AmInvestment Bank

Company Report

23 Jul 2026

IGB REIT

(IGBREIT MK EQUITY, IGRE.KL)

BUY

(MAINTAINED)

Price: RM2.71

Target Price (% return): RM3.30 (28%)

52-week High/Low: RM3.16/RM2.51

REITs

Rationale for report: Company Result

Marching on

Good 2Q26 showing (distributable income: +46% YoY) and strong operational metrics continue to impress, with occupancy >99% and rents hardening YTD (+4-9%). Better still, sizeable anchor tenant exposure (top 3 tenants account for c.25% of NLA per mall) provides scope for tenant remixing and rental upside over time. Potential FBMKLCI expansion to 50 stocks is an added catalyst (c.1% weight). Keep BUY and TP of RM3.30.

- **Maintain BUY with DDM-TP of RM3.30;** it implies gross target yield of 4.8% and a spread of 120bp vs 10yr MGS, where both are valued close to -0.5SD from their 10yr mean. The modest premium is warranted given IGBREIT's financials have strengthened, seeing ROE and ICR have improved c.2ppt. We like the REIT for its strong execution track record, MV Southkey's inclusion, and refinancing cost savings.
- **In line.** 2Q26 distributable income rose 46% YoY to RM153mil (-14% QoQ on seasonal impact), taking 1H26 to RM330mil (+48% YoY); this forms 50-53% of our and consensus' FY26 estimates. Essentially, growth was inorganic-led by MV Southkey, while Megamall and Gardens held resilient despite Middle East jitters, with combined revenue/NPI up 4%/2% YoY. That said, DPU expansion trailed at 22% YoY to 3.4sen due to MV Southkey acquisition-related unit dilution. Overall, we retain FY26-28 forecasts.
- **Steady as she goes.** All 3 malls continue to display operational resilience, as occupancy rates stay >99%. Also, average gross monthly rents have hardened YTD (+4-9%), while management kept its mid-single-digit rental reversion guidance for FY26. Besides, there are no major AEIs currently being planned. Meanwhile, sizeable anchor tenant exposure (top 3 makes up c.25% of its respective malls' NLA) offers optionality for tenant remixing to drive rents higher over time.
- **Upcoming refinancing tailwind.** With RM1.2bil of debt maturing in FY27 (c.53% of total borrowings) and recent funding costs at c.3.8% (c.70bp below its legacy 4.5% fixed rate), we see clear scope for refinancing-led interest savings. This represents a key bottom-line lever for FY27 and is already embedded in our forecasts. Crucially, IGBREIT's debt profile remains defensive, with c.90% fixed-rate exposure, providing strong protection against any future interest rate volatility.

YE to Dec	FY25	FY26F	FY27F	FY28F
Revenue (RM mil)	705.1	1,050.0	1,081.5	1,114.0
Core profit (RM mil)	435.5	632.2	666.1	688.4
Distributable Income (RM mil)	457.4	664.0	698.9	722.3
EPU (sen)	10.1	14.6	15.3	15.7
EPU Growth (%)	-1.2	44.6	4.9	2.9
Consensus EPU (sen)		598.4	625.9	639.9
DPU (sen)	11.8	15.0	15.7	16.2
PE (x)	26.9	18.6	17.7	17.2
P/NAV (x)	1.9	1.9	1.9	1.9
Div yield (%)	4.3	5.5	5.8	6.0
ROE (%)	8.3	10.1	10.7	11.1
Gearing (%)	25.7	25.4	24.5	24.6

Source: IGB REIT, AmInvestment Bank Bhd.

Analyst (s)

Chan Jit Hoong, CFA, CPA
chan.jit-hoong@ambankgroup.com
+603 2036 1407

Key Changes

Target Price:	⇔
EPS:	⇔

Stock and Financial Data

Shares Outstanding (million)	4,328.7
Market Cap (RMmil)	11,730.9
NAV (RM/Share)	1.43
P/NAV (x)	1.9
ROE (%)	10.7
Gearing (%)	24.5
Free Float	43.9
Avg Daily Value (RMmil)	8.3

Major Shareholders

IGB	(40.1%)
EPF	(9.1%)
IGB Corp	(5.7%)

Price performance	3mth	6mth	12mth
Absolute(%)	(3.9)	(8.4)	(1.1)
Relative(%)	(4.0)	(8.1)	(12.2)

Source: IGB REIT, AmInvestment Bank Bhd.

Price Chart

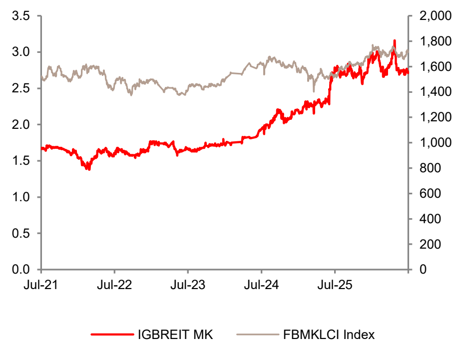


EXHIBIT 1. 2Q26 Results Summary

FYE Dec (RMmil)	2Q26	2Q25	YoY (%)	1Q26	QoQ (%)	1H26	1H25	YoY (%)
Revenue	241.0	160.1	50.5	261.3	-7.8	502.3	331.5	51.5
Opex	-59.8	-40.2	48.6	-54.3	10.1	-114.1	-78.6	45.3
Net property income	**181.2**	**119.9**	**51.1**	**207.0**	**-12.5**	**388.2**	**253.0**	**53.4**
Management & trustee fees	-17.1	-10.7	59.6	-18.7	-8.6	-35.7	-22.0	62.8
Others	0.0	0.0	n.a.	0.0	n.a.	0.0	0.0	n.a.
EBIT	**164.1**	**109.2**	**50.3**	**188.3**	**-12.9**	**352.4**	**231.0**	**52.6**
Net interest costs	-20.2	-11.3	77.8	-20.3	-0.9	-40.5	-22.6	79.4
Exceptionals	-4.6	-5.3	-12.7	-5.2	-10.6	-9.8	-9.4	5.2
Pre-tax profit	**139.3**	**92.5**	**50.6**	**162.8**	**-14.5**	**302.1**	**199.1**	**51.7**
Tax & minority interest	0.0	0.0	n.a.	0.0	n.a.	0.0	0.0	n.a.
Net Profit	**139.3**	**92.5**	**50.6**	**162.8**	**-14.5**	**302.1**	**199.1**	**51.7**
Core Profit	**143.9**	**97.8**	**47.1**	**168.0**	**-14.3**	**311.9**	**208.4**	**49.6**
Distributable Income	**152.7**	**104.6**	**45.9**	**177.4**	**-13.9**	**330.1**	**222.7**	**48.2**
Core EPU (sen)	**3.3**	**2.7**	**23.1**	**3.9**	**-14.4**	**7.2**	**5.8**	**25.2**
DPU (sen)	**3.4**	**2.8**	**22.0**	**4.0**	**-14.0**	**7.4**	**6.0**	**23.8**
NAV/share (RM)	**1.45**	**1.17**	**23.7**	**1.46**	**-0.5**	**1.45**	**1.17**	**23.7**
Margins (%)			**+/- ppt**		**+/- ppt**			**+/- ppt**
NPI	75.2	74.9	0.3	79.2	-4.0	77.3	76.3	1.0
EBIT	68.1	68.2	-0.1	72.1	-4.0	70.2	69.7	0.5
PBT	57.8	57.8	0.0	62.3	-4.5	60.1	60.0	0.1
Core Profit	59.7	61.1	-1.4	64.3	-4.6	62.1	62.9	-0.8
Distributable Income	63.4	65.4	-2.0	67.9	-4.5	65.7	67.2	-1.5

Source: IGBREIT, AmInvestment Bank Bhd.

EXHIBIT 2. 2Q26 Revenue Breakdown

FYE Dec (RMmil)	2Q26	2Q25	YoY (%)	1Q26	QoQ (%)	1H26	1H25	YoY (%)
Mid Valley Megamall	115.5	111.9	3.2	123.9	-6.8	239.4	231.4	3.5
The Gardens Mall	50.4	48.2	4.6	56.8	-11.3	107.2	100.1	7.1
Mid Valley Southkey	75.1	0.0	n.a.	80.6	-6.8	155.7	0.0	n.a.
Total	**241.0**	**160.1**	**50.5**	**261.3**	**-7.8**	**502.3**	**331.5**	**51.5**
Revenue mix (%)			**+/- ppt**		**+/- ppt**			**+/- ppt**
Mid Valley Megamall	47.9	69.9	-22.0	47.4	0.5	47.7	69.8	-22.1
The Gardens Mall	20.9	30.1	-9.2	21.7	-0.8	21.3	30.2	-8.9
Mid Valley Southkey	31.2	0.0	31.2	30.8	0.3	31.0	0.0	31.0
Total	**100.0**	**100.0**	**0.0**	**100.0**	**0.0**	**100.0**	**100.0**	**0.0**

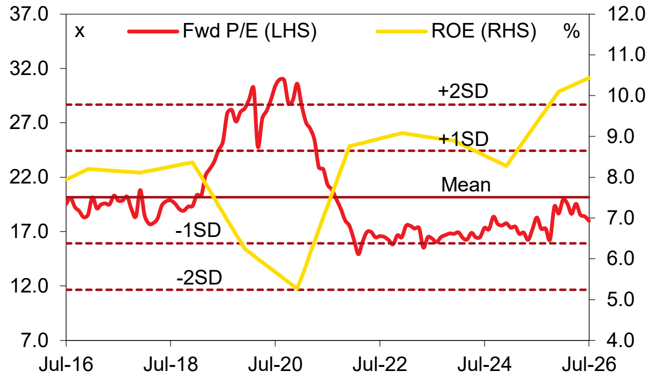
Source: IGBREIT, AmInvestment Bank Bhd.

EXHIBIT 3. 2Q26 NPI Breakdown

FYE Dec (RMmil)	2Q26	2Q25	YoY (%)	1Q26	QoQ (%)	1H26	1H25	YoY (%)
Mid Valley Megamall	89.6	87.5	2.4	100.3	-10.7	189.9	183.6	3.4
The Gardens Mall	32.2	32.4	-0.6	41.1	-21.7	73.3	69.4	5.6
Mid Valley Southkey	59.4	0.0	n.a.	65.6	-9.5	125.0	0.0	n.a.
Total	**181.2**	**119.9**	**51.1**	**207.0**	**-12.5**	**388.2**	**253.0**	**53.4**
NPI mix (%)			**+/- ppt**		**+/- ppt**			**+/- ppt**
Mid Valley Megamall	49.4	73.0	-23.5	48.5	1.0	48.9	72.6	-23.7
The Gardens Mall	17.8	27.0	-9.3	19.9	-2.1	18.9	27.4	-8.5
Mid Valley Southkey	32.8	0.0	32.8	31.7	1.1	32.2	0.0	32.2
Total	**100.0**	**100.0**	**0.0**	**100.0**	**0.0**	**100.0**	**100.0**	**0.0**
NPI margin (%)			**+/- ppt**		**+/- ppt**			**+/- ppt**
Mid Valley Megamall	77.6	78.2	-0.6	81.0	-3.4	79.3	79.3	0.0
The Gardens Mall	63.9	67.2	-3.3	72.4	-8.5	68.4	69.3	-1.0
Mid Valley Southkey	79.1	0.0	n.a.	81.4	-2.3	80.3	0.0	n.a.
Total	**75.2**	**74.9**	**0.3**	**79.2**	**-4.0**	**77.3**	**76.3**	**1.0**

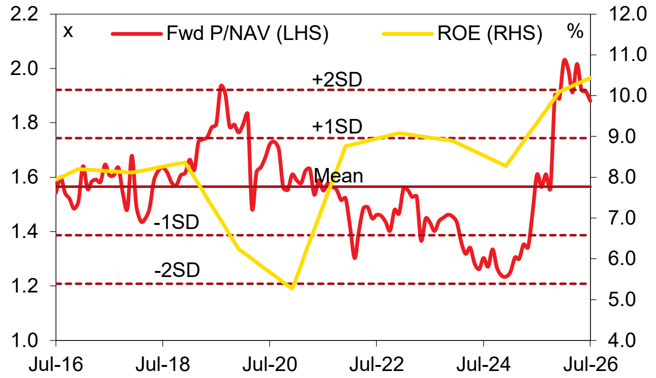
Source: IGBREIT, AmInvestment Bank Bhd.

EXHIBIT 4. 10yr forward P/E band



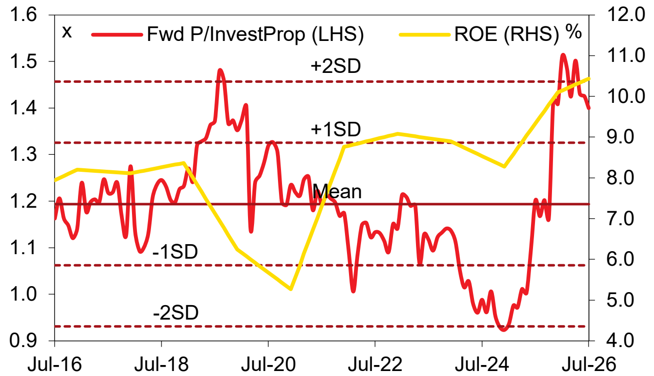
Source: AmInvestment Bank, Bloomberg

EXHIBIT 5. 10yr forward P/NAV band



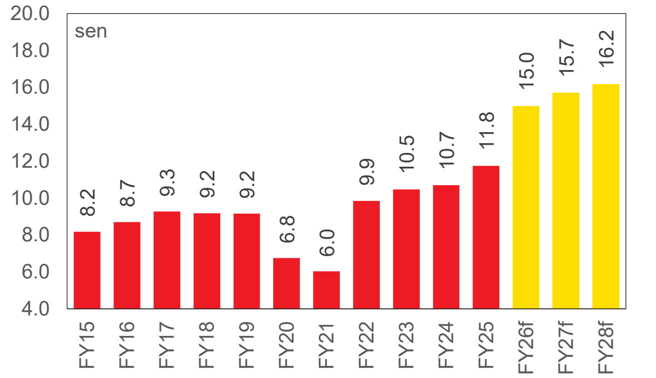
Source: AmInvestment Bank, Bloomberg

EXHIBIT 6. 10yr price-to-investment properties band



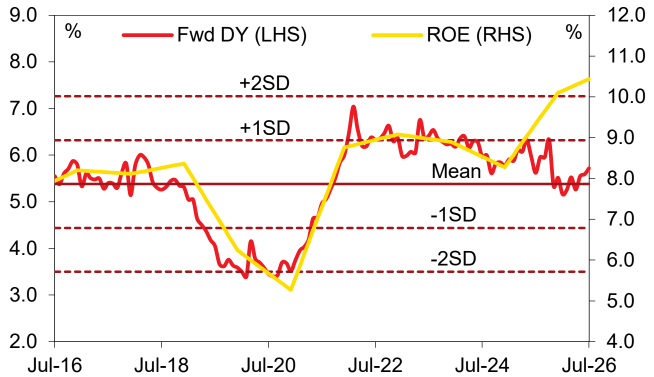
Source: AmInvestment Bank, Bloomberg

EXHIBIT 7. DPU trajectory over time



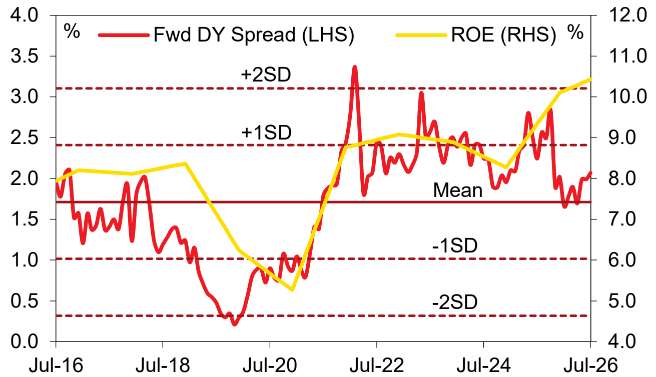
Source: AmInvestment Bank, Bloomberg

EXHIBIT 8. 10yr forward gross DY band



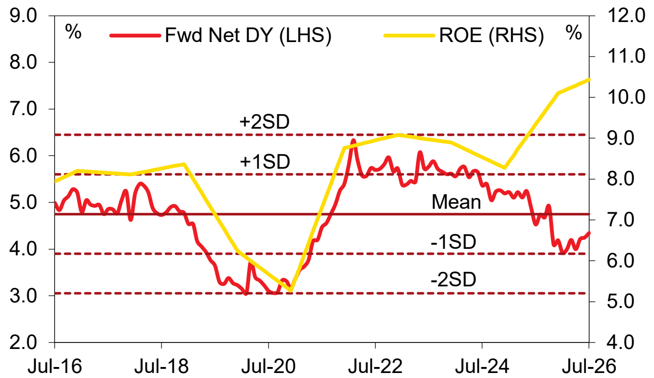
Source: AmInvestment Bank, Bloomberg

EXHIBIT 9. 10yr forward gross yield spread band



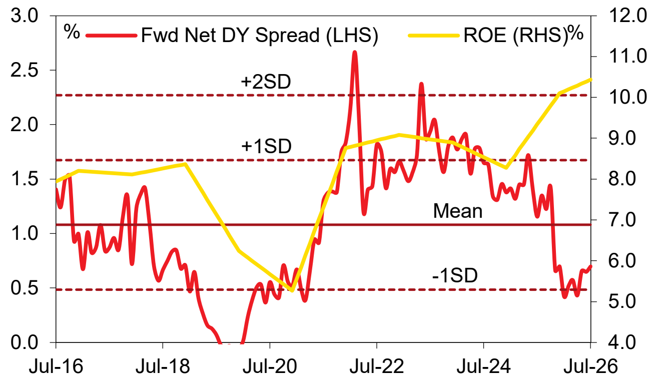
Source: AmInvestment Bank, Bloomberg

EXHIBIT 10. 10yr forward net DY band



Source: AmInvestment Bank, Bloomberg

EXHIBIT 11. 10yr forward net yield spread band



Source: AmInvestment Bank, Bloomberg

Company profile

IGBREIT is a pure-play retail REIT with footprint across KL and JB. In KV, its flagship assets: Mid Valley Megamall (1.8m sqft NLA) and The Gardens Mall (840k sqft) operate at near-full occupancy (c.99%) and they are valued at RM4.1bn and RM1.5bn, respectively. In Johor, Mid Valley Southkey Mall (1.5m sqft) mirrors this strength, with c.99% occupancy and a valuation of RM2.8bn.

As at FY25, gearing is <30%. The debt profile is predominantly fixed-rate (c.90%) with an average cost of c.4.5%, providing stability to financing cost. That said, c.55% of borrowings will mature over the next 1-2 years. Interest coverage ratio is >7x.

Investment thesis and catalysts

We like IGBREIT's portfolio of prime and dominant retail assets across the Klang Valley and Johor, located in mature, high-catchment corridors. Moreover, the REIT stands out for its execution robustness (portfolio occupancy >99% and tenant retention >85%); reflecting strong location fundamentals, effective tenant curation and asset management.

For FY26, we expect bottom-line uplift from Mid Valley Southkey's full-year contribution, alongside interest savings as c.53% of debt maturing next year is seen to be refinanced at lower rates (c.70bp).

Valuation methodology

We value IGBREIT using the Dividend Discount Model (DDM), considering it consolidates the REIT's distribution outlook, growth prospects, and risk profile into a single framework. As a sanity check, the implied yield is cross-referenced against its historical trading band to ensure the valuation is grounded and reasonable.

We derived a TP of RM3.30 and it implies gross target yield of 4.8% and a spread of 120bp vs 10yr MGS, where both are valued close to -0.5SD from their 10yr averages. The modest premium is warranted given IGBREIT's financials have strengthened, seeing that ROE and ICR have improved c.2ppt.

Risk factors

Key downside risks include:

i) Softer consumer spending and economic growth could weigh on GTO collection and moderate rental reversions.

ii) OPR hikes may drive higher borrowing costs and push up 10yr MGS yields, tightening yield spreads and pressuring valuations.

iii) Steeper-than-expected electricity costs drag on bottom-line performance.

EXHIBIT 12. Valuations

Weighted average cost of capital (WACC)	7.3%
Long-term growth rate (LTG)	2.5%
Implied yield / spread	4.8% / 120bp
FY27 DPU	15.7sen
ESG premium	-
12-month target price	RM3.30

Source: AmInvestment Bank

Financial Summary

Income Statement (RMmil)

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Gross revenue	**626.1**	**705.1**	**1,050.0**	**1,081.5**	**1,114.0**
Property opex	-170.4	-171.5	-257.2	-264.9	-272.9
Net property income	**455.7**	**533.6**	**792.8**	**816.6**	**841.1**
Property mgmt fees	-40.0	-46.0	-69.0	-71.1	-73.2
Trustee-related fees	-1.5	-1.8	-2.7	-2.7	-2.8
Other operating expenses	-0.2	0.0	0.0	0.0	0.0
Earnings b4 interest & tax	**414.0**	**485.8**	**721.1**	**742.7**	**765.0**
Interest income	8.8	8.2	10.0	9.1	7.2
Borrowing cost	-54.2	-58.5	-98.9	-85.7	-83.8
Non-operating gains/(losses)	211.1	225.0	0.0	0.0	0.0
Profit before tax	**579.8**	**660.5**	**632.2**	**666.1**	**688.4**
Taxation	0.0	0.0	0.0	0.0	0.0
Profit after tax	**579.8**	**660.5**	**632.2**	**666.1**	**688.4**
Core Profit	**368.7**	**435.5**	**632.2**	**666.1**	**688.4**
Distributable income	**395.9**	**457.4**	**664.0**	**698.9**	**722.3**

Balance Sheet (RMmil)

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Cash	258.2	305.4	358.8	245.8	232.5
Trade & other debtors	45.0	81.6	126.0	129.8	133.7
Current Assets	**303.3**	**387.0**	**484.8**	**375.6**	**366.2**
Trade & other Creditors	271.1	242.5	360.1	370.9	382.0
Short term Borrowings	15.2	18.8	1,200.0	0.0	0.0
Current Liabilities	**286.3**	**261.3**	**1,560.1**	**370.9**	**382.0**
Fixed assets	5,438.0	8,371.2	8,372.5	8,373.7	8,374.8
Other Long term assets	0.0	0.0	0.0	0.0	0.0
Long-term Assets	**5,438.0**	**8,371.2**	**8,372.5**	**8,373.7**	**8,374.8**
Total Assets	**5,741.3**	**8,758.2**	**8,857.3**	**8,749.3**	**8,741.1**
Term loans	1,199.6	2,228.8	1,047.5	2,147.5	2,147.5
Other Long term Liabilities	0.0	0.0	0.0	0.0	0.0
Long-term Liabilities	**1,199.6**	**2,228.8**	**1,047.5**	**2,147.5**	**2,147.5**
Share Capital	4,576.3	6,246.7	6,246.7	6,246.7	6,246.7
Reserves	-320.8	21.5	3.0	-15.9	-35.2
Shareholders' Funds	**4,255.4**	**6,268.2**	**6,249.7**	**6,230.9**	**6,211.5**
Total Liab & SF	**5,741.3**	**8,758.2**	**8,857.3**	**8,749.3**	**8,741.1**

Cash Flow (RMmil)

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Pretax profit	**579.8**	**660.5**	**632.2**	**666.1**	**688.4**
Working Capital	16.5	28.6	73.2	7.0	7.2
Others	-139.1	-152.9	89.7	77.4	77.4
Operating cash flows	**457.1**	**536.2**	**795.1**	**750.6**	**773.1**
Capex	-1.0	-0.7	-2.0	-2.0	-2.0
Enchancement exp.	-33.2	-32.4	0.0	0.0	0.0
Others	8.0	-1,023.2	10.0	9.1	7.2
Investing cash flows	**-26.2**	**-1,056.3**	**8.0**	**7.1**	**5.2**
Issue of shares	0.0	0.0	0.0	0.0	0.0
Dividend paid	-393.5	-408.6	-650.7	-684.9	-707.8
Borrowings	0.0	1,030.0	0.0	-100.0	0.0
Others	-54.0	-55.8	-98.9	-85.7	-83.8
Financing cash flow	**-447.6**	**565.6**	**-749.6**	**-870.6**	**-791.6**
Net inflows/(outflows)	**-16.7**	**45.5**	**53.4**	**-113.0**	**-13.3**

Key Ratios

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Revenue growth (%)	3.6	12.6	48.9	3.0	3.0
NPI growth (%)	1.7	17.1	48.6	3.0	3.0
Core profit growth (%)	2.7	18.1	45.2	5.4	3.4
NPI margin (%)	72.8	75.7	75.5	75.5	75.5
Core profit margin (%)	58.9	61.8	60.2	61.6	61.8
DPU payout (%)	97.7	97.6	98.0	98.0	98.0
Interest coverage ratio (x)	7.6	8.3	7.3	8.7	9.1
Gearing (%)	21.2	25.7	25.4	24.5	24.6

Source: Company, AmInvestment Bank Bhd.

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