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# IGB Commercial REIT

## Earnings Came In Above Expectations

Results Note – 2QFY25

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## Summary

- **Earnings beyond expectation.** IGBCR registered a 2Q25 distributable income of RM26.7m (+1.2% QoQ, +11.4% YoY), bringing 1H25 distributable income to RM53.0m (+12.3% YoY). The results came in above expectations, accounting for 57.6% and 69.7% of our and consensus estimates. The key deviation was higher-than-expected occupancy rate registered across most of IGBCR's properties.

- **YoY.** IGBCR's distributable income increased 11.4% YoY, mainly driven by higher rental income collected following improvements in both occupancy rate and rental rate. Portfolio occupancy increased from 85% in 2Q24 to 92% in 2Q25, while the average monthly rental rate improved from RM6.3/sqft to RM6.5/sqft. IGBCR also recorded a net fair value gain of RM5.9m on investment properties, particularly Southpoint Offices & Retail, GTower and Menara Tan & Tan.

- **QoQ.** Revenue rose marginally by 3.7% to RM64.6m, while distributable income also inched up slightly by 1.2% to RM26.7m. Again, the growth was driven by both higher rental collected and higher occupancy rate, and also positive net fair value changes on investment properties.

- **Income distribution.** RM24.9m was declared as income distribution for this quarter.

- **Buildings occupancy rate.** Occupancy rate across all the properties have improved QoQ. Mid Valley City's occupancy rate rose from 94.3% in 1Q25 to 96.0% in 2Q25, while KL City improved from 80.6% to 84.2% over the same period.

- **Average rental rate.** Average monthly rental rate for Mid Valley City increased from RM6.8/sqft in 1Q25 to RM6.9/sqft in 2Q25, while KL City average monthly rental rate also saw a minor uptick of 0.9% QoQ toward RM5.7/sqft.

- **Weighted average lease expiry (WALE) stood at 1.72.** As at 2Q25, IGBCR's WALE stood at 1.72, as compared to 1.61 in FY24. Overall portfolio tenancy expiry profile is ranging from 18% to 36% over 2025-2028.

- **Gearing ratio slightly higher.** Gearing ratio rose slightly by 1.0% to 27.0% as at 2Q25 versus 26.0% in FY24, as the total borrowings of IGBCR increased from RM850.5m in FY24 to RM900.8m in 2Q25, following the incur of revolving credit. Nevertheless, should BNM continue to lower down the OPR, borrowing costs are expected to decrease gradually.

## Quarterly performance 2Q25

**Quarterly performance**

| FYE Dec (RM m) | 2QFY24 | 1QFY25 | 2QFY25 | QoQ (%) | YoY (%) | 1HFY24 | 1HFY25 | YoY (%) |
|---|---|---|---|---|---|---|---|---|
| Revenue | 57.3 | 62.3 | 64.6 | *3.7* | *12.7* | 113.2 | 126.9 | *12.1* |
| Net Property Income | 34.5 | 38.9 | 38.1 | *(2.1)* | *10.5* | 68.7 | 76.9 | *12.0* |
| PBT | 16.5 | 24.0 | 29.6 | *23.6* | *79.4* | 35.4 | 53.6 | *51.5* |
| Distributable income | 23.9 | 26.3 | 26.7 | *1.2* | *11.4* | 47.2 | 53.0 | *12.3* |
| Distributed Income | 23.2 | 25.8 | 24.9 | *(3.6)* | *7.2* | 46.1 | 50.7 | *9.9* |
| DPU (sen) | 1.0 | 1.1 | 1.0 | *(3.6)* | *7.2* | 1.9 | 2.1 | *9.9* |
| | | | | | | | | |
| NPI margin (%) | 60.1 | 62.4 | 58.9 | | | 60.6 | 60.6 | |
| PBT margin (%) | 28.8 | 38.5 | 45.9 | | | 31.3 | 42.3 | |
| Distributable Income margin (%) | 41.8 | 42.3 | 41.3 | | | 41.7 | 41.8 | |

*Source: IGBCR, M+ Research*

**BUY**

| | |
|---|---|
| **Share price** | **RM0.61** |
| **Target price** | **RM0.72** |
| **Previous TP** | **RM0.70** |
| Capital upside | 18.0% |
| Dividend return | 6.4% |
| Total return | 24.4% |

**Company profile**

Principally involved in the income-generating commercial properties in Malaysia, with a portfolio comprising ten office towers in Mid Valley City and Kuala Lumpur City.

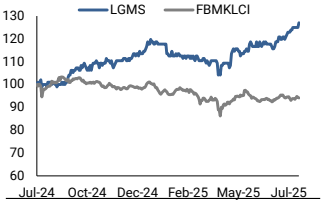
| Stock information | |
|---|---|
| Bursa Code | 5299 |
| Bloomberg ticker | IGBCR MK |
| Listing market | MAIN |
| Share issued (m) | 2410.1 |
| Market Cap (m) | 1470.2 |
| 52W High/Low | 0.61 / 0.47 |
| Est. Free float (%) | 26.9 |
| Beta (x) | 0.4 |
| 3-mth avg vol ('000) | 276.3 |
| Shariah compliant | No |

| Major shareholders | % |
|---|---|
| IGB Berhad | 49.9 |
| Wah Seong (Malaya) Trading Co. Sdn. Bhd. | 7.2 |
| Tan Chin Nam Sdn. Bhd. | 4.2 |

| Share price vs. KLCI (%) | 1M | 3M | 12M |
|---|---|---|---|
| Hist. return | | | |
| Absolute | 7.0 | 10.9 | 27.1 |
| Relative | 7.7 | 12.1 | 34.4 |

| Earnings snapshot | FY24 | FY25f | FY26f |
|---|---|---|---|
| FYE (Dec) | | | |
| DI (m) | 88.2 | 95.4 | 98.9 |
| DPU (sen) | 3.6 | 3.9 | 4.0 |
| P/E (x) | 17.0 | 15.7 | 15.2 |

**Relative performance chart**




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- **Outlook.** Challenges in the office market, including rising operating costs, inflationary pressure, WFH trend and incoming supply, might keep rental rates subdued. The expansion of SST to 8% and higher electricity tariffs may further tighten margins. Despite these headwinds, IGBCR's integrated location and active tenant engagement should support resilience. Management remains focused on tenant retention, sustainability initiatives, and proactive capital management to preserve portfolio stability and long-term income visibility.

## Valuation & Recommendation

- **Forecast.** As earnings beat expectations, we revise the distributable income to on RM95.4-103.4m distributable income for FY25f-27f, up from our initial forecast of RM92.0m-101.5m, factoring in higher occupancy rates going forward.

- **BUY recommendation with a higher TP of RM0.72 (from RM0.70).** We maintain our BUY recommendation with a higher target price of RM0.72. The target price is derived based on a targeted yield of 5.5% on its mid-FY26f DPU of 3.95 sen following the forecast revision. Based on past track record, IGBCR will distributes around 98.0% of its distributable income, translating to a prospective dividend yield of 6.4-6.9% for FY25f-27f.

- **Downside risks.** Risks to our recommendation include the reduction in occupancy rate of IGBCR's properties. Besides, the 8% SST expansion on leasing and rental income will increase IGBCR's tenants' operating cost, which might put pressure on IGBCR's rental reversion rate. Rising electricity tariff could also weigh on IGBCR's margins and overall financial performance moving forward.

# Financial Highlights

**Balance Sheet**

| FYE Dec (RM m) | FY23 | FY24 | FY25f | FY26f | FY27f |
|---|---|---|---|---|---|
| Cash | 129 | 103 | 140 | 141 | 144 |
| Receivables | 6 | 16 | 12 | 12 | 13 |
| PPE | 3,161 | 3,161 | 3,161 | 3,161 | 3,161 |
| Others | 6 | 16 | 12 | 12 | 13 |
| **Assets** | **3,296** | **3,280** | **3,313** | **3,314** | **3,319** |
| | | | | | |
| Debts | 853 | 850 | 871 | 865 | 861 |
| Payables | 146 | 141 | 149 | 154 | 161 |
| Others | - | - | (2) | (2) | (2) |
| **Liabilities** | **1,000** | **991** | **1,018** | **1,018** | **1,020** |
| | | | | | |
| Unitholder's equity | 2,296 | 2,289 | 2,295 | 2,296 | 2,299 |
| Minority interest | - | - | - | - | - |
| **Equity** | **2,296** | **2,289** | **2,295** | **2,296** | **2,299** |

**Cash Flow Statement**

| FYE Dec (RM m) | FY23 | FY24 | FY25f | FY26f | FY27f |
|---|---|---|---|---|---|
| Profit before taxation | 65 | 63 | 72 | 76 | 82 |
| Changes in working cap | 10 | (15) | 12 | 5 | 6 |
| Share of JV profits | - | - | - | - | - |
| Taxation | - | - | - | - | - |
| Others | 54 | 89 | - | - | - |
| **Operating cash flow** | **129** | **137** | **84** | **81** | **88** |
| | | | | | |
| Net capex | - | - | - | - | - |
| Others | 2 | (5) | - | - | - |
| **Investing cash flow** | **2** | **(5)** | **-** | **-** | **-** |
| | | | | | |
| Changes in borrowings | 1 | (3) | 21 | (6) | (4) |
| Issuance of shares | 16 | 17 | 4 | - | - |
| Dividends paid | (83) | (87) | (93) | (97) | (101) |
| Others | (55) | (85) | - | - | - |
| **Financing cash flow** | **(121)** | **(158)** | **(69)** | **(103)** | **(105)** |
| | | | | | |
| **Net cash flow** | **10** | **(25)** | **37** | **1** | **4** |
| Forex | - | - | - | - | - |
| Others | - | - | - | - | - |
| Beginning cash | 119 | 129 | 103 | 140 | 141 |
| Ending cash | 129 | 103 | 140 | 141 | 144 |

M+ Research

**Income Statement**

| FYE Dec (RM m) | FY23 | FY24 | FY25f | FY26f | FY27f |
|---|---|---|---|---|---|
| **Revenue** | **215** | **231** | **250** | **259** | **269** |
| Net investment income | 129 | 125 | 135 | 140 | 145 |
| Net finance income/ (cost) | (46) | (45) | (46) | (46) | (46) |
| **Profit before tax** | **65** | **63** | **72** | **76** | **82** |
| Tax | - | - | - | - | - |
| **Net profit** | **22** | **63** | **65** | **63** | **72** |
| Minority interest | - | - | - | - | - |
| **Distributable income** | **84** | **88** | **95** | **99** | **103** |
| Exceptional items | - | - | - | - | - |
| Distributed income | 79 | 83 | 87 | 93 | 97 |

**Valuation & Ratios**

| FYE Dec (RM m) | FY23 | FY24 | FY25f | FY26f | FY27f |
|---|---|---|---|---|---|
| EPU (sen) | 3.5 | 3.7 | 4.0 | 4.1 | 4.3 |
| P/E (x) | 17.8 | 17.0 | 15.7 | 15.2 | 14.5 |
| EV/EBITDA (x) | 17.2 | 17.7 | 16.4 | 15.8 | 15.2 |
| DPU (sen) | 3.4 | 3.6 | 3.9 | 4.0 | 4.2 |
| Distribution yield | 5.6% | 5.9% | 6.4% | 6.6% | 6.9% |
| BVPS (RM) | 0.95 | 0.95 | 0.95 | 0.95 | 0.95 |
| P/B (x) | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| | | | | | |
| Net investment income margin | 59.9% | 54.2% | 54.1% | 54.0% | 54.0% |
| PBT margin | 30.3% | 27.1% | 28.7% | 29.4% | 30.4% |
| Net margin | 39.2% | 38.2% | 38.2% | 38.2% | 38.4% |
| | | | | | |
| ROE | 3.7% | 3.8% | 4.2% | 4.3% | 4.5% |
| ROA | 2.6% | 2.7% | 2.9% | 3.0% | 3.1% |
| Net gearing | 31.6% | 32.7% | 31.9% | 31.6% | 31.2% |

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## Stock recommendation guide

| | |
|---|---|
| **BUY** | The share price is expected to appreciate more than 10% over the next 12 months |
| **HOLD** | The stock price is expected to range between -10% and +10% over the next 12 months |
| **SELL** | The share price is expected to fall more than 10% over the next 12 months |
| **TRADING BUY** | The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months |
| **TRADING SELL** | The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months |
| **NOT RATED** | No recommendation is assigned |