

## COMPANY RESULTS

### IGB REIT (IGBREIT MK)

4Q24: Largely In Line; Better Quarter Ahead On Mall Upgrades

IGB REIT's 4Q24 results were in line. We expect net property income margin to improve sequentially as the mall reconfiguration will only start reaping full benefits in 1Q25, while no material asset enhancement initiatives are expected for 1H25. Management has already seen a fair amount of Chinese New Year shopping ahead of the holidays, though it is too early to conclude if the sales momentum will continue. Maintain HOLD with an unchanged target price of RM2.21.

#### 4Q24 RESULTS

Year to 31 Dec (RMm)	4Q24	3Q24	qoq % chg	yoy % chg	2024	yoy % chg
Revenue	158.3	155.3	2.0	(0.1)	626.1	3.6
Property Expenses	(50.4)	(41.2)	22.5	16.6	(170.4)	9.0
Net Property Income	107.9	114.1	(5.5)	(6.4)	455.7	1.7
Other Income	45.0	43.3	3.9	6.6	8.8	62.0
Trust expenses	(10.9)	(10.1)	7.7	4.5	(41.7)	3.6
Finance costs	(13.6)	(13.6)	0.0	0.0	(54.2)	0.3
PAT	85.5	92.7	(7.8)	(8.0)	368.7	2.7
EPU (sen)	2.4	2.6	(8.3)	(8.3)	10.2	2.6
DPU (sen)	2.5	2.7	(6.7)	(7.4)	10.7	2.2
<b>Margins (%):</b>			<b>ppt chg</b>	<b>ppt chg</b>		<b>ppt chg</b>
Net property income	68.2	73.5	(5.3)	(4.6)	72.8	(1.3)
PAT	54.0	59.7	(5.7)	(4.6)	58.9	(0.5)

Source: IGB REIT, UOB Kay Hian

## RESULTS

- **Results largely in line.** IGB REIT reported 4Q24 revenue of RM158.3m (+2.0% qoq; -0.1% yoy) and core net profit of RM85.5m (-7.8% qoq; -8.0% yoy). This brings 2024 net profit to RM368.7m (+2.7% yoy), representing 96% of our and consensus forecasts, which we deem largely in line. We exclude RM211.1m in exceptional items (from net fair value changes) from 2024's reported net profit of RM579.8m.
- **Declared 2.5 sen dividend for 4Q24** (-6.7% qoq, -7.4% yoy), bringing full-year dividend to 10.7 sen (+2.2% yoy), representing a distribution yield of 5.0%.

## KEY FINANCIALS

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	626.1	626.1	668.6	699.3	731.5
Operating profit	455.7	455.7	493.8	517.0	541.3
Net profit (rep./act.)	517.6	579.8	404.6	424.3	446.6
Net profit (adj.)	368.7	368.7	404.6	424.3	446.6
EPU (sen)	10.2	10.4	11.4	12.0	12.6
DPU (sen)	10.7	10.7	11.9	12.5	13.1
PE (x)	21.5	21.1	19.3	18.4	17.5
P/B (x)	1.9	1.8	1.9	1.9	1.9
DPU Yld (%)	4.9	4.9	5.4	5.7	6.0
Net margin (%)	58.9	58.9	60.5	60.7	61.1
Net debt/(cash) to asset (%)	17.1	16.7	18.4	19.1	19.7
Interest cover (x)	8.4	9.1	9.7	9.7	10.0
Consensus DPU (sen)			11.2	12.1	-
UOBKH/Consensus (x)			1.1	1.0	-

Source: IGB REIT, Bloomberg, UOB Kay Hian

## HOLD

(Maintained)

Share Price	RM2.19
Target Price	RM2.21
Upside	+1.0%

## COMPANY DESCRIPTION

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

## STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	IGBREIT MK
Shares issued (m):	3,615.4
Market cap (RMm):	7,917.7
Market cap (US\$m):	1,781.5
3-mth avg daily t'over (US\$m):	0.3

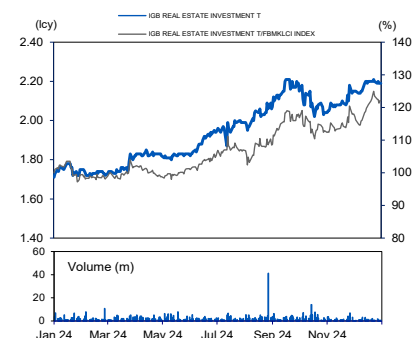
## Price Performance (%)

52-week high/low			RM2.25/RM1.70	
1mth	3mth	6mth	1yr	YTD
2.3	1.3	12.9	27.3	2.3

## Major Shareholders

	%
IGB Corp Berhad	48.0
Employees Provident Fund	11.1
Kumpulan Wang Persaraan	6.91
FY25 NAV/Share (RM)	1.08
FY25 Net Debt/Share (RM)	0.28

## PRICE CHART



Source: Bloomberg

## ANALYST(S)

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### STOCK IMPACT

- **Full benefit of AEs to be reflected only in 1Q25.** 4Q24 revenue was flattish (-0.1%) due to the high base last year, dragged by the decline in revenue from the Gardens Mall (-2.9% yoy) as a result of a dip in tenant turnover rent, largely offset by a higher revenue (+1.1% yoy) from Mid Valley Megamall. The improvement in Mid Valley Megamall was due to the asset enhancement initiatives (AEIs) done in the South Court. We expect the full benefit from the AEs to be reflected only in 1Q25, as not all tenants (such as H&M and Urban Revival Men accounting for 15% of Megamall NLA) were open in 4Q24.
- **NPI margin was compressed on higher costs from AEs.** Net profit income (NPI) margin fell to 68.2% (4Q23/3Q24: 72.7%/73.5%) on higher operating expense ratio, mainly coming from reconfiguration costs (RM13m/RM10m for Megamall South Court/Garden North Court). We expect the higher operating costs to taper off in the coming two quarters as there will not be any sizable AEs in 1H25. Utilities expense ratio was flattish at 5.4% in 4Q24 (+0.3ppt yoy). We forecast utility charges to remain relatively stable in 2025, despite concerns of a tariff hike from Jul 25 onwards, as the government said it will not allow any increase in electricity tariffs that would impact the people.
- **Expect mid-single-digit rental reversion.** Occupancy remained resilient at almost 100% for Mid Valley and The Gardens. On lease expiry, about 22% of NLA in Mid Valley (Aeon Big and Mr DIY Plus) and 62% of NLA in the Gardens (Isetan, Jaya Grocer, Aurum Theatre) are due for renewal in 2025. While there remains uncertainty in tenants' sales due to the inflationary pressures and rising cost of living, we believe IGB REIT will be able to achieve mid-single-digit positive rental reversion. Other than anchor tenants, the other tenants such as Mr DIY Plus are expected to stay on for another term, given it has just upgraded the store format three years ago.

### EARNINGS REVISION/RISK

- **Earnings revision: None.**

### VALUATION/RECOMMENDATION

- **Maintain HOLD with an unchanged target price of RM2.21.** Our target price is based on a dividend discount model (required rate of return: 8.1%, terminal growth: 2.0%), with an implied dividend yield of 5.4% for 2025F. We reckon the current valuation is fair given that its forward yield spread to MGS of 1.6ppt has already narrowed to its historical mean (1.73ppt).

### ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

#### • Environmental

- 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).

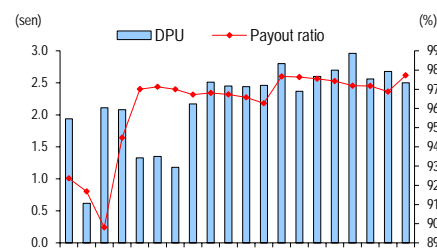
#### • Social

- Regular cybersecurity training through e-portals as well as ad hoc social engineering tests throughout the year.
- Both malls continued practicing many of the health and safety initiatives implemented during the height of the pandemic, even as many COVID-19 restrictions and standard operating procedures were relaxed. These include frequent cleaning of high touch surfaces such as those in common areas, toilets, and car parks, the use of ultraviolet (UV) light to sterilise smaller enclosed areas such as elevators and suraus, and the use of high-performance UV light to purify the air in all Air Handling Units.

#### • Governance

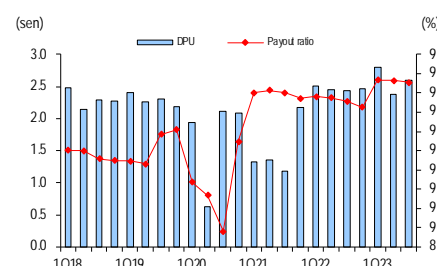
- The Board comprises four independent directors and five non-independent directors. There are four Board Committees – Audit Committee, Nomination Committee, Remuneration Committee and Sustainability Committee.
- Subscribes to IGB Group's Anti-Bribery and Corruption Policy, which adheres to the Malaysian Anti-Corruption Commission Act 2018.

### REVENUE AND NPI MARGIN



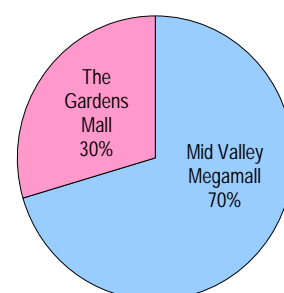
Source: IGB REIT, UOB Kay Hian

### DPU AND PAYOUT RATIO



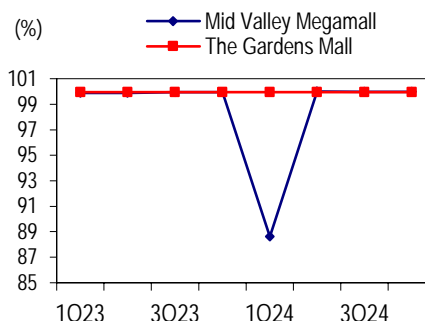
Source: IGB REIT, UOB Kay Hian

### 4Q24 REVENUE CONTRIBUTION



Source: IGB REIT, UOB Kay Hian

### OCCUPANCY RATE



Source: IGB REIT, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
<b>Net turnover</b>	<b>626.1</b>	<b>668.6</b>	<b>699.3</b>	<b>731.5</b>
EBITDA	414.0	451.1	473.2	496.3
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	414.0	451.1	473.2	496.3
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(45.3)	(46.5)	(48.9)	(49.7)
<b>Pre-tax profit</b>	<b>579.8</b>	<b>404.6</b>	<b>424.3</b>	<b>446.6</b>
Tax	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0
<b>Net profit</b>	<b>579.8</b>	<b>404.6</b>	<b>424.3</b>	<b>446.6</b>
Net profit (adj.)	368.7	404.6	424.3	446.6

### CASH FLOW

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
<b>Operating</b>	<b>460.5</b>	<b>460.4</b>	<b>485.2</b>	<b>509.1</b>
Pre-tax profit	368.7	404.6	425.1	447.4
Tax	0.0	0.0	0.0	0.0
Deprec. & amort.	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0
Working capital changes	15.1	9.2	12.0	12.8
Other operating cashflows	76.7	46.5	48.0	48.8
<b>Investing</b>	<b>(29.6)</b>	<b>(3.0)</b>	<b>(3.0)</b>	<b>(3.0)</b>
Capex (growth)	(1.0)	(3.0)	(3.0)	(3.0)
Investments	0.0	0.0	0.0	0.0
Others	(28.6)	0.0	0.0	0.0
<b>Financing</b>	<b>(447.6)</b>	<b>(491.1)</b>	<b>(513.3)</b>	<b>(537.4)</b>
Distribution to unitholders	(393.5)	(437.7)	(459.8)	(483.9)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(54.0)	(53.5)	(53.5)	(53.5)
<b>Net cash inflow (outflow)</b>	<b>(16.7)</b>	<b>(33.7)</b>	<b>(31.1)</b>	<b>(31.3)</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>220.3</b>	<b>203.6</b>	<b>169.9</b>	<b>138.8</b>
Changes due to forex impact	54.6	30.8	31.8	21.9
<b>Ending cash &amp; cash equivalent</b>	<b>258.2</b>	<b>200.7</b>	<b>170.6</b>	<b>129.4</b>

### BALANCE SHEET

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	5,436.1	5,436.1	5,436.1	5,436.1
Other LT assets	2.0	5.0	8.0	11.0
Cash/ST investment	258.2	200.7	170.6	129.4
Other current assets	45.0	47.7	50.1	52.3
<b>Total assets</b>	<b>5,741.3</b>	<b>5,707.1</b>	<b>5,673.0</b>	<b>5,637.0</b>
ST debt	15.2	15.2	15.2	15.2
Other current liabilities	271.1	283.0	297.4	312.4
LT debt	1,199.6	1,199.6	1,199.6	1,199.6
Other LT liabilities	0.0	0.0	0.0	0.0
Shareholders' equity	4,255.4	4,209.3	4,160.8	4,109.8
Minority interest	0.0	0.0	0.0	0.0
<b>Total liabilities &amp; equity</b>	<b>5,741.3</b>	<b>5,707.1</b>	<b>5,673.0</b>	<b>5,637.0</b>

### KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
<b>Profitability</b>				
EBITDA margin	66.1	67.5	67.7	67.8
Pre-tax margin	92.6	60.5	60.8	61.2
Net margin	92.6	60.5	60.8	61.2
ROA	10.6	7.4	7.8	8.2
ROE	14.4	10.1	10.7	11.3
<b>Growth</b>				
Turnover	3.6	6.8	4.6	4.6
EBITDA	1.6	9.0	4.9	4.9
Pre-tax profit	1.6	9.0	4.9	4.9
Net profit	1.6	9.0	4.9	4.9
Net profit (adj.)	2.7	9.7	5.1	5.2
EPU	2.7	9.7	5.1	5.2
<b>Leverage</b>				
Debt to total capital	28.5	28.9	29.2	29.6
Debt to total asset	28.5	28.9	29.2	29.6
Net debt/(cash) to asset	22.5	24.1	25.1	26.4
Interest cover (x)	9.1	9.7	9.9	10.2

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