

**HLIB Research**

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**Jack Heng Shao Jun**
[Jackheng@hlib.hongleong.com.my](mailto:Jackheng@hlib.hongleong.com.my)

(603) 2083 1727

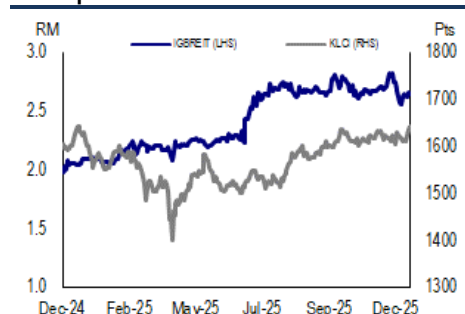
**HOLD** (New)

**Target Price:** **RM2.57**
**Previously:** **N.A.**
**Current Price:** **RM2.65**

Capital upside	-3.0%
Dividend yield	4.2%
Expected total return	1.3%

**Sector coverage:** REIT

**Company description:** A REIT that consists of Mid Valley Megamall, The Gardens Mall and Mid Valley Southkey in Malaysia.

**Share price**


Historical return (%)	1M	3M	12M
Absolute	-2.2	-1.5	26.8
Relative	-3.3	-4.1	24.1

**Stock information**

Bloomberg ticker	IGBREIT MK
Bursa code	5227
Issued shares (m)	4,323
Market capitalisation (RM m)	11,456
3-mth average volume ('000)	2,206
SC Shariah compliant	No
F4GBM Index member	Yes
ESG rating	★ ★ ★

**Major shareholders**

IGB Berhad	40.1%
IGB Corp	11.3%
EPF	8.8%

**Earnings summary**

FYE (Dec)	FY24	FY25f	FY26f
PAT - (RM m)	368.7	413.2	579.8
EPU - core (sen)	10.2	11.2	12.9
P/E (x)	25.9	23.6	20.6

# IGB REIT

## Expansion achieved, momentum measured

We resume coverage on IGB REIT following the completion of the RM2.65bn Mid Valley Southkey Mall injection, which expands portfolio scale and lifts gearing to 26.3%. MVS is strongly occupied and strategically located, well positioned to capture cross-border traffic between Malaysia and Singapore. Moving forward, despite a lower interest rate environment, financing cost relief should be limited due to the fully fixed-rate debt profile, whereas consumer spending is expected to sustain earnings momentum supported by government measures. That said, we introduce FY25/26/27 core profit forecasts of RM413.2m/RM556.6m/RM583.5m, and resumed coverage with a **HOLD** call and a TP of RM2.57, given that current valuations have largely priced in near-term upside.

Post lifting of restriction, we resume coverage on IGBREIT with the following updates:

**MVS injection completed.** The injection of Mid Valley Southkey Mall (MVS) into IGBREIT was completed on 21 November 2025, representing a meaningful expansion to the REIT's portfolio. Based on IGB REIT's 3Q25 TAV of RM5.72bn, the RM2.65bn acquisition lifts TAV by 46.3% and is funded through RM1bn of additional debt, which raises gearing to 26.3% from 21%, and RM1.65bn of equity via the issuance of 699,152,542 consideration units at RM2.36 per unit. MVS is almost fully occupied at 99.97%, demonstrating resilient tenant demand, while the one-off RM30m management fee tied to the acquisition has been excluded from our FY25 bottom line estimates. The mall's direct connectivity via the EDL Highway to the CIQ complex positions it well to capture cross-border traffic between Malaysia and Singapore.

**Acquisition pipeline.** Following the MVS acquisition, management indicated that there are no retail assets in the sponsor's current pipeline, although they remain open to value-accretive external opportunities. With the OPR holding at 2.75% since July 2025, a level last seen in May 2023, the prevailing low-rate environment together with IGB REIT's modest gearing of 26.3% provides ample capacity to undertake new acquisitions if suitable assets emerge. Based on our FY26 forecast, the portfolio's NPI yield of 8.8% sets a high hurdle, and in our view, it will be difficult to source external assets that can meet this threshold and still be yield accretive. As a result, we expect IGB REIT to rely primarily on organic growth in the near term.

**Outlook.** Despite the recent decline in interest rates, IGBREIT is unlikely to see meaningful financing cost relief given that its entire debt profile is on fixed rates. On the other hand, 15–20% of its revenue is variable in nature, mainly from profit-sharing components, which increases the portfolio's sensitivity to shifts in consumer sentiment. Hence, we believe the outlook is underpinned by policy-driven support for household spending, including the RM100 MyKasih credit and lower RON95 pump prices. These measures should help support retail traffic and tenant sales, providing a buffer against macro volatility and maintaining earnings momentum in the near term.

**Forecast.** We introduce FY25/26/27 core profit forecasts of RM413.2/RM556.6/RM583.5m.

**We resume coverage on IGBREIT with a HOLD call and TP of RM2.57**, pegged to FY26 targeted yield of 5.0%. While the overall outlook remains constructive, underpinned by steady rental reversion and the incremental contribution from the Southkey portfolio, we believe the current valuation already reflects much of the near-term upside, preventing us from having a bullish stance.

## Financial Forecast

All items in (RM m) unless otherwise stated

### Balance Sheet

FYE Dec	FY23	FY24	FY25f	FY26f	FY27f
Cash	274.0	258.2	326.6	436.7	450.1
Receivables	42.8	45.0	48.3	67.0	69.5
Investment properties	5,186.0	5,436.1	8,086.1	8,086.1	8,086.1
Property, plant & equipment	2.1	2.0	2.4	3.2	3.6
<b>Assets</b>	<b>5,504.9</b>	<b>5,741.3</b>	<b>8,463.4</b>	<b>8,592.9</b>	<b>8,609.3</b>
Payables	253.7	271.1	313.1	442.6	459.1
Debt	1,214.6	1,214.8	2,244.8	2,244.8	2,244.8
Others	0.0	0.0	0.0	0.0	0.0
<b>Liabilities</b>	<b>1,468.4</b>	<b>1,485.8</b>	<b>2,557.9</b>	<b>2,687.4</b>	<b>2,703.9</b>
Unitholders' capital	4,550.5	4,576.3	6,226.3	6,226.3	6,226.3
Undistributed profit	(513.9)	(320.8)	(320.8)	(320.8)	(320.8)
<b>Equity</b>	<b>4,036.6</b>	<b>4,255.4</b>	<b>5,905.4</b>	<b>5,905.4</b>	<b>5,905.4</b>

### Income Statement

FYE Dec	FY23	FY24	FY25f	FY26f	FY27f
<b>Total revenue</b>	<b>604.3</b>	<b>626.1</b>	<b>704.8</b>	<b>978.4</b>	<b>1,017.6</b>
Operating expenses	(156.4)	(170.4)	(190.5)	(269.3)	(280.0)
<b>Net property income</b>	<b>447.9</b>	<b>455.7</b>	<b>514.3</b>	<b>709.1</b>	<b>737.5</b>
Other income	5.5	8.8	9.7	9.7	9.7
<b>Net investment income</b>	<b>453.3</b>	<b>464.6</b>	<b>524.1</b>	<b>718.9</b>	<b>747.3</b>
Non opex and trust exp	(94.3)	(95.9)	(110.9)	(162.3)	(163.8)
<b>Profit before tax</b>	<b>359.1</b>	<b>368.7</b>	<b>413.2</b>	<b>556.6</b>	<b>583.5</b>
Taxation	0.0	0.0	0.0	0.0	0.0
<b>Core profit</b>	<b>359.1</b>	<b>368.7</b>	<b>413.2</b>	<b>556.6</b>	<b>583.5</b>
Extraordinary item	158.6	211.1	(30.0)	0.0	0.0
Reported profit	517.6	579.8	383.2	556.6	583.5
Consensus			413.3	573.0	592.3
HLIB/Consensus			100%	97%	99%

### Cash Flow Statement

FYE Dec	FY23	FY24	FY25f	FY26f	FY27f
Profit before taxation	359.1	368.7	413.2	556.6	583.5
D&A	1.0	0.8	1.0	1.2	1.6
Taxation	0.0	0.0	0.0	0.0	0.0
Others	32.3	87.6	87.2	200.3	103.5
<b>CFO</b>	<b>392.4</b>	<b>457.1</b>	<b>501.4</b>	<b>758.1</b>	<b>688.5</b>
Capex	(1.4)	(1.0)	(2,651.4)	(2.0)	(2.0)
Others	(38.4)	(25.2)	9.7	9.7	9.7
<b>CFI</b>	<b>(39.9)</b>	<b>(26.2)</b>	<b>(2,641.7)</b>	<b>7.8</b>	<b>7.7</b>
Debt raised/ (repaid)	0.0	0.0	1,030.0	0.0	0.0
Distribution to unitholders	(367.9)	(393.5)	(413.2)	(556.6)	(583.5)
Others	0.0	(54.0)	1,591.9	(99.3)	(99.3)
<b>CFF</b>	<b>(367.9)</b>	<b>(447.6)</b>	<b>2,208.7</b>	<b>(655.9)</b>	<b>(682.8)</b>
<b>Net cash flow</b>	<b>(15.4)</b>	<b>(16.7)</b>	<b>68.4</b>	<b>110.0</b>	<b>13.5</b>
Beginning cash	258.4	274.0	258.2	326.6	436.7
Subtotal cash	243.0	257.4	326.6	436.7	450.1
Others	31.0	0.9	0.0	0.0	0.0
Ending cash	274.0	258.2	326.6	436.7	450.1

### Valuation & Ratios

FYE Dec	FY23	FY24	FY25f	FY26f	FY27f
Core EPU (sen)	10.0	10.2	11.2	12.9	13.4
P/E (x)	26.6	25.9	23.6	20.6	19.7
DPU (sen)	10.5	10.7	11.2	12.9	13.4
Dividend yield	4.0%	4.0%	4.2%	4.9%	5.1%
BVPU (RM)	1.1	1.2	1.6	1.4	1.4
P/B (x)	2.4	2.2	1.6	1.9	2.0
NPI margin	74.1%	72.8%	73.0%	72.5%	72.5%
NII margin	75.0%	74.2%	74.4%	73.5%	73.4%
PBT margin	59.4%	58.9%	58.6%	56.9%	57.3%
Net margin	59.4%	58.9%	58.6%	56.9%	57.3%
Return on equity	8.9%	8.7%	7.0%	9.4%	9.9%
Return on assets	6.5%	6.4%	4.9%	6.5%	6.8%
Gearing ratio	22.1%	21.2%	26.5%	26.1%	26.1%
Net gearing ratio	17.1%	16.7%	22.7%	21.0%	20.8%
NPI yield	8.6%	8.4%	6.4%	8.8%	9.1%
NII yield	8.7%	8.5%	6.5%	8.9%	9.2%
Net yield	6.9%	6.8%	5.1%	6.9%	7.2%

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**Hong Leong Investment Bank Berhad (10209-W)**

Level 28, Menara Hong Leong,

No. 6, Jalan Damanlela,

Bukit Damansara,

50490 Kuala Lumpur

Tel: (603) 2083 1800

Fax: (603) 2083 1766

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<b>BUY</b>	Expected absolute return of +10% or more over the next 12 months.
<b>HOLD</b>	Expected absolute return of -10% to +10% over the next 12 months.
<b>SELL</b>	Expected absolute return of -10% or less over the next 12 months.
<b>UNDER REVIEW</b>	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
<b>NOT RATED</b>	Stock is not or no longer within regular coverage.

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<b>OVERWEIGHT</b>	Sector expected to outperform the market over the next 12 months.
<b>NEUTRAL</b>	Sector expected to perform in-line with the market over the next 12 months.
<b>UNDERWEIGHT</b>	Sector expected to underperform the market over the next 12 months.

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