REITS

Company Report

IGB REIT

(IGBREIT MK EQUITY, IGRE.KL)

23 Oct 2025

Mall occupancy and operating expenses remained stable overall

HOLD

(Maintained)

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Rationale for report: Company results

Price	**RM2.64**
Fair Value	**RM2.81**
52-week High/Low	RM2.86/RM2.00

Key Changes

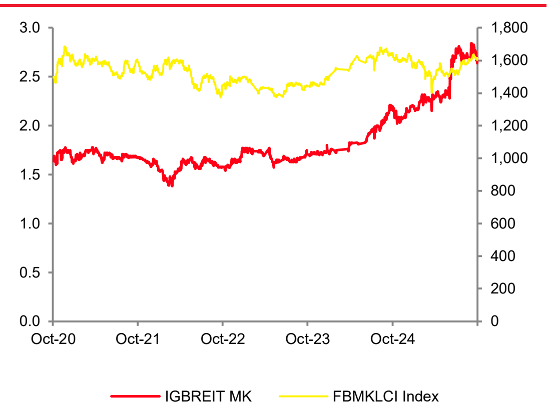
Fair value	⇔
EPS	⇔

YE to Dec	FY24	FY25F	FY26F	FY27F
Gross Revenue (RM mil)	626.1	713.8	1003.2	1029.9
Distributable Income (RM mil)	395.9	457.0	608.3	626.5
EPU (sen)	11.0	12.6	14.0	14.3
Consensus Net Income (RM mil)	-	404.6	423.8	
DPU (sen)	10.7	12.2	13.6	13.9
DPU growth (%)	2.2	14.1	11.2	2.5
Distribution yield (%)	4.1	4.6	5.1	5.3
PE (x)	24.1	21.0	18.9	18.4
EV/EBITDA (x)	20.3	25.1	19.8	19.3
ROE (%)	9.3	10.7	10.2	10.5
Debt-to-Asset Ratio (%)	21.2	24.1	28.4	28.3

Stock and Financial Data

Shares Outstanding (million)	3,623.9
Market Cap (RMmil)	9,567.1
Book Value (RM/Share)	1.18
P/BV (x)	2.2
ROE (%)	9.3
Net Gearing (%)	21.2
Major Shareholders	IGB Berhad (47.9%)
	EPF (11.1%)
	KWAP (6.9%)
Free Float	33.4
Avg Daily Value (RMmil)	7.0

Price performance	3mth	6mth	12mth
Absolute (%)	(3.7)	14.8	20.0
Relative (%)	(8.7)	6.4	23.0



Investment Highlights

We maintain our HOLD call on IGB REIT with an unchanged TP of RM2.81, following a downgrade from BUY in July 2025. The share price has risen 15.8% since the announcement of the Mid Valley Southkey Mall acquisition, indicating the market has largely priced in the asset injection. At the current valuation of 1.92x FY26F NAV (RM1.37/unit), upside appears limited. The rally has also compressed the FY26F distribution yield to 5.1% from 6.0%, narrowing the spread over the 10-year MGS to 163bps.

- **Recommendation and Valuation**. We maintain our HOLD rating on IGB REIT with an unchanged TP of RM2.81, as the market has largely priced in the potential uplift from the Mid Valley Southkey Mall acquisition, limiting further upside. Our DDM-based valuation uses a 7.9% WACC, 4.5% cost of debt, 0.7 beta, and a 2.5% long-term growth rate. Both our earnings forecast and 3-star ESG rating remain unchanged.

- **9MFY25 distributional income within expectations with higher revenue and net property income in 3QFY25.** For the first nine months of FY25, distributional income rose 9.8% YoY to RM311 million, accounting for 68.1% of our full-year projection and 76.8% of the consensus estimate. The increase was mainly supported by a 6.2% YoY growth in gross revenue. Property operating expenses remained largely stable, with a modest 0.9% YoY decline, resulting in an 8.6% YoY improvement in net property income (NPI) to RM377.9 million. On a quarterly basis, distributional income declined slightly by 2% to RM102.6 million, due to lower distribution adjustments. This was attributed to the manager's fees being paid fully in cash during 3QFY25, compared to partial payment via units in 2QFY25.

- **Occupancy rates remained strong at 99.8% for Mid Valley Megamall (MVM) and 98.6% for The Gardens Mall (TGM).** TGM's occupancy dipped slightly to 98.6% in 3QFY25 from 99.9% in the prior quarter due to ongoing renovations, with recovery expected ahead. Management maintains a mid-single-digit rental reversion outlook for FY25. Average gross monthly rent at MVM was RM18.55 psf (vs. RM18.72 psf in 2QFY25), while TGM recorded RM15.90 psf, down from RM16.20 psf.

- **4QFY25 distributional income is expected to improve, driven by a one-month rental contribution from Mid Valley Southkey Mall following its acquisition completion.** The Sale and Purchase Agreement (SPA) for the mall has become unconditional, and the transaction is anticipated to be finalized by the end of November 2025. As a result, rental income will begin contributing in 4QFY25, with full-quarter rental contributions expected from 1QFY26 onwards. Gearing stood at a healthy 23% as of end-3QFY25, but is projected to rise to 28.4% to accommodate funding for the Mid Valley Southkey Mall acquisition.

Company profile

IGB REIT currently owns two retail assets: Mid Valley Megamall (MVM) and The Gardens Mall (TGM), with net lettable areas (NLA) of 1.78 million sq ft and 873,076 sq ft, respectively. A third asset, Mid Valley Southkey Mall in Johor, is pending acquisition completion by end-November 2025, and will add 1.55 million sq ft of NLA to the portfolio.

Investment thesis and catalysts

We maintain our HOLD call on IGB REIT with an unchanged TP of RM2.81, as the potential uplift in distribution income from the Mid Valley Southkey Mall acquisition has already been priced in. Following the share price rally, the FY26F distribution yield has compressed to 5.1%, down from 6.0% previously.

Valuation methodology

The stock is valued using the Dividend Discount Model (DDM), applying a 7.9% WACC, which incorporates a beta of 0.7, a 7.4% market risk premium, a 4.5% pre-tax cost of debt, and a 2.5% long-term growth rate.

Risk factors

Key risks to our outlook include a potential spike in the 10-year MGS yield due to persistent high US interest rates post-election, which may narrow the distribution yield spread and dampen investor interest in the REIT. Additionally, weaker consumer spending stemming from slower economic growth and subsidy cuts could negatively affect rental reversion and occupancy rates across the malls.

EXHIBIT 1: RESULTS SUMMARY

RM mil	3QFY24	2QFY25	3QFY25	QoQ (%)	YoY (%)	9MFY24	9MFY25	YoY (%)
Gross revenue	**155.3**	**160.1**	**165.2**	**3.2**	**6.4**	**467.8**	**496.7**	**6.2**
Property Operating Expenses	(41.2)	(40.2)	(40.3)	**0.1**	**(2.1)**	(120.0)	(118.8)	**(0.9)**
Net property income	**114.1**	**119.9**	**124.9**	**4.2**	**9.5**	**347.8**	**377.9**	**8.6**
Net fair value changes on investment properties	(13.1)	(5.3)	(7.0)	**30.8**	**(47.0)**	(22.5)	(16.3)	**(27.4)**
Interest income	2.3	2.1	2.1	**(1.8)**	**(9.4)**	6.7	6.3	**(6.4)**
Net investment income	**103.3**	**116.7**	**120.0**	**2.9**	**16.2**	**332.1**	**367.9**	**10.8**
Manager's management fees	(9.9)	(10.1)	(10.5)	**4.1**	**6.7**	(29.7)	(31.7)	**6.8**
Trustees' fees	(0.1)	(0.1)	(0.1)	**0.0**	**(1.2)**	(0.2)	(0.2)	**(0.4)**
Other trust expenses	(0.2)	(0.5)	(0.2)	**(61.5)**	**19.6**	(0.8)	(0.8)	**(5.7)**
Finance costs	(13.6)	(13.5)	(13.6)	**1.1**	**0.0**	(40.6)	(40.4)	**(0.4)**
Profit before Tax	**79.6**	**92.5**	**95.6**	**3.4**	**20.2**	**260.7**	**294.7**	**13.0**
Taxation	0.0	0.0	0.0	**n.m.**	**n.m.**	0.0	0.0	**n.m.**
Net Income	**79.6**	**92.5**	**95.6**	**3.4**	**20.2**	**260.7**	**294.7**	**13.0**
Distribution adj	19.8	12.1	7.0	**(42.7)**	**(64.9)**	22.5	16.3	**(27.4)**
Distributable income	**99.4**	**104.6**	**102.6**	**(2.0)**	**3.2**	**283.2**	**311.0**	**9.8**
Distribution:								
EPU (Sen)	2.2	2.6	2.6	**3.1**	**19.5**	7.2	8.2	**12.7**
Declared DPU (Sen)	2.7	2.8	2.8	**(1.8)**	**3.4**	8.2	8.8	**7.7**
NAV/unit	1.1	1.2	1.2	**(0.0)**	**5.4**	1.1	1.2	**5.4**
Weighted avg units in issue ('Mil)	3,607.8	3,619.0	3,620.3	**0.0**	**0.3**	3,607.8	3,620.3	**0.3**
Margin:								
Net property income margin (%)	73.5	74.9	75.6	**1.0**	**2.9**	74.4	76.1	**1.7**
PBT margin (%)	51.2	57.8	57.9	**0.2**	**12.9**	55.7	59.3	**3.6**
Net Interest coverage (x)	8.0	9.2	9.3	**1.5**	**15.7**	8.7	9.6	**10.7**
Debt/Asset ratio (%)	21.9	21.1	22.9	**8.4**	**4.7**	21.9	22.9	**4.7**

Source: Company, AmInvestment Bank

EXHIBIT 2: VALUATION: IGB REIT

WACC	7.9%
Weighted Cost of Equity	7.0%
Weighted Average Cost of Debt	0.9%
Market risk premium	7.4%
Beta	0.7
Long term growth rate	2.5%
ESG Premium	0%
12-month target price	RM2.81

Source: AmInvestment Bank

EXHIBIT 3: DIVIDEND DISCOUNT MODEL (DDM)

Assumption for Weighted Average Cost of Capital (WACC)						
Risk Free Rate (10-year MGS)	3.6%					
Beta	0.7					
Market Return	11.0%					
Cost of Equity (Ke)	**8.7%**					
Average Cost of Debt	**4.5%**					
Capital Structure: (RM Mil)						
Market Cap	9,916.5	79.9%				
Total Borrowing	2,497.7	20.1%				
Total	12,414.2	100.0%				
Weighted Average Cost of Capital (WACC):	**Weight**	**Cost**	**W X C**			
Cost of Equity (Ke)	79.9%	8.7%	7.0%			
Average Cost of Debt	20.1%	4.5%	0.9%			
WACC			**7.9%**			
Multi-Stage DDM	**2025**	**2026**	**2027**	**2028**	**2029**	**Terminal Value**
Period	**1**	**2**	**3**	**4**	**5**	
Dividends (RM)	0.12	0.16	0.17	0.17	0.18	3.17
Present Value (RM)	0.11	0.14	0.13	0.13	0.12	2.17
Valuation	**2.81**					
Rate of Return (%)	7.9%					
Terminal Growth Rate (%)	2.5%					

Source: Company, AmInvestment Bank

EXHIBIT 4: ESG MATRIX

Environmental assessment	Parameters	Weightage	Rating					Rationale
Scope 1 GHG Emissions	Revenue/Co2e	25%	*	*	*			In line with industry average
Scope 2 GHG Emissions	Revenue/Co2e	25%	*	*	*			In line with industry average
Water usage	Revenue/water consumption	25%	*	*	*			Increased 8.3% to 659.6 megalites in FY24
Energy usage	Revenue/energy consumption	25%	*	*	*			Increased 2.2% to 60,729 kWh in FY24
Weighted score for environmental assessment		**100%**	*	*	*			
Social assessment								
Health, safety & well-being	Recorded injuries	25%	*	*	*	*	*	0 in FY24, FY23
Women in workforce	% of total workforce in management	25%	*	*				48.54% in executive and senior management & 23.23% in non-executives
Investment in employee training	Average number of hours of training per year per employee trained	25%	*	*				33 hours in FY24 from 17.7 hours in FY23
Procurement sourcing from local vendors	% of total procurement	25%	*	*	*	*	*	99.83%
Weighted score for social assessment		**100%**	*	*	*	*		
Governance assessment								
Board age diversity	% under 60 years old	20%	*	*				29%
Board women representation	% of total board directors	20%	*	*	*			43% representation
Directors with tenure below 6 years	% below 6 years category	20%	*	*	*			67%
Independent board directors	% of total board directors	20%	*	*	*			43% - independent non-exec
Remuneration to directors	% of total staff costs	20%	*	*	*			
Weighted score for governance assessment		**100%**	*	*	*			
Environmental score		40%	*	*	*			
Social score		30%	*	*	*	*		
Governance score		30%	*	*	*			
Overall ESG Score		**100%**	*	*	*			

Source: Company, AmInvestment Bank

EXHIBIT 5: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Gross Revenue	**604.3**	**626.1**	**713.8**	**1003.2**	**1029.9**
Property operating expenses	(156.4)	(170.4)	(161.8)	(238.4)	(245.1)
Net Property Income (NPI)	**447.9**	**455.7**	**551.9**	**764.8**	**784.8**
Net Investment income	601.0	657.9	545.5	754.5	774.3
Net interest	(48.6)	(45.3)	(48.1)	(84.3)	(84.4)
Pretax profit	**517.6**	**579.8**	**457.0**	**608.3**	**626.5**
Taxation	nil	nil	nil	nil	nil
Minorities/pref dividends	nil	nil	nil	nil	nil
Net Income	**517.6**	**579.8**	**457.0**	**608.3**	**626.5**
Distributable Income	**385.8**	**395.9**	**457.0**	**608.3**	**626.5**
Core net profit	385.8	395.9	457.0	608.3	626.5

Balance Sheet (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Plant and equipment	2.1	2.0	1.7	1.8	1.9
Investment Properties	5,186.0	5,436.1	5,436.1	8,112.6	8,112.6
Total non-current assets	**5,188.1**	**5,438.0**	**5,437.7**	**8,114.4**	**8,114.4**
Cash & Bank balances	274.0	258.2	489.2	615.6	644.6
Trade receivables	42.8	45.0	45.4	63.9	65.4
Total current assets	**316.9**	**303.3**	**534.7**	**679.4**	**710.0**
Trade payables	253.7	271.1	264.5	390.2	400.0
Short-term borrowings	15.2	15.2	15.2	15.2	15.2
Total current liabilities	**268.9**	**286.3**	**279.7**	**405.4**	**415.2**
Long-term borrowings	1,199.4	1,199.6	1,423.5	2,482.5	2,482.5
Total long-term liabilities	**1,199.4**	**1,199.6**	**1,423.5**	**2,439.6**	**2,441.6**
Total Unitholders' funds	**4,036.6**	**4,255.4**	**4,269.2**	**5,948.8**	**5,967.6**
Minority interests	nil	nil	nil	nil	nil
NAV per unit (RM)	1.1	1.2	1.2	1.4	1.4

Cash Flow (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Pretax profit	517.6	579.8	457.0	608.3	626.5
Depreciation/Amortisation	1.4	0.7	0.6	0.6	0.6
Net change in working capital	9.0	15.1	(7.0)	107.2	8.4
Others	(94.5)	45.3	48.1	84.3	84.4
Cash flow from operations	**433.5**	**640.9**	**498.7**	**800.5**	**719.8**
Capital expenditure	(1.4)	(0.4)	(0.5)	(0.7)	(0.7)
Net investments & sale of fixed assets	nil	nil	nil	nil	nil
Others	5.4	8.8	6.4	10.3	10.5
Cash flow from investing	**3.9**	**8.4**	**6.0**	**9.6**	**9.8**
Debt raised/(repaid)	nil	nil	nil	nil	nil
Equity raised/(repaid)	nil	nil	nil	nil	nil
Dividends paid	(367.9)	(386.8)	(443.2)	(590.1)	(607.7)
Others	(53.9)	(54.2)	(54.6)	(94.6)	(94.9)
Cash flow from financing	**(421.8)**	**(441.0)**	**(497.8)**	**(683.7)**	**(700.6)**
Net cash flow	**15.6**	**208.3**	**6.9**	**126.4**	**29.1**
Net cash/(debt) b/f	258.4	274.0	482.3	489.2	615.6
Net cash/(debt) c/f	**274.0**	**482.3**	**489.2**	**615.6**	**644.6**

Key Ratios (YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Revenue growth (%)	8.6	3.6	14.0	40.5	2.7
Net Property Income growth (%)	6.6	1.7	21.1	38.6	2.6
Pretax margin (%)	85.7	92.6	64.0	60.6	60.8
Distribution income margin (%)	63.8	63.2	64.0	60.6	60.8
Interest cover (x)	9.4	9.8	8.2	6.5	6.6
DPU payout (%)	97.1	97.0	97.0	97.0	97.0
Receivable turnover (days)	23.2	23.2	23.2	23.2	23.2
Inventory turnover (days)	nil	nil	nil	nil	nil
Payable turnover (days)	594.2	601.3	596.6	597.4	597.4

Source: Company, AmInvestment Bank Bhd estimates

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