IGB REIT (IGBREIT MK)

3Q26: In Line; Southkey Remains The Growth Engine

Highlights

- 3Q26 results were in line with expectations, with a DPU of 3.51 sen declared.
- Management maintained its mid-single-digit reversion guidance for 2027, and we believe this is conservative as MVS is seeing reversion well above 5%. Historically, IGB REIT has mostly exceeded its reversion guidance.
- Maintain BUY with a lower target price of RM2.92 as we increase our cost of equity assumption and rollover our valuation base to 2027. IGB REIT currently offers 5.4-5.6% yields for 2026-27.

3Q26 Results

Year to 31 Dec (RMm)	3Q26 (RMm)	qoq % chg	yoy % chg	9M26 (RMm)	yoy % chg
Total Revenue	249.3	3.5	50.9	751.6	51.3
Property Expenses	(64.1)	7.2	59.1	(178.2)	49.9
Net Property Income	185.2	2.3	48.3	573.4	51.7
Other Income	3.26	6.3	56.2	9.0	42.4
Trust expenses	(17.9)	5.1	66.0	(53.7)	63.9
Finance costs	(23.5)	1.1	72.5	(69.7)	72.5
Core PAT	147.1	2.2	43.4	459.0	47.6
Core EPU (sen)	3.40	2.1	20.0	10.6	23.5
Core DPU (sen)	3.51	2.0	26.7	11.0	24.7
Margins (%):		ppt chg	ppt chg		ppt chg
Net property income	74.3	(0.9)	(1.3)	76.3	0.2
Core PAT	59.0	(0.7)	(3.1)	61.1	(1.5)

Source: IGB REIT, Bloomberg, UOB Kay Hian

Analysis

- **Results in line.** IGB REIT reported 3Q26 revenue of RM249m (+3.5% qoq; +50.9% yoy) and core net profit of RM147m (+2% qoq; +43% yoy). This brings 9M26 core net profit to RM459m (+47.6% yoy), within our expectation and accounting for 74%/75% of our/consensus full-year estimates.
- **Declared 3.51 sen dividend for 3Q26,** with a payout ratio of 97.4%. 9M26 DPU of 10.95 sen represents an annualised distribution yield of 5.5%.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	626.1	687.8	1,000.4	1,037.5	1,075.2
EBITDA	414.9	469.1	684.6	702.4	730.3
Operating profit	414.0	468.5	684.0	701.1	728.5
Net profit (rep./act.)	579.8	643.2	617.7	640.7	670.9
Net profit (adj.)	368.7	418.2	617.7	640.7	670.9
EPU (sen)	10.2	9.7	14.2	14.7	15.4
DPU (sen)	10.7	11.8	14.7	15.2	15.9
PE (x)	26.7	28.2	19.1	18.5	17.7
P/B (x)	2.3	1.9	1.9	1.8	1.8
DPU Yld (%)	3.9	4.3	5.4	5.6	5.8
Net margin (%)	58.9	60.8	61.7	61.8	62.4
Net debt/(cash) to asset (%)	16.7	22.2	19.6	18.4	17.0
Interest cover (x)	9.1	9.3	10.3	11.6	12.7
ROE (%)	14.4	12.8	12.2	12.6	13.0
Consensus DPU (sen)			14.1	14.9	15.4
UOBKH/Consensus (x)			1.0	1.0	1.0

Source: IGB REIT, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	RM2.72
Target Price	RM2.92
Upside	7.4%
Previous TP	RM3.16

Stock Data

Sector	Real Estate
Bloomberg ticker	IGBREIT MK
Shares issued (m)	4,331.8
Market cap (RMm)	11,869.2
Market cap (US$m)	2,908.6
3-mth avg daily t'over (US$m)	1.6

Price Performance (%)

52-week high/low				RM3.16/RM2.51
1mth	3mth	6mth	1yr	YTD
(0.4)	0.7	(2.1)	1.5	0.4

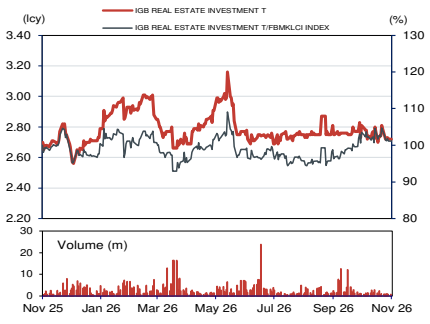
Major Shareholders (%)

IGB Bhd	40.0
EPF	10.4

Balance Sheet Metrics

2026 NAV/Share (RM)	1.89
2026 Net Debt/Share (RM)	0.50

Price Chart



Source: Bloomberg

Company Description

IGB REIT is a real estate investment trust. Its portfolio consists of the Mid Valley Megamall and The Gardens Mall in Malaysia.

- **Operating expenses to normalise.** Margin dip from one-off NPI margin eased to 74.3% (-0.9ppt qoq; -1.3ppt yoy) as property expenses rose 7% qoq, mainly due to car park epoxy resurfacing at all three malls. Management expects full-year opex to normalise with no other major opex items this year, while the higher minimum wage should not materially impact costs.
- **Mid-single-digit rental reversion guidance maintained for 2027.** IGB REIT recorded positive mid-single-digit retail rental reversion yoy in 2026 and kept the same guidance for next year. Tenant sales grew at a high single-digit rate at MVM and TGM, while MVS should see double-digit growth. All four major tenancies expiring in 2026, namely AEON and Golden Screen Cinemas at MVM and Fitness First and Red Box at TGM, have been renewed.
- **Mid Valley Megamall (MVM): Stable with near-full occupancy.** MVM's 3Q26 revenue rose 2.5% yoy to RM116.9m, while NPI was flat (+0.6% yoy) with NPI margin easing to 76.9% (-1.4ppt yoy). Occupancy rate remained resilient at 99.6% (2Q26: 99.4%), while average gross monthly rental rose to RM18.84psf (3Q25: RM18.55psf).
- **The Gardens Mall: AEIs and maintenance weighed on NPI.** TGM revenue grew 5.1% yoy to RM53.7m, supported by higher average gross monthly rental of RM16.96psf (3Q25: RM15.94psf). Notably, management noted that luxury sales have improved yoy, supported by brands such as Rolex. However, NPI declined 5.9% yoy and NPI margin narrowed to 62.2% (-7.3ppt yoy) on AEI works. Occupancy dipped to 97.0% (3Q25: 98.6%).
- **MVS: Reversion well above 5%.** MVS recorded 3Q26 revenue of RM78.7m (+4.8% qoq) and NPI of RM61.9m (+4.2% qoq), with NPI margin at 78.7%. Average gross monthly rental rose to RM15.17psf (2Q26: RM15.03psf), with occupancy at 98.9%. Given that MVS only opened in 2019, we see further room for rental catch-up, particularly with 60% of NLA due for renewal in 2028. Footfall should be further supported by the progressive development of Mid Valley Southkey, where only two of four office towers have been completed, and an additional hotel under construction by the sponsor.

Valuation/Recommendation

- **Maintain BUY with a lower target price of RM2.92 (from RM3.16),** as we increase our cost of equity assumption from 6.4% and rollover our valuation base to 2027. Our target price is based on a dividend discount model (required rate of return: 6.9%, terminal growth: 1.5%), with an implied dividend yield of 5.2%/5.4% for 2026/27.

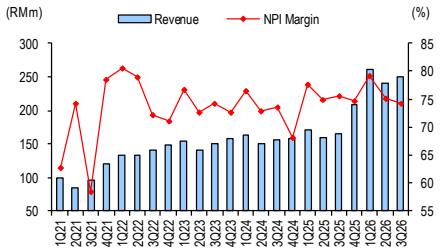
Earnings Revision/Risk

- No earnings revision.

Environment, Social, Governance (ESG) Updates

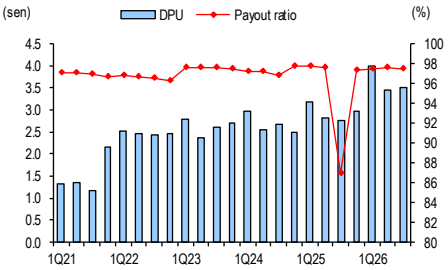
- Environment – Remains committed to exploring ways to continue to reduce energy consumption and monitor total electricity consumed monthly. Electricity consumption has been on a downtrend since 2016 (base year).
- Social – Regular cybersecurity training through e-portals as well as ad hoc social engineering tests throughout the year.
- Governance – The Board comprises four independent directors and five non-independent directors. There are four Board Committees – Audit Committee, Nomination Committee, Remuneration Committee and Sustainability Committee.

Revenue And NPI Margin



Source: IGBREIT, UOB Kay Hian

DPU And Payout Ratio



Source: IGBREIT, UOB Kay Hian

12-month Forward Yield At 5.3%



Source: Bloomberg, UOB Kay Hian

Profit & loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	687.8	1,000.4	1,037.5	1,075.2
EBITDA	468.5	684.0	701.1	728.5
Deprec. & amort.	0.6	1.3	1.8	0.0
EBIT	468.5	684.0	701.1	728.5
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(50.3)	(66.3)	(60.4)	(57.6)
Pre-tax profit	643.2	617.7	640.7	670.9
Tax	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0
Net profit	643.2	617.7	640.7	670.9
Net profit (adj.)	418.2	617.7	640.7	670.9

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	8,369.2	8,369.2	8,369.2	8,369.2
Other LT assets	2.1	4.5	6.1	7.3
Cash/ST investment	305.4	492.7	579.8	685.5
Other current assets	81.6	89.6	105.9	102.6
Total assets	8,758.2	8,955.9	9,061.1	9,164.5
ST debt	18.8	18.8	18.8	18.8
Other current liabilities	242.5	398.7	406.6	408.5
LT debt	2,228.8	2,228.8	2,228.8	2,228.8
Other LT liabilities	0.0	0.0	0.0	0.0
Shareholders' equity	6,268.2	6,309.7	6,406.9	6,508.5
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	8,758.2	8,955.9	9,061.0	9,164.5

Cash flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	530.4	832.8	694.0	735.5
Pre-tax profit	418.2	617.7	640.7	670.9
Tax	0.0	0.0	0.0	0.0
Deprec. & amort.	0.6	0.6	1.3	1.8
Associates	0.0	0.0	0.0	0.0
Working capital changes	(65.1)	148.2	(8.4)	5.2
Other operating cashflows	176.8	66.3	60.4	57.6
Investing	(1,050.5)	(3.0)	(3.0)	(3.0)
Capex (growth)	(0.7)	(3.0)	(3.0)	(3.0)
Investments	0.0	0.0	0.0	0.0
Others	(1,049.8)	0.0	0.0	0.0
Financing	565.6	(586.3)	(603.8)	(626.9)
Distribution to unitholders	(408.6)	(510.3)	(527.8)	(550.9)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	1,030.0	0.0	0.0	0.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(55.8)	(76.0)	(76.0)	(76.0)
Net cash inflow (outflow)	45.5	243.5	87.2	105.6
Beginning cash & cash equivalent	203.6	249.2	492.7	579.8
Changes due to forex impact	56.2	0.0	0.0	0.0
Ending cash & cash equivalent	305.4	492.7	579.8	685.5

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	68.2	68.4	67.7	67.9
Pre-tax margin	93.5	61.7	61.8	62.4
Net margin	93.5	61.7	61.8	62.4
ROA	9.2	8.7	9.0	9.3
ROE	12.8	12.2	12.6	13.0
Growth				
Turnover	9.9	45.5	3.7	3.6
EBITDA	13.1	45.9	2.6	4.0
Pre-tax profit	13.1	45.9	2.6	4.0
Net profit	13.1	45.9	2.6	4.0
Net profit (adj.)	13.4	47.7	3.7	4.7
EPU	(5.1)	47.4	3.3	4.4
Leverage				
Debt to total capital	35.9	35.6	35.1	34.5
Debt to equity	35.9	35.6	35.1	34.5
Net debt/(cash) to equity	22.2	19.6	18.4	17.0
Interest cover (x)	9.3	10.3	11.6	12.7

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