IGB Commercial REIT

Started FY26 On A Stronger Note

Summary

- **Earnings met expectation.** IGBCR registered a 1Q26 core PAT of RM28.8m (+38.1% QoQ, +20.1% YoY), primarily driven by higher occupancy levels across the portfolio and lower operational finance costs. The results came in above our expectations, accounting for 29.1% and 28.2% of our and consensus estimates, respectively.

- **YoY.** IGBCR's core PAT increased 20.1% YoY, from RM24.0m in 1Q25 to RM28.8m in 1Q26, primarily due to improved occupancy and higher rental rates. Portfolio occupancy rose from 89.2% in 1Q25 to 92.9% in 1Q26, while the average monthly rental rate increased from RM6.42 psf to RM6.64 psf during the same period.

- **QoQ.** Revenue remained stable with a marginal 0.1% increase to RM68.9m. However, core PAT surged 38.1% QoQ compared to RM20.9m in 4Q25. This significant jump was mainly attributed to lower maintenance and finance costs incurred during the current quarter.

- **Income distribution.** RM32.2m was declared as income distribution for this quarter, implying a DPU of 1.33 sen per unit (vs RM26.3m distributable income in 1Q25, implying a DPU of 1.07 sen).

- **Buildings occupancy rate.** Mid Valley City's occupancy rate rose from 94.3% in 1Q25 to 96.6% in 1Q26, while KL City improved from 80.6% to 86.7% over the same period. Overall portfolio's occupancy rate stood at a healthy 92.9%.

- **Average rental rate.** The average monthly rental rate for Mid Valley City increased from RM6.8/sqft in 1Q25 to RM7.1/sqft in 1Q26. Simultaneously, the average rental rate for KL City also increased from RM5.7/sqft to RM5.8/sqft. In a portfolio basis, the average monthly rental rate increased from RM6.4/sqft to RM6.6/sqft.

- **Weighted average lease expiry (WALE) stood at 1.79.** As at 1Q26, IGBCR's WALE stood at 1.7 years. Overall portfolio tenancy expiry profile is ranging from 7% to 42% over FY26-29.

- **Gearing ratio increased marginally to 27.0%.** Total borrowings increased slightly to RM889.7m (vs RM881.4m in 4Q25), bringing the gearing ratio to 27% (vs 26% in 4Q25). The REIT remains well-protected from interest rate volatility as 97% of its debt is on fixed rates.

- **Outlook.** We maintain a positive outlook on IGBCR as it continues to benefit from the "flight to quality" trend. Despite geopolitical trade uncertainties, domestic demand remains strong to support Malaysia's 4%-5% GDP growth forecast for 2026. Management's focus on Asset Enhancement Initiatives (AEIs), such as lobby modernizations and energy-efficient lighting, should continue to drive IGBCR's competitiveness among the Klang Valley's office REIT industry.

Results Note – 1QFY26

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BUY

Share price	**RM0.60**
Target price	RM0.70
Previous TP	RM0.67
Capital upside	16.7%
Dividend return	7.5%
Total return	24.2%

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)	1446.1
52W High/Low	0.65 / 0.535
Est. Free float (%)	18.0
Beta (x)	0.4
3-mth avg vol ('000)	478.7
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

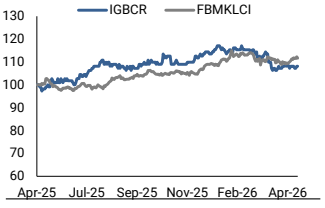
Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	1.7	-7.0	8.1
Relative	-0.1	-5.9	-3.2

Earnings snapshot

FYE (Dec)	FY25	FY26f	FY27f
PAT (m)	95.5	99.3	104.1
EPU (sen)	4.0	4.1	4.3
P/E (x)	14.2	13.4	12.8

Relative performance chart



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Quarterly performance 1QFY26

Quarterly performance

FYE Dec (RM m)	1QFY25	4QFY25	1QFY26	QoQ (%)	YoY (%)
Revenue	62.3	68.8	68.9	*0.1*	*10.5*
Net Property Income	38.9	38.8	44.4	*14.7*	*14.3*
PBT	24.0	20.9	28.8	*38.1*	*20.1*
Core PAT	24.0	20.9	28.8	*38.1*	*20.1*
EPU (sen)	1.0	0.9	1.2	*38.1*	*20.1*
NPI margin (%)	62.4	56.3	64.5		
PBT margin (%)	38.5	30.3	41.9		
Core PAT margin (%)	38.5	30.3	41.9		

Source: IGBCR, M+ Research

Valuation & Recommendation

- **Forecast.** In view of the stronger 1Q26, we upgraded our FY26 and FY27 forecasted core PAT slightly from RM98.9m/RM103.4m to RM99.3m/RM104.1m, while also introduced our FY28 forecasts.

- **BUY recommendation with a higher TP of RM0.70.** We maintain our BUY recommendation with a slightly higher target price of RM0.70 (from RM0.67). The target price is derived based on a targeted yield of 6.0% on its mid-FY27f EPU of 4.22 sen.

- **Downside risks.** Risks to our recommendation include the reduction in occupancy rate of IGBCR's properties, caused by rising operating costs, oversupply in office market and structural shifts in workplace demand.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25	FY26f	FY76f	FY28f
Cash	129	103	93	174	171	161
Receivables	6	16	9	13	13	14
PPE	3,161	3,161	3,244	3,161	3,161	3,161
Others	6	16	9	13	13	14
Assets	**3,296**	**3,280**	**3,346**	**3,348**	**3,346**	**3,336**
Debts	853	850	881	893	884	868
Payables	146	141	145	153	158	162
Others	-	-	-	(2)	(2)	(2)
Liabilities	**1,000**	**991**	**1,027**	**1,044**	**1,040**	**1,028**
Unitholder's equity	2,296	2,289	2,319	2,304	2,306	2,309
Minority interest	-	-	-	-	-	-
Equity	**2,296**	**2,289**	**2,319**	**2,304**	**2,306**	**2,309**

Cash Flow Statement

FYE Dec (RM m)	FY23	FY24	FY25	FY26f	FY27f	FY28f
Profit before taxation	65	63	95	99	104	109
Changes in working capital	10	(15)	11	4	5	4
Share of JV profits	-	-	-	-	-	-
Taxation	-	-	-	-	-	-
Others	54	89	60	-	-	-
Operating cash flow	**129**	**137**	**166**	**103**	**109**	**113**
Net capex	-	-	-	-	-	-
Others	2	(5)	(91)	-	-	-
Investing cash flow	**2**	**(5)**	**(91)**	**-**	**-**	**-**
Changes in borrowings	1	(3)	31	43	(9)	(16)
Issuance of shares	16	17	10	2	-	-
Dividends paid	(83)	(87)	(102)	(108)	(113)	(118)
Others	(55)	(85)	(42)	-	-	-
Financing cash flow	**(121)**	**(158)**	**(103)**	**(63)**	**(122)**	**(134)**
Net cash flow	**10**	**(25)**	**(27)**	**81**	**(2)**	**(10)**
Forex	-	-	-	-	-	-
Others	-	-	-	-	-	-
Beginning cash	119	129	103	93	174	171
Ending cash	129	103	93	174	171	161

M+ Research

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25	FY26f	FY27f	FY28f
Revenue	**215**	**231**	**260**	**272**	**281**	**288**
Net investment income	129	125	155	159	164	168
Net finance income/ (cost)	(46)	(45)	(41)	(40)	(41)	(40)
Profit before tax	**65**	**63**	**95**	**99**	**104**	**109**
Tax	-	-	-	-	-	-
Net profit	**65**	**63**	**95**	**99**	**104**	**109**
Minority interest	-	-	-	-	-	-
Distributable income	**84**	**88**	**106**	**110**	**115**	**120**
Exceptional items	-	-	-	-	-	-
Distributed income	79	83	87	87	108	113

Valuation & Ratios

FYE Dec (RM m)	FY23	FY24	FY25	FY26f	FY27f	FY28f
EPU (sen)	2.7	2.6	4.0	4.1	4.3	4.5
P/E (x)	17.5	16.7	14.2	13.4	12.8	12.3
EV/EBITDA (x)	17.0	17.5	14.1	13.8	13.4	13.0
DPU (sen)	3.4	3.6	4.2	4.5	4.7	4.9
Distribution yield	5.7%	6.0%	7.1%	7.5%	7.8%	8.2%
BVPS (RM)	0.95	0.95	0.96	0.96	0.96	0.96
P/B (x)	0.6	0.6	0.6	0.6	0.6	0.6
Net investment income margir	59.9%	54.2%	59.7%	58.5%	58.5%	58.5%
PBT margin	30.3%	27.1%	36.7%	36.5%	37.1%	37.8%
Net margin	30.3%	27.1%	36.7%	36.5%	37.1%	37.8%
ROE	3.7%	3.8%	4.6%	4.8%	5.0%	5.2%
ROA	2.6%	2.7%	3.2%	3.3%	3.4%	3.6%
Net gearing	31.6%	32.7%	34.0%	31.2%	30.9%	30.6%

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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