Corporate Update

IGB REIT

(5227 | IGBREIT MK) Main | REIT

3 Stars

FTSE4Good

Downgrade to NEUTRAL

(from BUY)

Revised Target Price **RM2.70** (from RM2.48)

2QFY25 Results Review Steady Earnings Growth

1HFY25 results within expectations. IGB REIT 1HFY25 net income of RM208.4m came in within expectations, making up 54% and 51% of our and consensus full year estimates respectively. IGB REIT announced distribution per unit (DPU) of 2.82sen for 2QFY25, bringing total DPU to 6.01sen in 1HFY25.

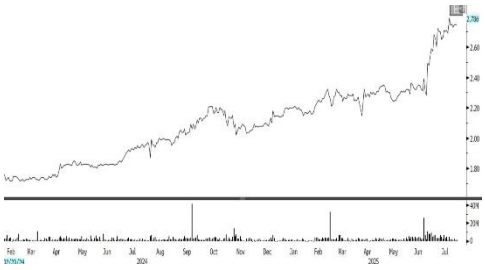
Steady earnings growth. On a sequential basis, 2QFY25 core earnings declined to RM97.8m as earnings normalised from the high base in 1QFY25 while 2Q is seasonally quieter quarter. Recall that earnings in 1QFY25 were lifted by higher shopper footfall amid festive seasons. On yearly basis, 2QFY25 earnings were higher (+11%yoy), bringing 1HFY25 core earnings to RM208.4m (+9.4%yoy). 1HFY25 earnings remains solid as tenant sales and shopper footfall at Mid Valley Megamall and The Gardens Mall remain resilient. Besides, the earnings growth was supported by positive rental reversion.

Healthy earnings prospect. We see stable earnings outlook for IGB REIT as performance of Mid Valley Megamall and The Gardens Mall will sustain by the high occupancy rate and high shopper footfall. Earnings prospect is expected to be better from FY26 onwards due to contribution from Mid Valley Southkey Mall. Recall that IGB REIT recently proposed to acquire Mid Valley Southkey Mall in Johor Bahru for RM2.65b. The acquisition is expected to complete in 4QFY25. The acquisition is expected to be yield accretive due to attractive net property income (NPI) yield of 7.2%

Downgrade to NEUTRAL with a revised TP of RM2.70. We fine tune our FY25 earnings forecast by +3.9% as we earnings to pick up in 2HFY25 due to year-end shopping spree. We also revise our FY26/27 earnings forecast by +3.6%/+4.8%. We revise our TP for IGB REIT to RM2.70 from RM2.48 as we rollover our valuation. We downgrade IGB REIT to **NEUTRAL** from BUY as we believe that all the positives have been priced in. While we see that the acquisition of Mid Valley Southkey Mall is an earnings catalyst, we think that positives are largely priced in. Besides, distribution yield for FY26 tapers to 4.2% following recent share price rally which we deem unattractive at current juncture.

RETURN STATISTICS	
Price @ 29 July 2025 (RM)	2.74
Expected share price return (%)	-1.5
Expected dividend yield (%)	+3.7
Expected total return (%)	+2.2

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	10.5	10.8
3months	7.9	17.0
12 months	41.2	50.6

INVESTMENT STATISTICS

FYE Dec	2025E	2026F	2027F
Revenue	654	944	971
Operating Profit	494	695	718
PBT	505	708	734
Core Net Income	402	553	574
Core EPU (sen)	11.11	12.80	13.29
Net DPU (sen)	10.14	11.56	12.00
Dividend Yield	3.7%	4.2%	4.3%

KEY STATISTICS

FBM KLCI	1,523.82
Issue shares (m)	3,615.39
Estimated free float (%)	44.18
Market Capitalisation (RM'm)	9,923.12
52-wk price range	RM1.87 – RM2.79
3-mth average daily volume (m)	3.75
3-mth average daily value (RM'm)	9.24
Top Shareholders (%)	
IGB Berhad	47.87
EPF	10.20
KWAP	6.59
IGB REIT Management Sdn Bhd	6.12

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IGB REIT: 2QFY25 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results				
	2QFY25	%YoY	%QoQ	FY25	%YoY
Gross Revenue	160.1	6.8%	-6.6%	331.5	6.1%
Net Property Income (NRI)	119.9	9.5%	-10.0%	253.0	8.2%
Net Investment Income	116.7	11.1%	-11.1%	247.8	8.3%
Net Income	92.5	13.4%	-13.2%	199.1	9.9%
Core Net Income (CNI)	97.8	11.0%	-11.6%	208.4	9.4%
Realised EPU (sen)	2.6	13.1%	-13.3%	5.5	9.5%
Core EPU (sen)	2.7	10.6%	-11.6%	5.8	9.0%
Gross DPU (sen)	2.8	10.2%	-11.6%	6.0	8.9%

Source: Company, MBSB Research

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	604	626	654	944	971
Operating Profit	448	456	494	695	718
PBT	612	676	505	708	734
Net Income	518	580	402	554	576
Core Net Income	359	369	402	553	574
Core EPU (sen)	10.0	10.2	11.1	12.8	13.3
Core PER (x)	27.5	26.9	24.7	21.4	20.6
NAV/unit (RM)	1.12	1.18	1.17	1.37	1.38
P/NAV (x)	2.44	2.33	2.33	2.00	1.98

Balance Sheet (RM'm)	2023A	2024A	2025E	2026F	2027F
Investment Properties	5,186	5,436	5,463	8,141	8,181
Total non-current assets	5,188	5,438	5,464	8,142	8,182
Cash	274	258	361	370	395
Other Assets	43	45	25	133	250
Total Assets	5,505	5,741	5,850	8,644	8,827
LT Borrowings	1,199	1,200	1,224	2,315	2,430
ST Borrowings	15	15	39	56	57
Other Liability	55	63	63	63	63
Total Liability	1,468	1,486	1,605	2,722	2,848
Unitholders' capital	4,550	4,576	4,618	6,240	6,240
Other Equity	(514)	(321)	(373)	(318)	(261)
Total Equity	4,037	4,255	4,245	5,922	5,979
Equity + Liability	5,505	5,741	5,850	8,644	8,827

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
Cash flows from operating activities					
Net income before taxation	518	580	402	553	574
Net cash from operating activities	433	460	526	672	769
Cash flows from investing activities					
Interest received	5	9	7	8	9
Net cash used in investing activities	-27	-30	-1026	-4	-3
Cash flows from financing activities					
Net cash from/(used in) financing activities	-422	-448	634	-660	-741
Net increase/(decrease) in cash and cash equivalents	-15	-17	135	9	25
Cash and cash equivalent at 1 January	258	243	226	361	370
Cash and cash equivalent at 1 December	243	226	361	370	395

Profitability Ratios (%)	2023A	2024A	2025E	2026F	2027F
PBT margin	101.3%	107.9%	77.2%	75.1%	75.5%
Core net income margin	59.4%	58.9%	61.4%	58.6%	59.1%
ROE	9.1%	8.9%	9.4%	10.9%	9.7%
ROA	6.6%	6.6%	6.9%	7.6%	6.6%

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MBSB INVESTMENT BANK (formerly known MIDF 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