IGB REIT

(IGBREIT MK EQUITY, IGRE.KL)

BUY

(MAINTAINED)

Price: RM2.72

Target Price (% return): RM3.05 (18%)

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

REITs

Rationale for report: Company Result

Still bustling

All 3 IGBREIT malls are bustling in 3Q26, with tenant sales rising across the board: (i) luxury spending made a comeback at Gardens, (ii) Southkey gained traction, while (iii) Megamall chugged along steadily. Adding to the appeal, IGBREIT could be included into the proposed FBMKLCI expansion to 50 constituents (c.1% weight); this acts as a positive catalyst over the shorter-term as well.

- **Maintain BUY with DDM-TP of RM3.05;** it implies gross target yield of 5.1% and a spread of 120bp vs 10yr MGS, where both are valued close to -0.5SD from their 10yr mean. The slight premium is warranted given IGBREIT's stronger financial profile, with ROE and ICR improving c.2ppt. We continue to favour IGBREIT for its strong execution track record.
- **Within expectations.** 3Q26 distributable income came in at RM156mil (+52% YoY, +2% QoQ), lifting 9M26 to RM486mil (+49% YoY); this makes up 73%/75% of our/consensus FY26 estimates. The quarter was resilient, backed by continued organic top-line growth of 1-7%. That said, higher electricity and maintenance costs weighed on NPI margins by c.1ppt. On a separate note, DPU expansion was slower at 27% YoY to 3.5sen due to MV Southkey acquisition-related unit dilution. Overall, we retain FY26-28 forecasts.
- **Demand stays firm.** Notably, Gardens' average gross monthly rent rose 6% YoY/2% QoQ to RM16.96psf in 3Q26, supported by a recovery in luxury spending after last year's lull; however, occupancy here dipped 2ppt sequentially to 97%. Meanwhile, Megamall and Southkey continued to chug along, with both their occupancies holding firm at c.99% and rental rates strengthened by 4-8% YTD. Against this backdrop, IGBREIT maintained its blended mid-single-digit rental reversion guidance for FY26. Separately, there are no major AEIs being planned at the moment.
- **Defensive debt profile.** We view IGBREIT's debt structure positively, seeing that 91% of its borrowings are on fixed rates, providing a strong buffer against interest rate volatility; indeed, financing costs edged up just 1% QoQ. Ahead of the RM1.2bil MTN maturity in 3Q27, management continues to favour locking in long-term rates. That said, we believe IGBREIT has some flexibility should yields stay elevated, including tapping shorter-term instruments while awaiting more favourable refinancing conditions.

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 core profit (RM mil)		608.5	632.5	654.6
DPU (sen)	11.8	15.0	15.7	16.2
PE (x)	27.0	18.7	17.8	17.3
P/NAV (x)	1.9	1.9	1.9	1.9
Div yield (%)	4.3	5.5	5.8	5.9
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)

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Key Changes

Target Price:	⇔
EPS:	⇔

Stock and Financial Data

Shares Outstanding (million)	4,331.8
Market Cap (RMmil)	11,730.9
NAV (RM/Share)	1.43
P/NAV (x)	1.9
ROE (%)	10.7
Gearing (%)	24.5
Free Float	43.8
Avg Daily Value (RMmil)	7.4

Major Shareholders

IGB	(40.0%)
EPF	(10.4%)
IGB Corp	(5.7%)

Price performance	3mth	6mth	12mth
Absolute(%)	(1.4)	(6.5)	0.7
Relative(%)	4.9	(0.4)	0.7

Source: IGB REIT, AmInvestment Bank Bhd.

Price Chart

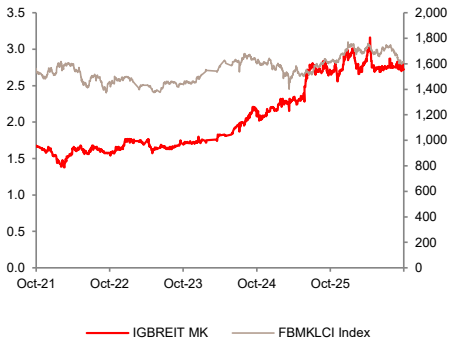


EXHIBIT 1. 3Q26 Results Summary

FYE Dec (RMmil)	3Q26	3Q25	YoY (%)	2Q26	QoQ (%)	9M26	9M25	YoY (%)
Revenue	249.3	165.2	50.9	241.0	3.5	751.6	496.7	51.3
Opex	-64.1	-40.3	59.1	-59.8	7.2	-178.2	-118.8	49.9
Net property income	**185.2**	**124.9**	**48.3**	**181.2**	**2.3**	**573.4**	**377.9**	**51.7**
Management & trustee fees	-17.9	-10.8	66.0	-17.1	5.1	-53.7	-32.8	63.9
Others	0.0	0.0	nm	0.0	nm	0.0	0.0	nm
EBIT	**167.3**	**114.1**	**46.6**	**164.1**	**2.0**	**519.8**	**345.1**	**50.6**
Net interest costs	-20.2	-11.5	75.5	-20.2	0.3	-60.8	-34.1	78.1
Exceptionals	-2.9	-7.0	-57.9	-4.6	-37.0	-12.8	-16.3	-21.7
Pre-tax profit	**144.2**	**95.6**	**50.8**	**139.3**	**3.5**	**446.2**	**294.7**	**51.4**
Tax & minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit	**144.2**	**95.6**	**50.8**	**139.3**	**3.5**	**446.2**	**294.7**	**51.4**
Core Profit	**147.1**	**102.6**	**43.4**	**143.9**	**2.2**	**459.0**	**311.0**	**47.6**
Distributable Income	**156.1**	**102.8**	**51.8**	**152.7**	**2.2**	**486.1**	**325.5**	**49.3**
Core EPU (sen)	**3.4**	**2.8**	**20.0**	**3.3**	**2.1**	**10.6**	**8.6**	**23.5**
DPU (sen)	**3.5**	**2.8**	**26.7**	**3.4**	**2.0**	**11.0**	**8.8**	**24.7**
NAV/share (RM)	**1.45**	**1.17**	**23.7**	**1.45**	**0.0**	**1.45**	**1.17**	**23.7**
Margins (%)			**+/- ppt**		**+/- ppt**			**+/- ppt**
NPI	74.3	75.6	-1.3	75.2	-0.9	76.3	76.1	0.2
EBIT	67.1	69.1	-2.0	68.1	-1.0	69.2	69.5	-0.3
PBT	57.8	57.9	-0.1	57.8	0.0	59.4	59.3	0.0
Core Profit	59.0	62.1	-3.1	59.7	-0.7	61.1	62.6	-1.5
Distributable Income	62.6	62.2	0.3	63.4	-0.8	64.7	65.5	-0.9

Source: IGBREIT, AmInvestment Bank Bhd.

EXHIBIT 2. 3Q26 Revenue Breakdown

FYE Dec (RMmil)	3Q26	3Q25	YoY (%)	2Q26	QoQ (%)	9M26	9M25	YoY (%)
Mid Valley Megamall	116.9	114.1	2.4	115.5	1.2	356.3	345.5	3.1
The Gardens Mall	53.7	51.1	5.1	50.4	6.6	160.9	151.2	6.4
Mid Valley Southkey	78.8	0.0	nm	75.1	4.9	234.5	0.0	nm
Total	**249.3**	**165.2**	**50.9**	**241.0**	**3.5**	**751.6**	**496.7**	**51.3**
Revenue mix (%)			**+/- ppt**		**+/- ppt**			**+/- ppt**
Mid Valley Megamall	46.9	69.1	-22.2	47.9	-1.1	47.4	69.6	-22.2
The Gardens Mall	21.5	30.9	-9.4	20.9	0.6	21.4	30.4	-9.0
Mid Valley Southkey	31.6	0.0	31.6	31.2	0.4	31.2	0.0	31.2
Total	**100.0**	**100.0**	**0.0**	**100.0**	**0.0**	**100.0**	**100.0**	**0.0**

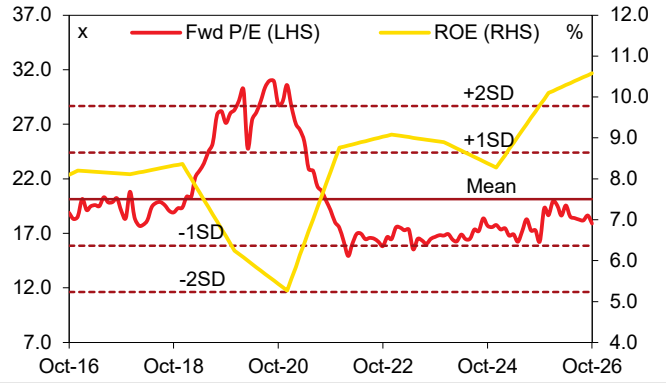
Source: IGBREIT, AmInvestment Bank Bhd.

EXHIBIT 3. 3Q26 NPI Breakdown

FYE Dec (RMmil)	3Q26	3Q25	YoY (%)	2Q26	QoQ (%)	9M26	9M25	YoY (%)
Mid Valley Megamall	89.9	89.4	0.5	89.6	0.3	279.8	273.0	2.5
The Gardens Mall	33.4	35.5	-5.9	32.2	3.8	106.7	104.9	1.7
Mid Valley Southkey	62.0	0.0	nm	59.4	4.3	187.0	0.0	nm
Total	**185.2**	**124.9**	**48.3**	**181.2**	**2.2**	**573.4**	**377.9**	**51.7**
NPI mix (%)			**+/- ppt**		**+/- ppt**			**+/- ppt**
Mid Valley Megamall	48.5	71.6	-23.1	49.4	-0.9	48.8	72.2	-23.5
The Gardens Mall	18.0	28.4	-10.4	17.8	0.3	18.6	27.8	-9.1
Mid Valley Southkey	33.4	0.0	33.4	32.8	0.7	32.6	0.0	32.6
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	76.9	78.4	-1.5	77.6	-0.7	78.5	79.0	-0.5
The Gardens Mall	62.2	69.5	-7.3	63.9	-1.7	66.3	69.4	-3.1
Mid Valley Southkey	78.7	0.0	nm	79.1	-0.4	79.7	0.0.	nm
Total	**74.3**	**75.6**	**-1.3**	**75.2**	**-0.9**	**76.3**	**76.1**	**0.2**

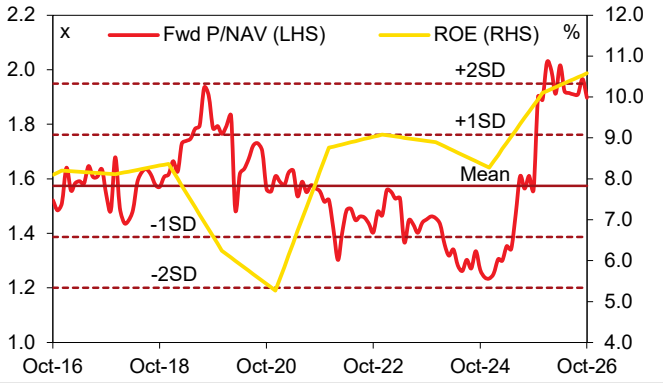
Source: IGBREIT, AmInvestment Bank Bhd.

EXHIBIT 4. 10yr forward P/E band



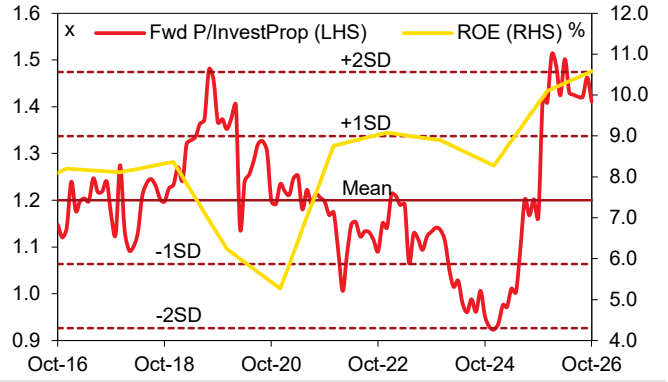
Source: AmInvestment Bank, Bloomberg

EXHIBIT 5. 10yr forward P/NAV band



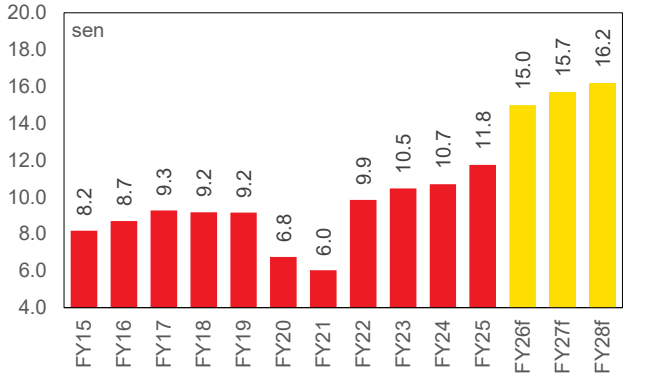
Source: AmInvestment Bank, Bloomberg

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



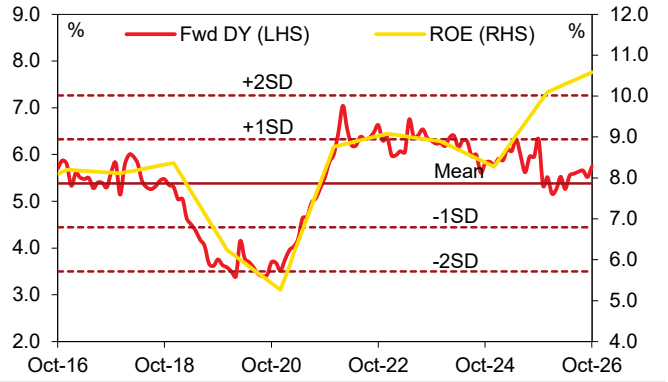
Source: AmInvestment Bank, Bloomberg

EXHIBIT 7. DPU trajectory over time



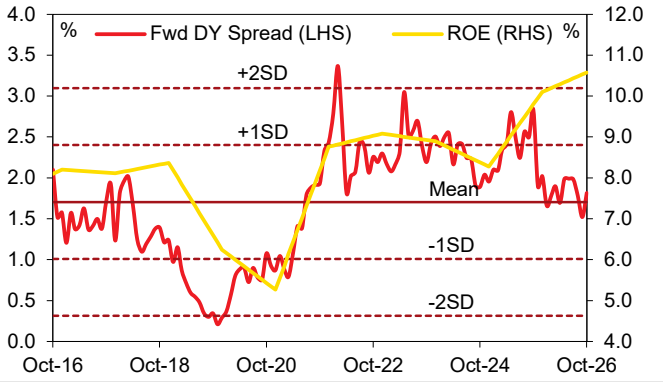
Source: AmInvestment Bank, Bloomberg

EXHIBIT 8. 10yr forward gross DY band



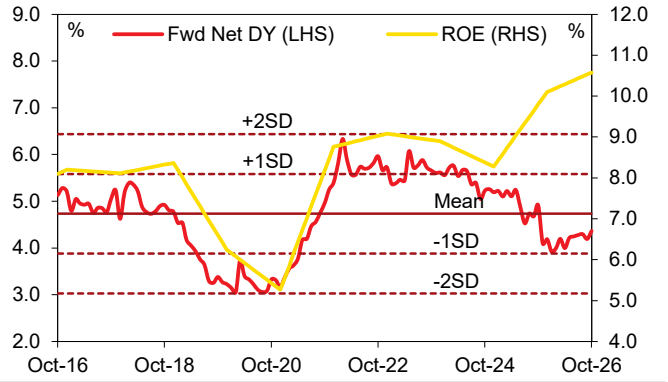
Source: AmInvestment Bank, Bloomberg

EXHIBIT 9. 10yr forward gross yield spread band



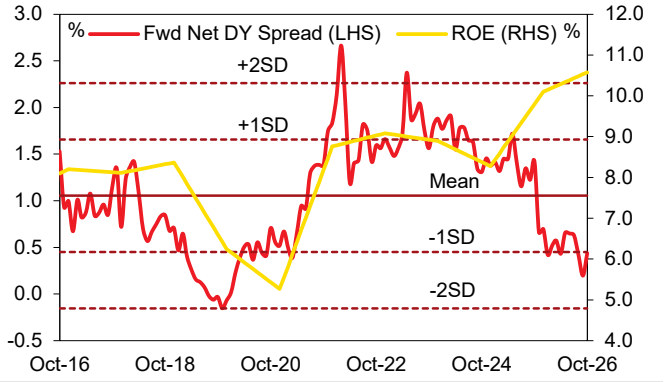
Source: AmInvestment Bank, Bloomberg

EXHIBIT 10. 10yr forward net DY band



Source: AmInvestment Bank, Bloomberg

EXHIBIT 11. 10yr forward net yield spread band



Source: AmInvestment Bank, Bloomberg

EXHIBIT 12. Valuations

Weighted average cost of capital (WACC)	7.6%
Long-term growth rate (LTG)	2.5%
Implied yield / spread	5.1% / 120bp
FY27 DPU	15.7sen
ESG premium	-
12-month target price	RM3.05

Source: AmInvestment Bank

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 >95% 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. Separately, we view IGBREIT's debt structure positively, seeing that 91% of its borrowings are on fixed rates; this provides a strong buffer against interest rate volatility. Ahead of the RM1.2bil MTN maturity in 3Q27, IGBREIT still favours locking in long-term rates. That said, we believe IGBREIT has some flexibility should yields stay high, including tapping shorter-term instruments while awaiting more favourable refinancing conditions.

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 RM3.05 and it implies gross target yield of 5.1% and a spread of 120bp vs 10yr MGS, where both are valued close to -0.5SD from their 10yr averages. The modest premium is fair given IGBREIT's stronger financial profile; ROE and ICR improving 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.

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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