KIP REIT eyes five more buys

Post listing acquisitions will see KiP Mart brand expand to Pahang and Kedah

BY AHMAD NAQIB IDRIS

KUALA LUMPUR: KIP real estate investment trust (REIT) — slated for a Main Market listing on Feb 6 — said it has a further five acquisitions in the pipeline, after its initial acquisition of five KiP Marts and one KiP Mall.

Lim Han Gie, the chief executive officer of KIP REIT Management Sdn Bhd and manager of KIP REIT, told *The Edge Financial Daily* in an interview that the five acquisitions comprise new KiP Marts and Malls, which are currently in different phases of construction.

"Out of the five in our pipeline, one has already been completed, which is KiP Mall Kota Warisan. The other four are all currently in different stages of construction. Some have completed piling works and others are in the process of doing earthworks," Lim said.

The new acquisitions will see the KiP Mart brand expand to two new states, namely Pahang and Kedah.

Lim revealed that two of the new acquisitions — including KiP Mall Kota Warisan in Sepang to be launched in the second quarter of this year — will be located in Selangor, while Negeri Sembilan, Pahang and Kedah will see one new KiP Mart each.

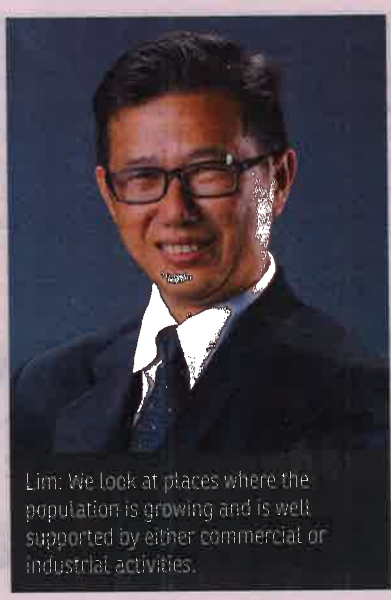
Lim clarified that the general business model of KiP Marts and KiP Malls are the same, despite the slightly different branding.

"It's just that we look at the location to call it either a mart or a mall. The KiP Malls are generally for city-like and urbanised areas, but the business model still remains the same, focusing on fresh market and daily essentials," he explained.

He said construction of KiP Marts generally takes about 12 to 15 months, with the REIT acquiring new assets after a gestation period of about one to two years.

Asked on how the REIT intends to finance these acquisitions, he pointed out that KIP REIT's gearing level is low at around 15%, compared with the market average of about 31% or the 50% limit imposed by authorities.

"We have positioned ourselves, in terms of capital structure, with an eye on future acquisitions. Our gearing is low, so we still have some headroom to raise about RM100 million to RM200 million in debt if needed," he explained.



Lim: We look at places where the population is growing and is well supported by either commercial or industrial activities.

Currently, the KiP Mart brand is present in four states. The brand has the biggest presence in Johor with KiP Mart Tampoi, KiP Mart Kota Tinggi and KiP Mart Masai. KiP Mart is also present in Negeri Sembilan and Melaka — with one mart in each state — and KiP Mall Bangi in Selangor.

These six existing assets — which will be acquired by the REIT using its initial public offering proceeds of RM234.15 million — are enjoying an average occupancy rate of 86.8%.

KiP Mart is well known in Johor where the first KiP Mart opened in Masai in 2002. It is a one-stop community retail centre targeting the low- to middle-income group and typically features a wet market, a supermarket, merchandise and convenience stores, and a food court.

Meanwhile, KIP Group is still looking to expand the KiP Mart brand up north in Penang and Perak, as well as eastwards towards Terengganu and Kelantan, focusing on the outskirt areas.

"We find that most of the population is staying on the outskirts, although they may travel to work in the cities. That's where they do their daily shopping — back at home.

"We look at places where the population is growing and is well supported by either commercial or industrial activities, so we create employment opportunities for the residents as well," Lim said.

He said the REIT is confident to deliver a 6.54 sen in distribution per unit for the eight-month period ending June 30, 2017, and 6.59 sen for the financial year ending June 30, 2018 (FY18).

Based on its issue price of RM1 per unit, this works out to yield 6.54% and 6.59% respectively for FY17 and FY18.

"As I [have] mentioned, we have a unique portfolio which is something between a hypermarket and traditional wet market. We currently do not have direct competition, and we will continue to focus on daily necessities.

"Over the years, we have secured and established a certain reputation and branding in the market, and we have a following within small and medium traders. We are confident that we will be able to sustain our above-average yields and further grow in the future, in view of the new KiP Marts in the pipeline," said Lim.

A total of 505.3 million units in KIP REIT will be issued, out of which 10.2 million units will be opened to the Malaysian public at a retail price of RM1 per unit.

'Foreigners appear to be making a comeback'

BY SURIN MURUGIAH

KUALA LUMPUR: It is early days still, but foreign investors appear to be making a comeback to the Malaysian equities market, says MIDF Research.

In a weekly fund flow report by its strategy team yesterday, the research house said foreigners mopped up RM382.8 million net last week, the highest since the third week of September, based on preliminary data from Bursa Malaysia.

It also noted that stronger economic data coming out since the new year — including stronger exports and growth in retail sales (9% year-on-year [y-o-y]) and industrial production (6.2% y-o-y), all for November — showed that the Malaysian economy remained stable.

"Foreigners were marginal net sellers as the market opened [last] Monday and Tuesday. The selling ended abruptly [last] Wednesday as foreigners turned net purchasers at RM130 million. The inflow peaked [last] Thursday as foreigners bought RM226 million, the highest since Oct 18, 2016," said MIDF Research, adding that the buying receded last Friday, in line with the regional trend.

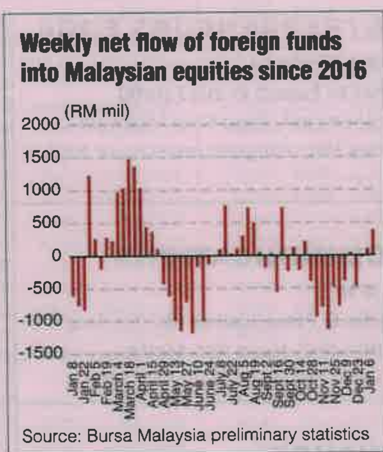
Of significance, it noted, was the strong increase in foreign participation.

"Foreign average daily trade value rose to RM848 million, 40% higher compared with that [of] the week before. It was also nearing last year's average participation of RM957 million," said the research house.

It said local players also took the opportunity presented from the foreign buying to clear some position.

"We note that the retail market is currently active, with [the] participation rate [at] the highest since August," it said.

Tenaga Nasional Bhd, it said, registered the highest net money inflow of RM54.49 million last week, while YTL Corp Bhd came in second with RM8.37 million. CIMB Group Holdings Bhd, which is planning to expand to the Philippines in the third quarter of this year, recorded the third highest net money inflow of RM8.26 million.



Source: Bursa Malaysia preliminary statistics

The top three counters with the largest net money outflows were: Petronas Chemicals Group Bhd with RM10.15 million, AMMB Holdings Bhd with RM9.48 million, and Sime Darby Bhd with RM9.47 million.

After a strong opening to 2017, equities markets around the world were relatively subdued last week, said MIDF Research. Though US President-elect Donald Trump gave his first post-win speech, the research house said the speech was disappointing because it did not give any clarity on his promises to boost the economy.

Meanwhile, Asian equities were favoured last week, it said, based on preliminary stock exchange data from the seven markets it tracks here. Investors defined as "foreign" purchased a net aggregate amount of US$1.08 billion (RM4.82 billion) of listed equities — the highest since September last year — most of it in North Asia.

While South Korea remains a darling of international investors, attracting US$561 million, there was also a surge of money flow to Taiwan equities, at US$613 million, after Taiwan reported stronger trade numbers, beating consensus expectations.

Malaysian events management firm E-Plus listed in Australia

BY WONG EE LIN

KUALA LUMPUR: E-Plus Ltd began trading on the National Stock Exchange of Australia yesterday as the first Malaysian-based events management company to go public in that country.

"It has taken 12 long years to develop E-Plus into a global brand and all that hard work has finally paid off," said the company's chief executive officer Andrew Ching in a statement issued here.

"We have now stamped our mark in the region and look forward to playing in the international arena and moving on, we will be spreading our wings and establish more operations offices throughout Southeast Asia," he said.

Incorporated in 2004, E-Plus operates in Hong Kong, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

E-Plus said 245 million shares were issued and quoted at an initial market price of five Australian cents (16 sen) per share.

The company said it had made significant growth in its business portfolio through prominent events and exhibitions such as the World Islamic Economic Forum, the United Buddy Bears Exhibition and the Melaka Art and Performance Festival.

Financial institutions feeling the heat from fintech

BY YIMIE YONG

KUALA LUMPUR: Financial technology (fintech) is revolutionising the financial services industry as it is pressuring financial institutions to stay ahead of the game, according to the Malaysian Institute of Accountants (MIA) and Malaysian Institute of Corporate Governance (MICG).

In a joint statement yesterday, the institutes said there is growing competition from fintech, which has resulted in new business models emerging, with new delivery channels challenging existing norms.

'We are taking a keen interest in this area as we believe the fast pace of development in this segment can have a great impact on its stakeholders, both in terms of benefits and potential risks. And practising good corporate governance can positively influence fintech's impact," said MICG president Datuk Yusli Mohamed Yusoff.

He also said strong legislation and regulations can only be effective if companies accept their corporate responsibility to practise good governance.

"Fintech is seen as disruptive technology, thus bringing endless opportunities to [the] financial services industry and consumers. The institute (MIA) would do its part in introducing more comprehensive educational, training and certification programmes on [the] financial industry to accountants and financial professionals," said MIA chief executive officer Dr Nurmazilah Datuk Mahzan.