IGB Commercial REIT

REIT Fundamentals Stand Firm Despite WHT Removal

Company update

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Summary

- **1QFY26 recap.** IGBCR registered 1QFY26 revenue of RM68.9m (+10.5% YoY) with core PAT of RM28.8m (+14.3% YoY). Distributable income rose 22.4% YoY to RM32.2m, translating to a DPU of 1.33 sen. The improvement was driven by higher occupancy and positive rental reversions across the portfolio.

- **High occupancy rate and positive rental reversions.** Portfolio occupancy rate stood at 92.9%, with Mid Valley City occupancy climbed from 94.3% in 1QFY25 to 96.6% in 1QFY26, while KL City improved from 80.6% to 86.7% over the same period. Meanwhile, average monthly rental rate increased from RM6.4/sqft in 1QFY25 to RM6.6/sqft in 1QFY26, with Mid Valley City rates improved from RM6.8/sqft to RM7.1/sqft, while KL City edged up from RM5.7/sqft to RM5.8/sqft. The sustained improvement reflects the ongoing "flight to quality" demand, with tenants gravitating towards well-managed, green-certified Grade A offices with strategic locations and superior connectivity.

- **First REIT in Malaysia to have 100% green-certified portfolio**. IGBCR is the first REIT in Malaysia to achieve 100% Green Building Index (GBI) certification across its entire 10-property portfolio in FY25. This ESG advantage positions IGBCR favourably to attract MNCs with sustainability mandates and supports premium rental positioning. Management's ongoing AEIs, including lobby modernisations and energy-efficient lighting upgrades, further reinforce the portfolio's competitive edge.

- **WHT removal acts as sector headwind, but fundamentals unaffected.** The Inland Revenue Board's Practice Note No. 2/2026 confirmed the cessation of the preferential 10% withholding tax (WHT) on REIT distributions from YA2026 onwards. Resident individuals will now be taxed at their prevailing personal income tax rates (0%-30%), while non-resident individuals and foreign institutional investors face a higher 30% rate (previously 10%). Importantly, this change does not affect REIT-level operations or earnings, the tax-transparent structure is preserved provided at least 90% of total income is distributed. While the removal reduces post-tax yield appeal for higher-income and foreign investors, IGBCR's gross distribution yield of ~7.5% provides a meaningful buffer, with net yields still estimated at 5.3%-7.5% depending on investor tax profile, with low-income residents retaining the full 7.5% gross yield and non-residents facing a 30% WHT.

M+ Global View

- **We maintain a positive outlook on IGBCR.** Despite geopolitical trade uncertainties, domestic demand remains supportive with Malaysia's GDP growth forecast of 4%-5% for 2026. IGBCR is a direct beneficiary of the ongoing "flight to quality" trend in the Klang Valley office market, with its green-certified, well-located portfolio serving a highly diversified, corporate based tenants across multiple sectors. Meanwhile, the combination of rising occupancy and positive rental reversions provides a visible earnings growth runway moving forward.

BUY

Share price	**RM0.600**
Target price	**RM0.700**
Previous TP	**RM0.700**
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.

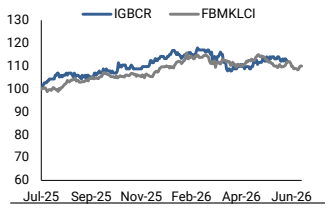
Stock information	
Bursa Code	5299
Bloomberg ticker	IGBCR MK
Listing market	MAIN
Share issued (m)	2410.1
Market Cap (m)	1446.1
52W High/Low	0.650/0.580
Est. Free float (%)	21.6
Beta (x)	0.4
3-mth avg vol ('000)	299.1
Shariah compliant	No

Major shareholders	%
IGB Berhad	49.9
Wah Seong (Malaya)	7.2
Tan Chin Nam Sdn Bhd	4.2

Share price vs. KLCI (%)	1M	3M	12M
Hist. return			
Absolute	0.0	0.0	4.3
Relative	-0.5	0.2	-5.2

Earnings snapshot	FY25	FY26f	FY27f
FYE (Dec)			
PATMI (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



- **WHT removal largely priced in, with IGBCR's resilience is evident.** Despite the IRB's 19th March 2026 confirmation of WHT removal, IGBCR's unit price has recovered to near its 19th March 2026 closing of RM0.61, holding steady at RM0.60 as of 9th July 2026. This resilience signals the market's recognition that the tax regime change has been largely priced in and that IGBCR's fundamentals remain intact.

Valuation & Recommendation

- **Forecast.** Maintain.

- **Maintain BUY with the same TP of RM0.70.** We maintain our BUY recommendation with the same target price of RM0.70. The target price is derived based on a targeted yield of 6.0% on its mid-FY27f EPU of 4.22 sen.

- **Risks to our recommendations include** (i) reduction in occupancy rate due to oversupply in the office market and structural shifts in workplace demand, (ii) downward pressure on rental reversion amid economic slowdown, and (iii) rising electricity tariffs weighing on operating margins

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

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 margin	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%

M+ Research

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(a) nil.

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