

## Buying frenzy of IGB-REIT amid rating upgrades



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PETALING JAYA: IGB Real Estate Investment Trust 's (REIT) unit price hit an all-time high after the owner of Mid Valley Megamall announced the largest acquisition in the history of Malaysian REITs.

At least six investment banks, including JP Morgan, have upgraded their ratings on the stock to "buy".

This was following the news of IGB-REIT's proposed acquisition of the Mid Valley Southkey Mall (MVS) in Johor for RM2.65bil.

Riding on the positive sentiment, shares of IGB-REIT's parent - IGB Bhd  - also rose to a new record-high yesterday.

The parent owns 47.87% of IGB-REIT.

Analysts have revised their earnings forecasts of IGB-REIT upward, factoring in the future contributions from MVS Mall. As a result, target prices have also been raised.

AmInvestment Research has the highest target price at RM2.81 per unit.

IGB-REIT closed at RM2.49 yesterday after the stock rose by 9.2%.

IGB Bhd, on the other hand, moved north by 6.4% to close at RM2.83.

In a note, Kenanga Research said it is positive on the proposed acquisition, pointing out that it will strategically position IGB-REIT to benefit from key growth catalysts in Johor.

The research house has maintained its earnings forecasts for the financial year of 2025 (FY25), considering the acquisition may only be completed in the fourth quarter ending Dec 31.

Hence, the full earnings implication would be only seen from FY26.

"(We) raise FY26's by 34% to incorporate the earnings contribution from the proposed acquisition.

"To exercise prudence, we are assuming flat growth in MVS Mall also to reflect macro headwinds such as the 8% sales and service tax on rental and upcoming RON95 subsidy removal.

"Based on our estimated FY26 net property income (NPI) of RM191mil from MVS Mall, it would make up 26% of IGB-REIT's NPI, behind Mid Valley Megamall's RM399.5mil (55%) and The Gardens Mall's RM137.7mil (19%)," Kenanga Research said.

Kenanga Research has maintained its "market perform" call on IGB-REIT, with a higher target price of RM2.40 per unit.

Meanwhile, RHB Research upgraded its rating to "buy" and raised the target price to RM2.60.

"We raise our FY26 to FY27 earnings forecasts by 36% for each year.

"However, after accounting for the higher share base, our distribution per unit estimates increased by 12.5% for FY26 to FY27."

RHB Research opined that the acquisition of the MVS Mall provides a key re-rating catalyst, offering IGB-REIT a significant bump via inorganic growth and the opportunity to diversify its earnings base in the long term.

The acquisition of the property would significantly help diversify the REIT's earnings profile away from the more mature Klang Valley market to now include the growing Johor Baru market.

Opened in 2019, MVS Mall has a net lettable area of 1.5 million sq ft as compared to Mid Valley Megamall's 1.8 million sq ft.

On June 24, IGB-REIT announced that it will finance the acquisition of MVS Mall with a combination of borrowings and a unit placement.

A total of RM1bil of the purchase price will be funded via medium-term notes, while the balance RM1.65bil will be raised from the issuance of 699 million new units at an issue price of RM2.36.

Post-acquisition, IGB-REIT's gearing is expected to rise marginally to 0.26 times from 0.21 times at end-March.

Regardless, Maybank Investment Bank Research (Maybank IB) said there will still be ample headroom for future acquisitions. "We are upbeat on IGB-REIT's longer-term outlook, backed by its enlarged portfolio of high-quality retail assets.

"MVS Mall's injection has been long awaited. Its integration within the Southkey development, which includes office towers, hotels and residential units, is expected to drive consistent footfall and retail traffic, supporting occupancy and rental stability.

"Coupled with the mall's proximity to Singapore, we see upside to valuations over time."

Maybank IB raised its FY25, FY26 and FY27 net profit forecasts by 2.5%, 34.9% and 35.6%, respectively, to mainly reflect contributions from MVS Mall, offset partially by finance costs.

It also upgraded its call to "buy" and lifted target price to RM2.56 per unit.