

## IGB Commercial REIT

### Earnings Within Expectations

#### Summary

- **Earnings met expectation.** IGBCR registered a 3Q25 core PAT of RM21.0m (-29.2% QoQ, +28.4% YoY), bringing 9MFY25 core PAT to RM74.6m (+44.2% YoY). The results came in in-line with our expectations, accounting for 78.2% and 85.1% of our and consensus estimates, respectively.
- **YoY.** IGBCR's core PAT increased 28.4% YoY, mainly driven by higher rental income collected following improvements in both occupancy rate and rental rate. Portfolio occupancy increased from 87% in 3Q24 to 92% in 3Q25, while the average monthly rental rate improved from RM6.4/sqft to RM6.5/sqft.
- **QoQ.** Revenue dropped marginally by 0.6%, from RM64.6m in 2Q25 to RM64.2m in 3Q25, while core PAT dropped by 29.2% to RM21.0m. The occupancy rates reduction in Centrepoint North and GTower offset the higher rental rate, thereby translating into a slightly lower revenue, while the decline in core PAT was mainly due to negative changes in fair value of investment properties.
- **Income distribution.** RM24.9m was declared as income distribution for this quarter.
- **Buildings occupancy rate.** Mid Valley City's occupancy rate rose from 93.8% in 3Q24 to 96.2% in 3Q25, while KL City improved from 74.9% to 84.1% over the same period. Overall portfolio's occupancy rate stood at a healthy 92%.
- **Average rental rate.** While the average monthly rental rate for KL City remained steady at RM5.7/sqft, the average monthly rental rate for Mid Valley City increased slightly from RM6.9/sqft in 2Q25 to RM7.0/sqft in 3Q25.
- **Weighted average lease expiry (WALE) stood at 1.77.** As at 3Q25, IGBCR's WALE stood at 1.77, as compared to 1.61 in FY24. Overall portfolio tenancy expiry profile is ranging from 5% to 36% over FY25-28.
- **Gearing ratio slightly higher.** Gearing ratio decreased by 1.0% to 26.0% as at 3Q25, as the total borrowings of IGBCR decreased from RM900.8m in 2Q25 to RM878.4m in 3Q25. Meanwhile, should BNM continue to lower down the OPR, borrowing costs are expected to decrease gradually.
- **Outlook.** Despite numerous headwinds like SST expansion, rising electricity tariff, hybrid work trends and incoming supply that may limit rental rate upside, IGBCR continued to show earnings resilience, supported by its high occupancy rate of 92% with prime exposure to Mid Valley City and KL City, and proactive tenant engagement. Meanwhile, the management's continued focus on tenant retention, flexible commercial space solutions and proactive engagement in meeting market expectations should continue to support portfolio stability and sustain long-term income visibility for IGBCR.

#### Results Note – 3QFY25

**Kieran Lim**  
[kieranlim@msec.com.my](mailto:kieranlim@msec.com.my)  
(603) 2201 2100

#### BUY

|                 |        |
|-----------------|--------|
| Share price     | RM0.61 |
| Target price    | RM0.75 |
| Previous TP     | RM0.72 |
| Capital upside  | 23.0%  |
| Dividend return | 6.3%   |
| Total return    | 29.3%  |

#### 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)     | 2413.8      |
| Market Cap (m)       | 1472.4      |
| 52W High/Low         | 0.62 / 0.49 |
| Est. Free float (%)  | 24.9        |
| Beta (x)             | 0.5         |
| 3-mth avg vol ('000) | 213.0       |
| 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  |

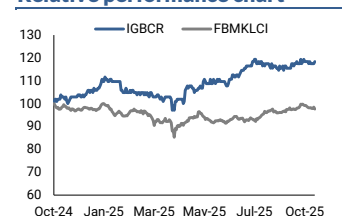
#### Share price vs. KLCI (%)

|              |     |      |      |
|--------------|-----|------|------|
| Hist. return | 1M  | 3M   | 12M  |
| Absolute     | 1.7 | 1.7  | 18.4 |
| Relative     | 1.7 | -3.0 | 21.3 |

#### Earnings snapshot

|           |      |       |       |
|-----------|------|-------|-------|
| FYE (Dec) | FY24 | FY25f | FY26f |
| PAT (m)   | 62.7 | 95.4  | 98.9  |
| EPU (sen) | 3.7  | 4.0   | 4.1   |
| P/E (x)   | 17.0 | 15.8  | 15.2  |

#### Relative performance chart



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### Quarterly performance 3Q25

#### Quarterly performance

| FYE Dec (RM m)      | 3QFY24 | 2QFY25 | 3QFY25 | QoQ (%) | YoY (%) | 9MFY24 | 9MFY25 | YoY (%) |
|---------------------|--------|--------|--------|---------|---------|--------|--------|---------|
| Revenue             | 57.6   | 64.6   | 64.2   | (0.6)   | 11.6    | 170.8  | 191.1  | 11.9    |
| Net Property Income | 33.7   | 38.1   | 37.6   | (1.1)   | 11.8    | 102.3  | 114.6  | 12.0    |
| PBT                 | 16.3   | 29.6   | 21.0   | (29.2)  | 28.4    | 51.8   | 74.6   | 44.2    |
| Core PAT            | 16.3   | 29.6   | 21.0   | (29.2)  | 28.4    | 51.8   | 74.6   | 44.2    |
| EPU (sen)           | 0.7    | 1.2    | 0.9    | (29.2)  | 28.4    | 2.1    | 3.1    | 44.2    |
| NPI margin (%)      | 58.5   | 58.9   | 58.6   |         |         | 59.9   | 60.0   |         |
| PBT margin (%)      | 28.4   | 45.9   | 32.7   |         |         | 30.3   | 39.0   |         |
| Core PAT margin (%) | 39.8   | 40.4   | 40.7   |         |         | 40.8   | 41.1   |         |

Source: IGBCR, M+ Research

### Valuation & Recommendation

- **Forecast.** Maintain.
- **BUY recommendation with a higher TP of RM0.75 (from RM0.72).** We maintain our BUY recommendation with a higher target price of RM0.75. The target price is derived based on a targeted yield of 5.5% on its FY26f EPU (from mid-FY26f EPU) of 4.03 sen. Based on past track record, IGBCR will distribute around 98.0% of its distributable income, translating to a prospective dividend yield of 6.3%-6.9% for FY25f-27f.
- **Downside risks.** Risks to our recommendation include the reduction in occupancy rate of IGBCR's properties. Meanwhile, 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.



### Financial Highlights

| Balance Sheet              |              |              |              |              |              | Income Statement              |             |             |              |              |              |
|----------------------------|--------------|--------------|--------------|--------------|--------------|-------------------------------|-------------|-------------|--------------|--------------|--------------|
| FYE Dec (RM m)             | FY23         | FY24         | FY25f        | FY26f        | FY27f        | FYE Dec (RM m)                | FY23        | FY24        | FY25f        | FY26f        | FY27f        |
| Cash                       | 129          | 103          | 140          | 141          | 144          | <b>Revenue</b>                | <b>215</b>  | <b>231</b>  | <b>250</b>   | <b>259</b>   | <b>269</b>   |
| Receivables                | 6            | 16           | 12           | 12           | 13           | Net investment income         | 129         | 125         | 135          | 140          | 145          |
| PPE                        | 3,161        | 3,161        | 3,161        | 3,161        | 3,161        | Net finance income/ (cost)    | (46)        | (45)        | (46)         | (46)         | (46)         |
| Others                     | 6            | 16           | 12           | 12           | 13           | <b>Profit before tax</b>      | <b>65</b>   | <b>63</b>   | <b>72</b>    | <b>76</b>    | <b>82</b>    |
| <b>Assets</b>              | <b>3,296</b> | <b>3,280</b> | <b>3,313</b> | <b>3,314</b> | <b>3,319</b> | Tax                           | -           | -           | -            | -            | -            |
| Debits                     | 853          | 850          | 871          | 865          | 861          | <b>Net profit</b>             | <b>22</b>   | <b>63</b>   | <b>65</b>    | <b>63</b>    | <b>72</b>    |
| Payables                   | 146          | 141          | 149          | 154          | 161          | Minority interest             | -           | -           | -            | -            | -            |
| Others                     | -            | -            | (2)          | (2)          | (2)          | <b>Distributable income</b>   | <b>84</b>   | <b>88</b>   | <b>95</b>    | <b>99</b>    | <b>103</b>   |
| <b>Liabilities</b>         | <b>1,000</b> | <b>991</b>   | <b>1,018</b> | <b>1,018</b> | <b>1,020</b> | Exceptional items             | -           | -           | -            | -            | -            |
| Unitholder's equity        | 2,296        | 2,289        | 2,295        | 2,296        | 2,299        | Distributed income            | 79          | 83          | 87           | 93           | 97           |
| Minority interest          | -            | -            | -            | -            | -            | <b>Valuation &amp; Ratios</b> |             |             |              |              |              |
| <b>Equity</b>              | <b>2,296</b> | <b>2,289</b> | <b>2,295</b> | <b>2,296</b> | <b>2,299</b> | <b>FYE Dec (RM m)</b>         | <b>FY23</b> | <b>FY24</b> | <b>FY25f</b> | <b>FY26f</b> | <b>FY27f</b> |
| <b>Cash Flow Statement</b> |              |              |              |              |              | EPU (sen)                     | 3.5         | 3.7         | 4.0          | 4.1          | 4.3          |
| <b>FYE Dec (RM m)</b>      | <b>FY23</b>  | <b>FY24</b>  | <b>FY25f</b> | <b>FY26f</b> | <b>FY27f</b> | P/E (x)                       | 17.8        | 17.0        | 15.8         | 15.2         | 14.5         |
| Profit before taxation     | 65           | 63           | 72           | 76           | 82           | EV/EBITDA (x)                 | 17.2        | 17.7        | 16.4         | 15.9         | 15.3         |
| Changes in working cap     | 10           | (15)         | 12           | 5            | 6            | DPU (sen)                     | 3.4         | 3.6         | 3.9          | 4.0          | 4.2          |
| Share of JV profits        | -            | -            | -            | -            | -            | Distribution yield            | 5.6%        | 5.9%        | 6.3%         | 6.6%         | 6.9%         |
| Taxation                   | -            | -            | -            | -            | -            | BVPS (RM)                     | 0.95        | 0.95        | 0.95         | 0.95         | 0.95         |
| Others                     | 54           | 89           | -            | -            | -            | P/B (x)                       | 0.6         | 0.6         | 0.6          | 0.6          | 0.6          |
| <b>Operating cash flow</b> | <b>129</b>   | <b>137</b>   | <b>84</b>    | <b>81</b>    | <b>88</b>    | Net investment income margin  | 59.9%       | 54.2%       | 54.1%        | 54.0%        | 54.0%        |
| Net capex                  | -            | -            | -            | -            | -            | PBT margin                    | 30.3%       | 27.1%       | 28.7%        | 29.4%        | 30.4%        |
| Others                     | 2            | (5)          | -            | -            | -            | Net margin                    | 39.2%       | 38.2%       | 38.2%        | 38.2%        | 38.4%        |
| <b>Investing cash flow</b> | <b>2</b>     | <b>(5)</b>   | <b>-</b>     | <b>-</b>     | <b>-</b>     | ROE                           | 3.7%        | 3.8%        | 4.2%         | 4.3%         | 4.5%         |
| Changes in borrowings      | 1            | (3)          | 21           | (6)          | (4)          | ROA                           | 2.6%        | 2.7%        | 2.9%         | 3.0%         | 3.1%         |
| Issuance of shares         | 16           | 17           | 4            | -            | -            | Net gearing                   | 31.6%       | 32.7%       | 31.9%        | 31.6%        | 31.2%        |
| Dividends paid             | (83)         | (87)         | (93)         | (97)         | (101)        |                               |             |             |              |              |              |
| Others                     | (55)         | (85)         | -            | -            | -            |                               |             |             |              |              |              |
| <b>Financing cash flow</b> | <b>(121)</b> | <b>(158)</b> | <b>(69)</b>  | <b>(103)</b> | <b>(105)</b> |                               |             |             |              |              |              |
| <b>Net cash flow</b>       | <b>10</b>    | <b>(25)</b>  | <b>37</b>    | <b>1</b>     | <b>4</b>     |                               |             |             |              |              |              |
| Forex                      | -            | -            | -            | -            | -            |                               |             |             |              |              |              |
| Others                     | -            | -            | -            | -            | -            |                               |             |             |              |              |              |
| Beginning cash             | 119          | 129          | 103          | 140          | 141          |                               |             |             |              |              |              |
| Ending cash                | 129          | 103          | 140          | 141          | 144          |                               |             |             |              |              |              |

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### Stock recommendation guide

|                     |  |
|---------------------|--|
| <b>BUY</b>          | The share price is expected to appreciate more than 10% over the next 12 months  |
| <b>HOLD</b>         | The stock price is expected to range between -10% and +10% over the next 12 months   |
| <b>SELL</b>         | The share price is expected to fall more than 10% over the next 12 months  |
| <b>TRADING BUY</b>  | 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 |
| <b>TRADING SELL</b> | 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     |
| <b>NOT RATED</b>    | No recommendation is assigned  |

