other option that gained acceptance. Life extension was a term that had until recently applied only to floating production units. Today, it is a big industry norm for OSVs. Also, charterers are setting the terms, prioritising condition and suitability over the vessel age. Petronas is one example. While it is widely known in the industry that OSVs of 20 years of age can be qualified for a Petronas charter, there is a catch. Petronas mandates OSV over 15 years to renew a condition assessment every three years with a minimum score. This condition assessment was previously more widely applied for tankers and containerships.

Peer Comparison

Company	Ticker	Rec	Share Price 29 Oct 26 (RM)	Target Price (RM)	Market Cap (RMm)	PE 2025 (x)	PE 2026F (x)	PE 2027F (x)	Yield 2026F (%)	ROE 2026F (%)
Bumi Armada	BAB MK	HOLD	0.35	0.35	2,045	4.4	9.6	8.2	7.2	4.3
Dialog Group	DLG MK	BUY	2.14	2.95	12,084	27.4	22.0	20.1	4.8	10.0
Deleum	DLUM MK	BUY	0.91	1.45	365	5.2	6.5	5.2	7.8	14.2
MISC	MISC MK	BUY	8.20	9.50	36,603	17.5	15.5	13.2	4.2	34.7
Malaysia Marine & Heavy Engineering Holdings	MMHE MK	BUY	0.34	0.53	544	5.9	5.3	6.0	5.3	14.6
Petronas Dagangan	PETD MK	BUY	19.34	24.20	19,213	21.3	16.4	16.0	5.4	12.3
Uzma	UZMA MK	BUY	0.34	0.76	203	4.0	4.2	2.9	-	28.7
Velesto Energy	VEB MK	BUY	0.19	0.29	1,570	11.3	14.9	13.4	18.4	41.4
Yinson Holdings	YNS MK	BUY	2.21	2.40	7,112	8.1	11.4	11.0	2.3	9.8

Source: Bloomberg, UOB Kay Hian

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MARKET WEIGHT (Maintained)

Updates: Listed Local OSV Players

Keyfield (KEYFIELD MK/Not Rated)

Recently acquired *Inai Kenanga* for US\$24.7m, a mega trailing suction hopper dredger, as part of its ongoing effort to diversify from O&G.

Alam Maritim (AMRB MK/Not Rated)

Ordered a newbuild subsea vessel at POET Shipbuilding & Engineering for US\$19.8m (rather than opting for a second-hand vessel).

Lianson Fleet Group (LFG MK/Not Rated)

Continues its aggressive expansion into dry bulk and marine transportation. Recently, it acquired its third bulk carrier, named LFG Cengal for US\$23m. This brings total spending on Ultramax to about US\$75.3m. The group currently operates 12 OSVs and 41 marine transportation assets.

Perdana Petroleum (PETR MK/Not Rated)

Marking the group's first new-build exercise since 2012 to address an average fleet age of 17 years, Perdana Petroleum ordered two new AHTS for US\$33.9m with China's Aulong Shipbuilding, targeted for delivery in 2028.

Source: UOB Kay Hian

OSV: Shifting Market Conditions

Theme	Remarks
Newbuild: Low	Limited yard slots, high newbuild costs
DCR: Controlled	Selective upstream spend, vessel age restriction relaxed/ removed
Capex: Slow	Budgets may be approved, but tenders are taking double the time to complete
Funding: Selective	Bank financing remains stringent
Vessel age limit: Relevance fading	What used to be the norm (15 years of age limit) is now relaxed or abandoned
Fuel uncertainty	Greater acceptance of alternative fuel increases green OSV acceptance

Source: Offshore Support Journal Conference Asia

Petronas' Stance On OSV Age

Petronas typically needs ~118 OSV annually to maintain and service >400 platforms

Petronas' OSV age limit is now >20 years from 15 years

This age ceiling comes with a catch. Petronas requires OSV aged >15 years to renew a condition assessment programme every 3 years, with a minimum rating of two achieved to qualify for charter.

Source: American Bureau of Shipping (ABS)

Friday, 30 October 2026

- **While ASEAN OSV demand has some support, newbuilding is not expected to be exciting.** The high cost of newbuild is one reason. Also, since 2025, AHTS and PSV DCRs have softened despite high oil prices, and the outlook suggests a DCR cap that reflects the conservative cash flow and capex generation from upstream asset owners. Other factors for the lacklustre number of newbuild orders include longer lead times to complete tenders (from six to 12 months) despite upstream budget approved, selective bank financing, and wider acceptance of alternative fuels. Nevertheless, OSV demand should be resilient in ASEAN region even if DCR remains subdued.
- **Aside from drilling campaigns, another key demand driver for ASEAN OSV is the Floating, Production, Offloading and Storage (FPSO).** Whereas global crude production is expected to increase over 2030, in Southeast Asia, production is forecast to decline. This means the region will continue to need new FPSOs to replace older assets. Collectively, about a total of 14 new units (of which 10 are FPSOs) could enter into service by 2030, into key markets like Indonesia, Malaysia and Vietnam. This may bring total FPSOs to 80 in the region. The biggest OSV beneficiary for this is AHTS, which may gain 2-4% in demand alongside FPSO developments.
- **Diversification beyond traditional O&G is Inevitable for OSV.** OSV operators should consider strategic partnerships for regional expansion (examples like Indonesia, Thailand and Vietnam) to reduce dependence on domestic tenders. Also, operators should explore marine infrastructure, subsea construction, cable laying, decommissioning and offshore renewable energy. For example, regional electricity interconnection initiatives like the ASEAN Power Grid could create cable laying and associate marine opportunities. Other supplementary opportunities include environmental monitoring and maritime infrastructure protection. Some listed OSV players are already engaging in diversification, including Lian Son Fleet, Alam Maritim and Keyfield.
- **This also includes diversification in funding.** OSV financing remains in limited access, particularly when lenders typically require long-term charter commitments. In practice, lenders often prefer 30-50% of a 10-year loan covered by firm contracts. For example, Petronas' Safina OSV fleet (11 delivered so far) embeds 15-year charters (7+3+2+2 years) to derisk the investment. More recently, there are reports that indicate Malaysian banks are warming up to eco-friendly OSVs, with tailored loan terms for hybrid designs.
- **ESG: The rise of green OSV and key hurdles.** Globally, hybrid/green OSVs are proliferating, with a market size of US\$2.68b in 2024 that is projected to expand to US\$6.36b by 2033. Out of this, Asia Pacific is expected to comprise 30%. A key factor driving wider acceptance is alternative fuel, when diesel-electric hybrids have been observed to perform well especially in dynamic positioning mode. Hence, increasingly those type of vessels are specified. However, fully hybrid or green OSVs typically carry a capex premium that can be 10-20% over conventional models. For a standard PSV/AHTS vessel, this premium implies an extra cost of US\$2m-5m and typically commands higher DCR. This will likely become a deterrent for oil majors (even if they have committed to green pledges).
- **One proposed solution to address the green capex premium is a joint DCR.** A joint DCR model basically entails a vessel owner investing in the hybrid OSV and amortising the extra capex over a long charter. Oil majors commit to guarantee utilisation or, alternatively, take an equity stake or minimum payment guarantee.

ASEAN: OSV Market Comparison

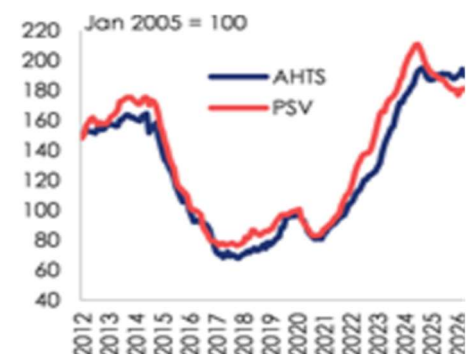
Country	Dominant Types	Fleet Profile
Malaysia	AHTS, AWB/Workboats, PSV/SSV	~300 active. Protected by cabotage, >13 years
Singapore	SOV/Subsea, FCB/CTV, High-BHP AHTS	Commercial global hub. High tech fleet
Indonesia	UV/LCT, AHTS, PSV	Largest footprint; fragmented owners
Thailand	AHTS, FCB	Specialised for shallow gas
Vietnam	AHTS, PSV/SSV, GPV/MPV	State-backed Petrovietnam often JV

Note: Accommodation Work Barge (AWB), Service Operation Vessel (SOV), Platform Supply Vessel (PSV), Straight Supply Vessel (SSV), Fast Crew Boat (FCB), Brakehorse Power (BHP), Landing Craft Tank (LCT), Crew Transfer Vessel (CTV), Utility Vessel (UV), General Purpose Vessel (GPV), Multi Purpose Vessel (MPV)
Source: Roson Energy

Segmental OSV Profile, ASEAN

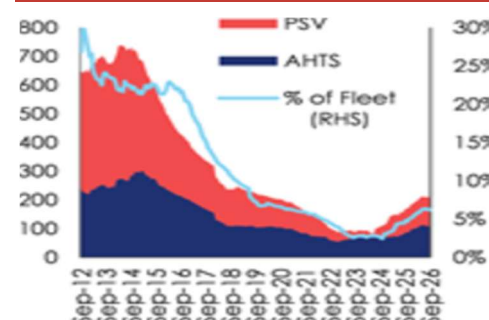
Ship Category	Remarks
AHTS	70% of regional volume 5,150-8,000 BHP Malaysia: deficit of <80tBHP
PSV/SSV	~150 active (ASEAN) Large deck (>1,000m ³) Often deployed to Middle East
SOV/ AWB	Vital for >400 ageing platforms Hook up commissioning AWB has high seasonal utilisation
FCB/CTV	Crucial for Malaysia and Thailand CTV dominate Taiwan/global SouthEast Asia relies on FCB for cost

Source: Roson Energy

Clarkson's OSV Rate Index*

* Latest Index is 186.3

Source: Clarksons

Clarkson's OSV Orderbook

Source: Clarksons

- **Recap: Petronas' Safina agenda.** Launched in late-23, Safina 1 (Phase 1) was initially focused on tackling immediate market needs, involving 10 local shipyards for 11 OSVs (vs original target of 16). Safina 1 proved that local shipyards were able to deliver ahead of schedule, but most of the OSVs are smaller FCBs. Safina 2 (Phase 2) was planned for higher-specification OSVs with fuel efficiency/ green energy elements. Indirectly, OSV owners are encouraged to design next-generation hybrid systems (diesel electric or battery packs). Collectively, both Safina projects target to systematically replace 100 aged OSVs in Malaysia. Safina 2 was originally planned for a 3Q24 rollout, and then for a late-25 rollout, but there is no public update at present. An investor briefing of Nam Cheong in early-26 showed an update from Nam Cheong management that they did not receive any orders related to Safina 2.

Valuation/Recommendation

- **Maintain MARKET WEIGHT.** Although we have more BUY calls in terms of valuation grounds, we remain neutral on the sector until we see firm clarity on the resolution of the Petronas-Petros political impasse, which we identified to be the key sector derating since 2H24, and is an assumption we have been holding since then. Despite high oil prices, the sector's earnings are still inhibited by near-term risks, such as delayed plant maintenance and turnaround, and short-term work order disruptions due to Petronas Carigali portfolio restructuring.
- **Keyfield International (KEYFIELD MK/ Not Rated):** Reflecting its diversification from O&G, Keyfield has spent US\$24.7m to acquire Inai Kenanga, a mega trailing suction hopper dredger with hopper capacity of 32,205m³ designed for large-scale dredging, land reclamation, major infrastructure and coastal development projects. It is the second non-O&G vessel following the acquisition of Keyfield Blessing, a cable-laying barge in 2025. It replicated its track record for purchasing assets at below market value (the former owner was in receivership). The independent market valuation for Inai Kenanga was US\$63.7m, while constructing a similarly specified dredger may cost over US\$150m. In addition, Keyfield formed a 60:40 JV partnership with Singapore-based dredger Starhigh Asia Pacific to mark its foray into the dredging industry.
- **Alam Maritim (AMRB MK/Not Rated): Favouring newbuild investment vs second-hand subsea vessels.** AMRB recently ordered a newbuild subsea vessel at POET Shipbuilding & Engineering for US\$19.8m. This brings its OSV fleet up to five, of which four are on bareboat charters. This aligns with the group's strategy of strengthening its position in the subsea segment, which remains a key earnings driver for the group. AMRB opted to construct a newbuild. This is because the alternative of purchasing a second-hand vessel may lead to issues including limited availability of suitable older fleet, high refurbishment costs (which offsets the low initial investment), and age limitations.
- **Lianson Fleet Group (LFG MK/Not Rated): Recollecting its forte in dry bulk shipping.** LFG continues its aggressive expansion into dry bulk and marine transportation, beyond traditional O&G OSVs. Recently, it acquired its third bulk carrier, named LFG Cengal for US\$23m. This brings total spending on Ultramaxs to about US\$75.3m. The group currently operates 12 OSVs and 41 marine transportation assets. Management aims to lower the average age of its fleet from 15 years down to approximately 10 years over the next two to three years following vessel disposal. To recap, **Yinson Holdings (YNS MK/BUY/ Target: RM2.40)** is a minority shareholder with 16% stake.
- **Perdana Petroleum (PETR MK/Not Rated):** Marking the group's first new-build exercise since 2012 to address an average fleet age of 17 years, Perdana Petroleum ordered two new AHTS for **US\$33.9m** with China's Aulong Shipbuilding, targeted for delivery in 2028.

KIP REIT (KIP MK)

Reaping More From Existing Assets

Highlights

- KIP REIT's focus will now be on organic growth, having achieved its AUM target of RM2.0b after the completion of KIPMall Setapak on 30 Sep 26.
- While historical rental reversions averaged about 5% under the previous owner, management sees scope for 20-25% higher rents for new tenants. Meanwhile, we gather that AEI for KIPMall Masai should generate higher ROI of 10% compared to that of KIPMasai at 6%.
- Maintain BUY with a lower target price of RM1.11 as we increase our cost of equity assumption and rollover our valuation base to FY27. KIP REIT is one of our top picks, offering lush yields of 8.6% and 9.0% for FY27 and FY28.

Analysis

- Setapak's NPI poised to exceed current run-rate.** KIPMall Setapak's annualised NPI run-rate stood at about RM36m as at end-Sep 26, already 15% above the RM31.3m disclosed in the acquisition circular for FY25. We expect NPI growth to be driven by rental reversions and cost efficiencies, with 20% and 50% of NLA expiring in 2027 and 2028, respectively. While historical rental reversions averaged around 5% under the previous owner, management sees scope for 20-25% higher rents for new tenants. We believe this is achievable, drawing confidence from its experience at D'Pulze Shopping Centre, where average rent rose 23% to RM6.18psf after one year of acquisition. Meanwhile, the consolidation of Setapak's service contracts with the wider KIP REIT portfolio should generate cost savings.
- Anchor tenant replacement to enhance mall positioning.** We view the introduction of Jaya Grocer, alongside Oriental Kopi and Panda Eyes, positively as it should enhance the mall's tenant mix and potentially attract higher footfall. Jaya Grocer will replace Econsave on a 14% smaller footprint (24,395sf vs 28,295sf) under four successive three-year lease terms, while the remaining space will be leased to other two tenants. Combined rents from all three tenants are expected to be 42% higher than Econsave's rent, which will add about 1% to the mall's current NPI run-rate, per our estimate. Jaya Grocer is scheduled to open in 4QFY27, although management is targeting an earlier opening before Feb 27 (in 3QFY27).

Key Financials

Year to 30 Jun (RMm)	2025	2026	2027F	2028F	2029F
Net turnover	136.1	177.1	219.1	237.9	246.7
EBITDA	98.0	131.2	159.4	175.0	181.7
Operating profit	96.8	129.9	158.1	173.7	180.3
Net profit (rep./act.)	115.1	145.3	91.0	98.1	103.3
Net profit (adj.)	51.6	73.6	91.0	98.1	103.3
EPU (sen)	6.7	7.9	8.1	8.5	8.9
DPU (sen)	6.8	7.3	7.4	7.8	8.2
PE (x)	13.0	10.9	10.7	10.2	9.7
P/B (x)	0.7	0.7	0.8	0.8	0.8
DPU Yld (%)	7.9	8.4	8.6	9.0	9.5
Net margin (%)	37.9	41.5	41.5	41.3	41.9
Net debt/(cash) to asset (%)	35.9	33.8	39.0	38.7	38.4
Interest cover (x)	4.1	4.5	4.2	3.9	4.0
ROE (%)	6.6	7.4	7.7	7.7	8.0
Consensus DPU (sen)	-	-	7.3	8.0	8.4
UOBKH/Consensus (x)	-	-	1.0	1.0	1.0

Source: KIP REIT, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	RM0.865
Target Price	RM1.11
Upside	28.3%
Previous TP	RM1.15

Stock Data

Sector	Real Estate
Bloomberg ticker	KIP MK
Shares issued (m)	1,158.6
Market cap (RMm)	1,002.2
Market cap (US\$m)	245.6
3-mth avg daily t'over (US\$m)	0.2

Price Performance (%)

52-week high/low				RM0.96/RM0.82	
1mth	3mth	6mth	1yr	YTD	
1.2	3.0	0.0	(0.6)	(3.4)	

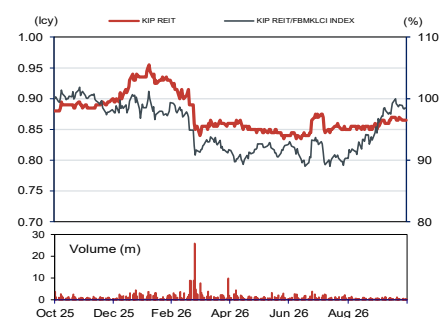
Major Shareholders (%)

Ong Choo Meng	10.6
Ong Kook Liong	7.0

Balance Sheet Metrics

FY27 NAV/Share (RM)	1.13
FY27 Net Debt/Share (RM)	0.81

Price Chart



Source: Bloomberg

Company Description

KIP REIT mainly focuses on community-centric retail centres. Its portfolio has grown to include 18 properties, featuring KIPMall assets in various Malaysian states, AEON Mall Kota City, and industrial properties.

- **Ample room for organic growth.** With no acquisitions currently under consideration, management is focusing on organic growth through AEIs. For FY27, around RM5m each has been budgeted for AEIs at KIPMall Masai and KIPMall Kota Warisan. The AEI at Masai is expected to generate a yield of about 10%, higher than the 6% achieved at Tampoi, supported by the creation of additional NLA. We view this target as achievable given Masai's strong footfall of 6.7m visitors from Aug 25 to Sep 26, making it the portfolio's one of the busiest malls after Tampoi (6.9m visitors). Meanwhile, Tampoi's AEI, completed in Feb 26, has delivered encouraging results, with daily footfall increasing from 17,000-20,000 to 20,000-30,000 post-AEI.
- **Minimal near-term funding requirement.** Meanwhile, the RM160m AEON Mall Kinta City expansion has been delayed from its initial 1QFY28 completion target, pending regulatory approvals expected by end-26. Assuming construction starts in Jan 27, we expect completion by end-Jun 28 (ie end-FY28), with rental contribution starting from FY29. Hence, there should be minimal near-term funding requirements as the contractor will finance around 90% of construction costs, with payment upon project completion. The expected rental yield remains at 8% on actual development costs, providing protection against cost escalation.
- **DPU to catch up from 2QFY27.** KIP REIT declared an advance distribution of 0.82 sen for 1 Jul 26-24 Aug 26, ahead of the placement units being issued on 27 Aug 26, and was paid on 24 Sep 26. The balance of 1QFY27 is expected to be paid together with the 2QFY27's distribution. We expect DPU to normalise from 2QFY27, when KIPMall Setapak makes its first full-quarter contribution.

Valuation/Recommendation

- **Maintain BUY with a lower target price of RM1.11 (from RM1.15),** as we roll over our valuation base to FY27 and increase our cost of equity assumption from 8.4% to reflect the higher risk-free rate environment. Our DDM-based target price implies a 6.7%/7.0% FY27/28 dividend yield (vs historical mean of 7.7%), based on a 9.2% cost of equity and terminal growth rate of 1.5%. KIP REIT is one of our top picks in the REIT sector and currently offers a lush dividend yield of 8.6% for FY27 and 9.0% for FY28.

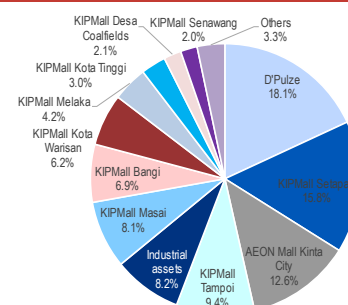
Earnings Revision/Risk

- We increase our earnings forecasts by 21-24% for FY27-28F after the inclusion of Setapak Mall's contribution and introduce FY29 forecasts. We also increase our DPU forecast for FY27-28 by 1-2% to 7.4 sen and 7.8 sen respectively, after considering an enlarged share base from the placement completed in Aug 26.

Environment, Social, Governance (ESG) Updates

- **Environment:** Targets to reduce Scope 2 emissions by 1% yoy for FY26, with a cumulative reduction target of 6% by 2030, in line with Malaysia's broader carbon-neutrality aspirations.
- **Social:** Achieved 100% localisation of its supply chain by engaging Malaysian suppliers, with a strong focus on regionally-based SMEs.
- **Governance:** Achieved 33% of women representation among the Board of Directors.

NPI Breakdown By Assets (FY27F)



Source: KIP REIT, UOB Kay Hian

12-month Forward Yield Spread To MGS At 465bp



Source: Bloomberg, UOB Kay Hian

12-month Forward Yield At 8.6%



Source: Bloomberg, UOB Kay Hian

Profit & Loss

Year to 30 Jun (RMm)	FY26	FY27F	FY28F	FY29F
Net turnover	177.1	219.1	237.9	246.7
EBITDA	131.2	159.4	175.0	181.7
Deprec. & amort.	1.3	1.3	1.3	1.3
EBIT	129.9	158.1	173.7	180.3
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(29.0)	(38.2)	(44.8)	(45.7)
Pre-tax profit	149.7	91.0	98.1	103.3
Tax	(4.4)	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0
Net profit	145.3	91.0	98.1	103.3
Net profit (adj.)	73.6	91.0	98.1	103.3

Cash Flow

Year to 30 Jun (RMm)	FY26	FY27F	FY28F	FY29F
Operating	103.1	104.2	101.9	105.7
Profit for the year	149.7	91.0	98.1	103.3
Tax	0.0	0.0	0.0	0.0
Deprec. & amort.	1.3	1.3	1.3	1.3
Associates	0.0	0.0	0.0	0.0
Working capital changes	0.1	11.9	2.4	1.1
Non-cash items	(48.0)	0.0	0.0	0.0
Other operating cashflows	(219.9)	(450.0)	(15.0)	(15.0)
Investing	(21.7)	(15.0)	(15.0)	(15.0)
Capex (growth)	(155.6)	(435.0)	0.0	0.0
Investment	(42.6)	0.0	0.0	0.0
Others	161.8	331.3	(70.3)	(75.0)
Financing	(64.8)	(83.7)	(90.3)	(95.0)
Dividend payments	130.2	163.0	0.0	0.0
Proceeds from borrowings	155.0	272.0	50.0	50.0
Loan repayment	(26.0)	(20.0)	(30.0)	(30.0)
Others/interest paid	(32.5)	0.0	0.0	0.0
Net cash inflow (outflow)	45.0	(14.5)	16.6	15.7
Beginning cash & cash equivalent	56.5	101.5	87.0	103.5
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	101.5	87.0	103.5	119.2

Balance Sheet

Year to 30 Jun (RMm)	FY26	FY27F	FY28F	FY29F
Fixed assets	1,749.1	2,197.8	2,211.5	2,225.1
Other LT assets	58.7	58.7	58.7	58.7
Cash/ST investment	101.5	87.0	103.5	119.2
Other current assets	13.4	5.5	5.6	5.7
Total assets	1,922.7	2,348.9	2,379.4	2,408.8
ST debt	4.4	4.4	4.4	4.4
Other current liabilities	41.3	41.3	41.3	41.3
LT debt	747.3	999.3	1,019.3	1,039.3
Other LT liabilities	26.8	30.7	33.3	34.5
Shareholders' equity	1,102.8	1,273.1	1,281.0	1,289.2
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	1,922.7	2,348.9	2,379.4	2,408.8

Key Metric

Year to 30 Jun (%)	FY26	FY27F	FY28F	FY29F
Profitability				
EBITDA margin	74.1	72.7	73.6	73.6
Pre-tax margin	84.5	41.5	41.3	41.9
Net margin	82.0	41.5	41.3	41.9
ROA	10.3	5.6	6.0	6.3
ROE	7.4	7.7	7.7	8.0
Growth				
Turnover	30.1	23.7	8.6	3.7
EBITDA	33.8	21.5	9.8	3.8
Pre-tax profit	30.0	(39.2)	7.9	5.3
Net profit	26.2	(37.4)	7.9	5.3
Net profit (adj.)	42.7	23.7	7.9	5.3
EPU	18.4	2.1	4.9	5.3
Leverage				
Debt to total capital	68.2	78.8	79.9	81.0
Debt to equity	68.2	78.8	79.9	81.0
Net debt/(cash) to equity	59.0	72.0	71.8	71.7
Interest cover (x)	4.5	4.2	3.9	4.0

Axis REIT

(AXRB MK/BUY/RM1.78/Target: RM2.04)

3Q26 Results Below Expectations; Better 4Q26 Ahead

Highlights

- **Below expectations.** Axis REIT reported 3Q26 revenue of RM91m (+2% qoq, -2% yoy) and core net profit of RM48m (+2% qoq, -9% yoy). This brings 9M26 core net profit to RM146m (-6% yoy), accounting for 69% and 67% of our and consensus full-year estimates respectively. The results were below our expectation due to higher-than-expected financing costs, despite an eventual recognition of consequential-loss insurance proceeds by year-end.
- **Axis REIT has declared a 2.35 sen dividend for 3Q26** (vs 2Q26's 2.30 sen and 3Q25's 2.65 sen). This brings 9M26 declared dividend to 7.15 sen (-8% yoy), representing an annualised yield of 5.4%.
- Net gearing (net debt over asset) was 34.5% as of end-Sep 26 (vs 32.4% as of end-Jun 26).
- **3Q26 NPI declined to RM77m (+3% qoq; -3% yoy)**, which we attribute mainly to the suspension of rental recognition at Wisma Kemajuan following the Feb 26 fire incident.
- **Portfolio occupancy should recover to 96-97%.** Overall occupancy was flat qoq at 93% in 3Q26. Nevertheless, leasing outlook remains encouraging, with management expecting occupancy to improve to 96-97% by year-end. As of end-3Q26, Bukit Raja DC occupancy improved qoq from 58% to 77% as of end 3Q26 and is expected to reach 91% by Jan 27, while Axis Shah Alam DC3 achieved full occupancy rate (from 49% as of end 2Q26).

Earnings Revision/Risk

- We trim our earnings forecasts by 2-4% for FY26-28F due to a higher-than-expected financing cost.

Valuation/Recommendation

- **Maintain BUY with a lower target price of RM2.04 (from RM2.21)**, as we adjusted our earnings forecasts, roll over our valuation base to 2027 and increase our cost of equity assumption from 6.7%. Our DDM-based target price implies a 5.3% and 5.4% yield for 2027 and 2028 (vs 10-year mean of 5.1%), based on a 6.8% cost of equity and terminal growth rate of 1.5%.

3Q26 Results

Year to 31 Dec (RMm)	3Q26	qoq %	yoy %	9M26	yoy %
Revenue	90.5	2.3	(1.8)	268.4	(1.2)
Property expenses	(13.2)	(1.9)	3.7	(38.9)	6.7
Net property income	77.3	3.1	(2.7)	229.4	(2.4)
Other income	0.3	(24.6)	(54.3)	1.8	28.2
Trust expenses	(11.6)	8.3	19.1	(33.4)	13.8
Finance costs	(18.4)	4.1	1.0	(53.4)	(0.6)
Core net profit	48.3	1.6	(8.8)	146.3	(6.1)
EPU (sen)	2.39	1.6	(9.0)	7.22	(6.3)
DPU (sen)	2.35	2.2	(11.3)	7.15	(8.3)
Margins:	%	+/- ppt	+/- ppt	%	+/- ppt
Net property income	85.4	0.6	(0.8)	85.5	(1.1)
Core net profit	53.4	(0.4)	(4.1)	54.5	(2.9)

Source: Axis REIT, UOB Kay Hian

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	322.2	365.0	374.5	393.3	405.3
Operating profit	242.8	278.5	277.2	294.2	303.9
Net profit (rep./act.)	210.0	283.3	210.0	221.1	225.0
Net profit (adj.)	168.3	207.1	210.0	221.1	225.0
EPU (sen)	8.4	10.2	10.3	10.8	10.9
DPU (sen)	9.3	10.3	10.4	10.9	11.0
PE (x)	21.3	17.4	17.3	16.5	16.4
P/B (x)	1.1	1.1	1.1	1.1	1.1
DPU Yld (%)	5.2	5.8	5.9	6.1	6.2
Net margin (%)	52.2	56.7	56.1	56.2	55.5
Net debt/(cash) to asset (%)	31.0	30.9	32.0	34.1	36.3
Interest cover (x)	3.3	3.9	4.1	4.0	3.9
Consensus DPU (sen)	-	-	10.6	11.2	11.4
UOBKH/Consensus (x)	-	-	1.0	1.0	1.0

Source: Axis REIT, Bloomberg, UOB Kay Hian

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SD Guthrie

(SDG MK/BUY/RM5.77/Target: RM8.30)

Bukit Kerayong JV Turns Plantation Land Into RM934m Of Cash

Highlights

- SD Guthrie (SDG) is selling 1,623 acres of freehold oil palm land in Bukit Kerayong, Klang, for RM933.6m (RM13.2 psf), to Bukit Kerayong Industrial Developments (BKID), which will build a light-to-medium industrial park. BKID is a joint venture between YTL Power, Bumi Assets (35%) and SDG (30%). The site sits next to the West Coast Expressway and NKVE, close to Northport and Westports in Port Klang and will be built into light-to-medium industrial park.
- Priced above valuation and far above book.** The price of about RM13.2 psf is 5.0% above CBRE WTW's RM889m (RM12.50 psf) valuation, 15.6x the land's RM60.0m book value and 14.5x its RM64.4m original cost in 2008.
- Giving up the little plantation profits.** The land contributed only RM3.1m in net profit in 2025, about 0.1% of SDG's RM2.50b group net profit. Its 594ha of mature palms produced 12,315 tonnes of fresh fruit bunches (FFB), a yield of 20.7 tonnes/ha.
- RM586m gain on completion.** SDG estimates a net disposal gain of RM523m plus RM63m of consolidation adjustments, after RM88m of real property gains tax (RPGT). This works out to 8.5 sen/share, or about 1.5% of SDG's market value at RM5.77.
- Proceeds go to debt repayment first.** About 80% of the proceeds (RM744m) will go towards repaying revolving credit within three months of receipt, with RM88m allocated to RPGT and RM101m for SDG's JV commitment. Pro forma gearing falls to 0.20x from 0.24x, and SDG estimates net interest savings of RM18.3m a year.
- Keeps a share of the development upside.** Through its 30% stake, SDG keeps exposure to the value created when the land is developed, while taking most of the land value in cash upfront. Its RM101m JV commitment comprises RM3m of share capital and up to RM98m of short-term advances. YTL Power brings experience in power, water, telecommunications and data centre infrastructure, which should help attract industrial and digital-economy tenants.

Earnings Revision/Risk

- No change to earnings forecasts.** The RM586m expected gain on completion falls under our annual Industrial Development's earnings estimate of RM700m for 2027F.

Valuation/Recommendation

- Maintain BUY with an unchanged target price of RM8.30**, based on 19x 2027F PE. SDG is our top pick to ride on the bullish CPO environment while the accelerating phase of the industrial development segment provides further upside to earnings and dividends.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	19,831	20,895	24,922	26,158	27,641
EBITDA	4,102	4,487	5,451	5,807	5,453
Operating profit	2,649	3,048	3,860	4,216	3,862
Net profit (rep./act.)	2,164	2,503	2,660	3,020	2,759
Net profit (adj.)	1,527	1,949	2,030	2,390	2,129
EPS	31.4	36.2	38.5	43.7	39.9
PE (x)	18.4	15.9	15.0	13.2	14.5
P/B (x)	1.9	1.9	1.9	1.9	1.9
EV/EBITDA (x)	9.7	8.8	6.8	6.0	6.0
Dividend yield (%)	2.8	3.1	3.7	4.2	3.8
Net margin (%)	7.7	9.3	8.1	9.1	7.7
Net debt/(cash) to equity (%)	22.8	22.6	20.5	20.1	18.5
Interest cover (x)	34.5	71.2	83.6	95.0	91.9
ROE (%)	8.3	7.9	8.2	9.3	15.1
Consensus net profit	-	-	2,761	2,699	2,530
UOBKH/Consensus (x)	-	-	0.96	1.12	1.09

Source: SD Guthrie, Bloomberg, UOB Kay Hian

Bukit Kerayong Deal At A Glance

Land area	1,623 acres (657ha)
Tenure	Freehold
Disposal price	RM933.6m
Price	RM13.2 psf
Independent valuation	RM889.0m
Premium to valuation	5.0%
Book value, Dec 25	RM60.0m
Est. gain incl. consol. adj.	RM586.3m
Gain per share	8.5 sen
SDG stake in BKID	30%
Expected completion	1Q27

Source: SD Guthrie

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Market Spotlight

Market News

The FBMKLCI took a breather yesterday, sliding 2.71pt to close at 1,611.16 following mild profit-taking in blue chips, in-line with weakness across the region. Meanwhile, Asian markets are trading mixed on Thursday, following the positive cues from Wall Street overnight, as traders are cautiously optimistic after the US Fed left interest rates unchanged despite inflationary pressures amid spiking crude oil prices. The FBMKLCI's top gainers were CelcomDigi (+2.5%), Axiata Group (+2.4%) and IOI Properties Group (+1.6%), while the top losers were Petronas Chemicals Group (-3.2%), CIMB Group Holdings (-3.1%) and Nestle (M) (-1.9%). In the broader market, losers outpaced gainers 574 to 443 with 559 counters unchanged. Turnover was 2.95b share valued at RM2.43b.

US stocks were lower after the close on Thursday, as losses in the technology, basic materials and consumer services sectors led shares lower. At the close in NYSE, the Dow Jones Industrial Average declined 0.25%, while the S&P 500 Index lost 0.31%, and the NASDAQ Composite Index fell 1.38%. Rising stocks outnumbered declining ones on the New York Stock Exchange by 1,947 to 872 and 90 ended unchanged; on the Nasdaq Stock Exchange, 1,801 rose and 1,661 declined, while 177 ended unchanged. (*Sources: Investing.com*)

FBMKLCI, FCPO & FKL Index Outlook

FBMKLCI



Source: UOBKH ChartGenie

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FTSE Bursa Malaysia KLCI

Last close: 1,611.16
Expected moving range: 1,600-1,630

Technical View:

Despite our expectations of a follow-through rebound, the FBMKLCI made a pullback yesterday. Although shaky, support levels were maintained as persistent buying absorbed selling pressure. However, the index has formed a "spinning top" pattern, which suggests indecisive moves ahead. We advise investors to approach the market cautiously. Support and resistance levels are still maintained as follows:

Support: 1,590, 1,585

Resistance: 1,624, 1,651

FCPO



Source: TradingView

Futures Crude Palm Oil (FCPO) Active Contract, 1 Hour Chart

Technical BUY with +4.8% potential return

Trading BUY range: RM4,500-4,550
Last price: RM4,630
Target price: RM4,769, RM4,852
Support: RM4,590
Stop-loss: RM4,589

BUY with a target price of RM4,852 and stop-loss at RM4,589. Based on the chart, FCPO continues the bullish movement and closed higher at RM4,630 yesterday. This bullish movement is supported by an uptick in RSI and bullish crossover in both MACD and DMI indicators. We still maintained our targets at RM4,769 and RM4,852 in the near term.

Expected timeframe: One day to three days

FKLI



Source: TradingView

FTSE Bursa Malaysia KLCI Futures (FKLI), 1 Hour Chart

Technical BUY with +0.93% potential return

Trading BUY range: 1,600-1,610
Last price: 1,609.5
Target price: 1,622, 1,627
Support: 1,591
Stop-loss: 1,589

BUY with a target price of 1,627 and stop-loss at 1,589. Based on the chart, FKLI continued the bullish movement and closed higher at 1,609.5 yesterday. This bullish movement is supported by an uptick in the RSI and bullish crossovers in both MACD and DMI indicators. We still maintained our targets at 1,622 and 1,627 in the near term.

Expected timeframe: One day to three days

Traders' Corner



Source: UOBKH ChartGenie



Source: UOBKH ChartGenie

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Ann Joo Resources AJR MK

Technical BUY on breakout with +20.2% potential return

Trading BUY range:	RM0.495-0.50
Last price:	RM0.475
Target price:	RM0.555, RM0.595
Support:	RM0.445
Stop-loss:	RM0.44

BUY on breakout with a target price of RM0.595 and stop-loss at RM0.44. Yesterday's gain can be considered a significant breakthrough as the breakout has placed the share price in new territory. Backed by surging trading volume and positive momentum, there should be an upward follow-through from here onwards. Furthermore, an uptick in RSI and bullish crossover in the DMI and MACD imply a stronger upward move ahead. We peg our targets at RM0.555 and RM0.595 once it breaks the breakout level of RM0.495.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading

KPJ Healthcare KPJ MK

Technical BUY with +19.6% potential return

Trading BUY range:	RM2.45-2.50
Last price:	RM2.51
Target price:	RM2.79, RM2.99
Support:	RM2.30
Stop-loss:	RM2.29

BUY with a target price of RM2.99 and stop-loss at RM2.29. Based on the daily chart, KPJ has been trading in sideways mode for the last few months. The uptick in the MACD and increase in trading volumes suggest buying momentum is set to continue in the near term. Currently, DMI is on the verge of making a golden cross to the positive signal. We expect the stock to continue trending up towards the psychological resistance level of RM3.00 in the near term.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading



Source: UOBKH ChartGenie

Eversendai Corporation EVSD MK

Technical BUY on breakout with +32.7% potential return

Trading BUY range:	RM0.245-0.25
Last price:	RM0.225
Target price:	RM0.305, RM0.325
Support:	RM0.215
Stop-loss:	RM0.21

BUY on breakout with a target price of RM0.325 and stop-loss at RM0.21. Share price had consolidated around the immediate support of RM0.215 before closing above the BBI yesterday to set a new tone for the short-term outlook. We expect EVSD to continue in its uptrend once it penetrates the breakout level of RM0.245. A bullish bias has been established following an uptick in the DMI. We peg our targets at RM0.305 and RM0.325 in the near term.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading

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