IGB Commercial REIT (IGBCR)

Earnings Outperformed in 3QFY26

Summary

- **Earnings above expectations.** IGBCR registered a 3QFY26 core PAT of RM32.4m, bringing 9MFY26 core PAT to RM95.4m, accounting for 83.7% and 79.8% of our and consensus full-year estimates, respectively. Core earnings exclude a RM3.1m non-cash fair value loss in 3QFY26 and a net fair value gain of RM0.8m in 1HFY26. The earnings beat was driven by higher occupancy and rental rates, alongside lower finance costs.

- **YoY.** IGBCR's 3QFY26 core PAT rose 36.4% YoY to RM32.4m, driven by higher occupancy and average rental rates. Revenue rose 14.3% YoY to RM73.4m, while NPI jumped 21.6% YoY to RM45.8m, lifting the NPI margin to 62.4% (from 58.6%). Meanwhile, finance costs declined 12.5% YoY from RM10.0m to RM8.7m, providing additional earnings uplift.

- **QoQ.** Revenue rose 3.0% QoQ to RM73.4m on higher rental income as occupancy improved to 95.0% (from 94.1%). NPI grew at a slower pace of 1.5% QoQ to RM45.8m as property operating expenses climbed 5.6% QoQ, led by higher utility costs. Core PAT edged up 1.9% QoQ to RM32.4m from RM31.8m.

- **Income distribution.** RM33.3m was declared as income distribution for 3QFY26, implying a DPU of 1.37 sen per unit (vs RM24.9m in 3QFY25, implying a DPU of 1.03 sen), payable on 30 November 2026. Cumulative 9MFY26 DPU stands at 4.05 sen, as compared to 3.13 sen in 9MFY25.

- **Portfolio occupancy rate increased to 95.0%.** Mid Valley City's occupancy rate rose from 96.2% in 3QFY25 to 98.8% in 3QFY26, while KL City improved from 84.1% to 88.6% over the same period. Meanwhile, the overall portfolio's occupancy rate increased from 91.7% to 95.0% during the same period.

- **Average rental rate increased as well.** The average rental rate for Mid Valley City increased from RM6.95/sqft in 3QFY25 to RM7.14/sqft in 3QFY26. Simultaneously, the average rental rate for KL City also increased from RM5.72/sqft to RM5.99/sqft. On a portfolio basis, the average monthly rental rate increased from RM6.53/sqft to RM6.74/sqft.

- **Weighted average lease expiry (WALE) stood at 1.85 years.** As at 3QFY26, IGBCR's WALE stood at 1.85 years, with the overall portfolio tenancy expiry profile ranging from 1% to 44% over FY26-29. Tenant retention remained strong, with 116 out of 135 tenancies renewed, representing a renewal rate of ~91% by net lettable area.

- **Gearing ratio remains conservative at 26.5%.** Total borrowings stood at RM889.8m as at 3QFY26 (vs RM881.3m in 2QFY26), bringing the gearing ratio to 26.5%. 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, supported by its Green Building Index (GBI) certification across all 10 commercial buildings and well-located portfolio serving a highly diversified, corporate based tenants across multiple sectors. Meanwhile, with the portfolio occupancy rising to 95.0% and Mid Valley City nearing full occupancy

Results Note – 3QFY26

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BUY

Share price	**RM0.605**
Target price	RM0.890
Previous TP	RM0.760
Capital upside	47.1%
Dividend return	8.9%
Total return	56.0%

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)	2,429.7
Market Cap (m)	1,470.0
52W High/Low	0.650 / 0.580
Est. Free float (%)	21.7
Beta (x)	0.4
3-mth avg vol ('000)	262.3
Shariah compliant	No

Major shareholders	**%**
IGB Berhad	49.4
Wah Seong (Malaya) Trading Co. Sdn. Bhd.	7.2
Tan Chin Nam Sdn. Bhd.	4.2

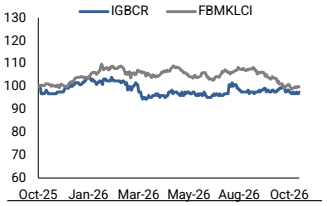
Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	-0.8	-3.2	-2.4
Relative	1.7	3.4	-2.2

Earnings snapshot

FYE (Dec)	FY25	FY26f	FY27f
PAT (m)	95.5	121.2	131.0
DPU (sen)	4.2	5.4	5.8
P/E (x)	15.4	12.1	11.2

Relative performance chart



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(98.8%), we see scope for further positive rental reversions, underpinned by management's ongoing AEIs (e.g. lobby modernisation, smart lighting and chiller plant metering upgrades).

Quarterly performance 3QFY26

Quarterly performance								
FYE Dec (RM m)	3QFY25	2QFY26	3QFY26	QoQ (%)	YoY (%)	9MFY25	9MFY26	YoY (%)
Revenue	64.2	71.2	73.4	*3.0*	*14.3*	191.1	213.5	*11.7*
Net Property Income	37.6	45.1	45.8	*1.5*	*21.6*	114.6	135.3	*18.1*
Core PBT	23.8	31.8	32.4	*2.0*	*36.2*	71.5	95.4	*33.4*
Core PAT	23.8	31.8	32.4	*2.0*	*36.2*	71.5	95.4	*33.4*
EPU (sen)	1.0	1.3	1.3	*2.0*	*33.6*	3.0	3.9	*32.7*
DPU (sen)	1.0	1.4	1.4	*1.5*	*33.9*	3.1	4.1	*30.3*
NPI margin (%)	58.6	63.3	62.4			60.0	63.4	
PBT margin (%)	37.0	44.6	44.2			37.4	44.7	
Core PAT margin (%)	37.0	44.6	44.2			37.4	44.7	

Source: IGBCR, M+ Research

Valuation & Recommendation

- **Forecast.** Following the results beat, we raise our FY26-28f core PAT by 6.3%/8.7%/11.6% to RM121.2m/131.0m/142.0m, from RM114.0m/120.5m/127.2m respectively.

- **Maintain BUY with a higher TP of RM0.89.** We maintain our BUY recommendation with a higher target price of RM0.89 (from RM0.76), based on a targeted distribution yield of 6.5% applied to our FY27f DPU of 5.8 sen.

  We continue to like IGBCR for its rising occupancy and rental rates, strong tenant retention and declining financing costs. We view the current price level as an attractive entry point for investors, offering compelling dividend yields of between 8.9%-10.4% over FY26-28.

- **Downside risks.** Risks to our recommendation 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	FY27f	FY28f
Cash	129	103	93	164	196	231
Receivables	6	16	9	14	15	15
PPE	3,161	3,161	3,244	3,161	3,161	3,161
Others	6	16	9	14	15	15
Assets	**3,296**	**3,280**	**3,346**	**3,339**	**3,372**	**3,407**
Debts	853	850	881	914	935	957
Payables	146	141	145	154	164	174
Others	-	-	-	(33)	(34)	(34)
Liabilities	**1,000**	**991**	**1,027**	**1,035**	**1,065**	**1,097**
Unitholder's equity	2,296	2,289	2,319	2,304	2,307	2,310
Minority interest	-	-	-	-	-	-
Equity	**2,296**	**2,289**	**2,319**	**2,304**	**2,307**	**2,310**

Cash Flow Statement

FYE Dec (RM m)	FY23	FY24	FY25	FY26f	FY27f	FY28f
Profit before taxation	65	63	95	121	131	142
Changes in working capital	10	(15)	11	4	9	10
Share of JV profits	-	-	-	-	-	-
Taxation	-	-	-	-	-	-
Others	54	89	60	-	-	-
Operating cash flow	**129**	**137**	**166**	**125**	**140**	**152**
Net capex	-	-	-	-	-	-
Others	2	(5)	(91)	-	-	-
Investing cash flow	**2**	**(5)**	**(91)**	**-**	**-**	**-**
Changes in borrowings	1	(3)	31	32	21	22
Issuance of shares	16	17	10	2	-	-
Dividends paid	(83)	(87)	(102)	(130)	(140)	(152)
Others	(55)	(85)	(42)	-	-	-
Financing cash flow	**(121)**	**(158)**	**(103)**	**(95)**	**(119)**	**(130)**
Net cash flow	**10**	**(25)**	**(27)**	**71**	**33**	**34**
Forex	-	-	-	-	-	-
Others	-	-	-	-	-	-
Beginning cash	119	129	103	93	164	196
Ending cash	129	103	93	164	196	231

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25	FY26f	FY27f	FY28f
Revenue	**215**	**231**	**260**	**288**	**307**	**326**
Net investment income	129	125	155	175	187	199
Net finance income/ (cost)	(46)	(45)	(41)	(35)	(37)	(37)
Profit before tax	**65**	**63**	**95**	**121**	**131**	**142**
Tax	-	-	-	-	-	-
Net profit	**65**	**63**	**95**	**121**	**131**	**142**
Minority interest	-	-	-	-	-	-
Distributable income	**84**	**88**	**106**	**133**	**143**	**155**
Exceptional items	-	-	-	-	-	-
Distributed income	79	83	87	87	130	140

Valuation & Ratios

FYE Dec (RM m)	FY23	FY24	FY25	FY26f	FY27f	FY28f
EPU (sen)	2.7	2.6	3.9	5.0	5.4	5.9
P/E (x)	17.8	16.9	14.4	12.1	11.2	10.3
EV/EBITDA (x)	17.2	17.7	14.3	12.6	11.9	11.2
DPU (sen)	3.4	3.6	4.2	5.4	5.8	6.3
Distribution yield	5.6%	5.9%	6.9%	8.9%	9.6%	10.4%
BVPS (RM)	0.95	0.94	0.96	0.95	0.95	0.95
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%	61.0%	60.9%	60.9%
PBT margin	30.3%	27.1%	36.7%	42.1%	42.7%	43.5%
Net margin	30.3%	27.1%	36.7%	42.1%	42.7%	43.5%
ROE	3.7%	3.8%	4.6%	5.8%	6.2%	6.7%
ROA	2.6%	2.7%	3.2%	4.0%	4.3%	4.6%
Net gearing	31.6%	32.7%	34.0%	32.5%	32.0%	31.5%

M+ Research

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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