

HIGHEST GROWTH IN PROFIT AFTER TAX OVER THREE YEARS

PROPERTY (RM3 BIL AND ABOVE MARKET CAPITALISATION)

IGB Bhd



Retail business lifts earnings to record high

BY LEE WENG KHUEN

Built on strong foundations laid by pioneers in the real estate sector, IGB Bhd (KL:IGBB) — which controls two locally listed eponymous real estate investment trusts (REITs) whose portfolio includes retail and commercial assets in Mid Valley City — made a comeback on *The Edge* Billion Ringgit Club (BRC) winners list this year.

IGB (which changed its name from Goldis Bhd in March 2018 after the latter privatised IGB Corp Bhd) is currently helmed by group CEO Tan Boon Lee, the youngest son of the late Tan Chin Nam, who co-founded IGB Group (in 1964) and Tan & Tan Developments Bhd (in 1971) with his late brother Datuk Tan Kim Yeow. Boon Lee, brother of IGB chairman Tan Lei Cheng, took over in

January 2023 following the retirement of his cousin Datuk Seri Robert Tan Chung Meng (Kim Yeow's son).

With a three-year compound annual growth rate (CAGR) of 111.5% in profit after tax (PAT) during the awards evaluation period of between FY2020 and FY2023, IGB bagged the award for highest growth in PAT over three years among property developers with a market capitalisation of RM3 billion and above.

This is IGB's second BRC trophy following its maiden win in 2019 for the same award. IGB Corp won this award in 2017.

IGB's net profit doubled to a record high of RM311.91 million in FY2023 from RM159.11 million in FY2022, buoyed by the surge in tenant sales in the retail segment as well as a foreign exchange currency gain of RM58.9 million. Its net earnings for FY2020 and FY2021



came in at RM9.25 million and RM161.85 million respectively.

In 1QFY2024, its net profit more than tripled to RM185.34 million from RM56.07

million in the previous corresponding quarter, on the back of a one-off gain of RM108.7 million from the disposal of land owned by a joint-venture company.

In tandem with the surge in its bottom line, IGB's adjusted share price doubled during the period in review, surging from RM1.264 on March 31, 2021, to RM2.45 on March 31, 2024. Last year, the group undertook a one-for-two bonus issue exercise to reward shareholders.

In the retail segment, IGB holds 53.7% of IGB Real Estate Investment Trust (KL:IGB-REIT), which owns Mid Valley Megamall and The Gardens Mall in Kuala Lumpur. It also holds 70% of Mid Valley Southkey in Johor.

IGB owns 53% of IGB Commercial REIT (KL:IGBCR), which is Malaysia's largest standalone office REIT. IGB Commercial REIT has seven commercial assets in Mid

Valley City and three in Kuala Lumpur.

Overall, IGB has a presence across Asia, Australia, the US and the UK. Apart from retail, construction and hospitality, it is also involved in education, assisted living, co-living and water treatment.

Despite the stellar financial performance, PublicInvest Research — the only research house that covers IGB — has an “underperform” call on the group, with a target price of RM2. This is 24% below its closing price of RM2.63 on Aug 27.

In a May 29 note, the research house said the target price was pegged at a 40% discount to the group’s net tangible assets (NTA), or a 10-year discount to its price-to-book value (PB). At end-March 2024, its NTA per share stood at RM3.1091 while its PB was 0.84 times.

Nevertheless, PublicInvest Research upgraded IGB’s FY2024 net profit forecast by

about 37% to account for its bumper gain from a land sale.

Including a special dividend of two sen, IGB paid a higher dividend of seven sen per share for FY2023, from the five sen per share declared for FY2022. However, the payout was still lower than the 15 sen per share for FY2021.

Commenting on its outlook when releasing its 1QFY2024 financial results, IGB said: “The key challenge to the group’s retail segment is the rising cost of living. Inflationary pressures have affected consumer spending.

“As for the group’s property investment-commercial segment, the increased business activities underpinned by improving market conditions suggested that the office market in the Klang Valley pointed to a stable and modest recovery. With sustainable demand for office space, the group continues to offer a wide range of flexible

solutions to accommodate shifts in market dynamics in the commercial segment.”

Meanwhile, the group is of the view that the outlook for the property development sector remains favourable despite challenges such as access to credit, affordability and inflation that are likely to persist in 2024.

The Tan family collectively holds a 55.16% stake in IGB through three private vehicles, namely Tan Chin Nam Sdn Bhd (29.11%), Wah Seong Malaya Trading Co Sdn Bhd (16.03%) and Tan Kim Yeow Sdn Bhd (10.02%). **E**

