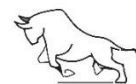


IGB REIT

(5227 | IGBREIT MK) Main | REIT



Upgrade to BUY

Revised Target Price **RM2.48** (from RM2.22)

Corporate Update

Acquisition of Mid Valley Southkey Mall in Johor

Acquisition of Mid Valley Southkey Mall. IGB REIT announced that it is acquiring Mid Valley Southkey Mall in Johor from Southkey Megamall Sdn Bhd (SMSB) for a purchase consideration of RM2.65b. The vendor – SMSB is a 70% indirect subsidiary of IGB Berhad and hence the proposed acquisition is deemed a related partly transaction. The purchase consideration is to be satisfied via a combination of cash consideration of RM1b and issuance of new units in IGB REIT for the balance of purchase consideration of RM1.65b. The proposed acquisition is expected to be completed in 4QFY25.

Expanding geographic footprint to Johor. Mid Valley Southkey Mall form parts of an integrated mixed commercial development known as Mid Valley Southkey, located in Johor Bahru. The proposed acquisition is IGB REIT’s first asset acquisition in Johor, diversifying its property exposure from Klang Valley. Currently IGB REIT owns two assets under its portfolio namely Mid Valley Megamall and The Gardens Mall. Mid Valley Southkey Mall has NLA of 1.53m sf and occupancy rate of 94.98%. The acquisition price of RM2.65b is in line with its market value of RM2.65b.

A yield accretive acquisition. We view the acquisition positively as it is a yield accretive acquisition. Mid Valley Southkey Mall generated RM268.7m revenue in FY24 which translates into decent gross yield of 10%. Meanwhile, net property income (NPI) yield is at 7.2% which is more than enough to offset the blended interest rate of 3.85%. The proposed acquisition is expected to increase net distributable income by RM147m or DPU by 1.61sen after considering of enlarged unit base post-acquisition. Meanwhile, gearing is expected to increase to 26.5x from 21.16x in FY24 after the proposed acquisition which we deem still healthy.

Upgrade to BUY with a revised TP of RM2.48. We make no changes to FY25 earnings forecast as the proposed acquisition is expected to complete in 4QFY25. We revise FY26/27 earnings and earnings per unit (EPU) forecast by +36%/+37% and +13.9%/+14.8% respectively. We also revise DPU for FY26/27 by +12.5%/+13.4%. Correspondingly, our DDM-derived TP for IGB REIT is revised to RM2.48 from RM2.22. We upgrade IGB REIT to **BUY** from NEUTRAL as the proposed acquisition improves earnings visibility beyond FY26 on top of the resilient income from Mid Valley Megamall and The Gardens Mall. Distribution yield is estimated 4.3% and 4.9% for FY25 and FY26 respectively.

RETURN STATISTICS

Price @ 24 June 2025 (RM)	2.28
Expected share price return (%)	+8.8
Expected dividend yield (%)	+4.3
Expected total return (%)	+13.1

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.4	0.9
3months	1.3	0.0
12 months	24.6	30.4

INVESTMENT STATISTICS

FYE Dec	2025E	2026F	2027F
Revenue	643	928	948
Operating Profit	482	678	694
PBT	493	691	709
Core Net Income	386	534	548
Core EPU (sen)	10.69	12.35	12.68
Net DPU (sen)	9.78	11.18	11.48
Dividend Yield	4.3%	4.9%	5.03%

KEY STATISTICS

FBM KLCI	1,514.29
Issue shares (m)	3,615.39
Estimated free float (%)	44.22
Market Capitalisation (RM'm)	8,257
52-wk price range	RM1.81 – RM2.45
3-mth average daily volume (m)	2.59
3-mth average daily value (RM'm)	5.98
Top Shareholders (%)	
IGB Berhad	47.87
EPF	10.35
KWAP	6.89

Analyst

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FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F	Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	604	626	643	928	948	Cash flows from operating activities					
Operating Profit	448	456	482	678	694	Net income before taxation	518	580	386	534	548
PBT	612	676	493	691	709	Net cash from operating activities	433	460	511	655	742
Net Income	518	580	386	535	550	Cash flows from investing activities					
Core Net Income	359	369	386	534	548	Interest received	5	9	7	8	9
Core EPU (sen)	10.0	10.2	10.7	12.4	12.7	Net cash used in investing activities	-27	-30	-1026	-4	-3
Core PER (x)	22.9	22.4	21.3	18.5	18.0	Cash flows from financing activities					
NAV/unit (RM)	1.12	1.18	1.17	1.37	1.38	Net cash from/(used in) financing activities	-422	-448	649	-644	-717
P/NAV (x)	2.03	1.94	1.94	1.66	1.65	Net increase/(decrease) in cash and cash equivalents	-15	-17	134	8	22
Balance Sheet (RM'm)	2023A	2024A	2025E	2026F	2027F	Cash and cash equivalent at 1 January	258	243	226	360	368
Investment Properties	5,186	5,436	5,463	8,141	8,181	Cash and cash equivalent at 1 December	243	226	360	368	390
Total non-current assets	5,188	5,438	5,464	8,142	8,182	Total Assets	5,505	5,741	5,848	8,640	8,820
Cash	274	258	360	368	390	LT Borrowings	1,199	1,200	1,224	2,315	2,430
Other Assets	43	45	23	130	247	ST Borrowings	15	15	38	55	56
Total Assets	5,505	5,741	5,848	8,640	8,820	Other Liability	55	63	63	63	63
LT Borrowings	1,199	1,200	1,224	2,315	2,430	Total Liability	1,468	1,486	1,605	2,721	2,847
ST Borrowings	15	15	38	55	56	Unitholders' capital	4,550	4,576	4,618	6,240	6,240
Other Liability	55	63	63	63	63	Other Equity	(514)	(321)	(375)	(321)	(267)
Total Liability	1,468	1,486	1,605	2,721	2,847	Total Equity	4,037	4,255	4,243	5,919	5,973
Unitholders' capital	4,550	4,576	4,618	6,240	6,240	Equity + Liability	5,505	5,741	5,848	8,640	8,820
Other Equity	(514)	(321)	(375)	(321)	(267)	Profitability Ratios (%)	2023A	2024A	2025E	2026F	2027F
Total Equity	4,037	4,255	4,243	5,919	5,973	PBT margin	101.3%	107.9%	76.7%	74.5%	74.8%
Equity + Liability	5,505	5,741	5,848	8,640	8,820	Core net income margin	59.4%	58.9%	60.1%	57.5%	57.8%
						ROE	9.1%	8.9%	9.1%	10.5%	9.2%
						ROA	6.6%	6.6%	6.7%	7.4%	6.2%

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS**STOCK RECOMMENDATIONS**

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology