

## Sweating assets for more than a one-time earnings boost

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### IGB Bhd

For the second consecutive year, IGB Bhd (KL:IGBB ASK **EDGE**) has earned a spot on The Edge Billion Ringgit Club (BRC) winners list. This year, the conglomerate bagged the corporate award for highest return on equity (ROE) over three years among property developers with a market capitalisation of RM3 billion and above.

Last year, IGB clinched the award for highest growth in profit after tax over three years in the same sector. It won its first BRC trophy in 2019, when its market capitalisation was below RM3 billion.

With a global presence spanning Asia, Australia, the US and the UK, IGB develops commercial and residential properties, as well as has businesses in the retail, hospitality and construction sectors.

According to the awards methodology, IGB's adjusted weighted three-year ROE between FY2022 and FY2024 came in at 8.3% — the highest among its peers — even as its ROE increased to 10.2% in FY2024 from 8% in FY2023 and 4.2% in FY2022.

Thanks to higher contributions from all business segments, especially property investment (retail and hotel), the group continued to show robust financial performance, with net profit climbing to another record high of RM416.22 million in FY2024 from RM311.91 million in FY2023, RM159.11 million in FY2022 and RM161.85 million in FY2021.

In the absence of a one-off land sale contribution from a joint venture recognised a year ago, the conglomerate reported a 36.9% decline in its 1HFY2025 net earnings to RM164.4 million from RM260.52 million in the previous corresponding period.

Nonetheless, its adjusted share price rose from RM1.396 at end-March 2022 to RM2.72 on March 28, 2025, representing a three-year shareholder return compound annual growth rate (CAGR) of 24.9%.

The stock hit an all-time high of RM3.29 on Sept 2 this year, partly boosted by news of the group selling The Mall, Mid Valley Southkey in Johor Bahru to 53.9%-owned IGB Real Estate Investment Trust (KL:IGBREIT ASK **EDGE**) for RM2.65 billion in a related-party deal.

The five-storey mall is 70%-owned by IGB while the remaining 30% is held by Datuk Mohamed Zaini Amran-controlled Southkey City Sdn Bhd. With over 1.5 million sq ft of net lettable area, it forms part of the integrated Mid Valley Southkey development located near the Johor-Singapore Causeway.





IGB REIT — which currently owns Mid Valley Megamall and The Gardens Mall in Kuala Lumpur — is expected to complete the Mid Valley Southkey Mall acquisition by year end to push the REIT’s total investment property value to above RM8 billion.

Meanwhile, IGB recently announced that it was partnering with Johor state-owned enterprise Southkey City Sdn Bhd to buy two parcels of leasehold land in Johor Bahru for RM214.97 million. The land, next to its Mid Valley Southkey project, is for a mixed-use development that is expected to grow to a size similar to Mid Valley City in Kuala Lumpur.

Besides retail assets, IGB also has a 55.8% stake in IGB Commercial REIT (KL:IGBCR [ASK](#) **EDGE**), the largest standalone office REIT in Malaysia that has 10 properties in its stable, encompassing seven properties within Mid Valley City and another three in the Kuala Lumpur city centre.

Looking ahead, the group cautioned that the retail market may face a softer environment due to rising electricity tariffs, higher wage costs and mandatory Employees Provident Fund (EPF) contributions for foreign workers alongside the fuel subsidy rationalisation and expanded sales and service tax (SST), potentially dampening consumer spending.

“Nevertheless, the group remains committed to enhancing its retail assets through ongoing asset enhancement initiatives, tenancy mix management and sustainability-linked improvements,” IGB said when releasing its latest quarterly results.

Meanwhile, it noted that the commercial property market remains challenged by an oversupply of space and evolving tenant preference for newer and flexible environments.

“The SST expansion to rental income and electricity tariff hikes is expected to exert upward pressure on operating costs and downward pressure on rental revisions. The group, however, remains resilient through its integrated city offerings, proactive tenant engagement and ongoing asset enhancement initiatives,” it added.

In tandem with its higher profit in FY2024, IGB declared a dividend per share (DPS) of 12 sen — including a special dividend of five sen — nearly double the DPS of seven sen in FY2023.

In an Aug 27 note, PublicInvest Research maintained its earnings estimates for IGB, but downgraded the stock to “neutral” from “trading buy” after the market reacted positively to the proposed injection of Mid Valley Southkey Mall into IGB REIT. The research house had a target price of RM2.95 for the counter.

IGB is helmed by group CEO Tan Boon Lee, the youngest son of the late Tan Chin Nam, who co-founded IGB Group in 1964. The Tan family owns 55.59% equity interest in IGB through three private vehicles, namely Tan Chin Nam Sdn Bhd, Wah Seong Malaya Trading Co Sdn Bhd and Tan Kim Yeow Sdn Bhd.