

No. 10 | IGB Bhd

| | 2023 | 2022 |
|--------------|------|------|
| Overall | 10 | 13 |
| Quantitative | 7 | 9 |
| Qualitative | 11 | 11 |

Striving to become a prime mover

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IGB Bhd attributes the group's success to its long-term recurring income, diversification of its portfolio for varied income sources, more innovative projects and the incorporation of more sustainable elements into its projects.

The group has core businesses in retail, commercial and residential developments as well as construction and hospitality. It also has other investments such as water treatment facilities, education, post-hospitalisation and eldercare centres and co-living spaces. Its CEO Tan Boon Lee tells *City & Country* that the company generates most of its revenue from recurring income based business activities.

Tan explains, "When you do recurrent income business, you have to keep improving yourself by continuously reinvesting. Otherwise, you may be left behind because there will always be newer malls, hotels and office buildings. We always find that the companies that have the ability to reinvest will definitely do better."

Along with further discussions on strengthening recurring income, Tan also shares the group's plans, overall performance and projects for the coming years in this excerpt from the interview.

City & Country: How would you rate IGB's performance over the last 12 months?

Tan Boon Lee: Financial year 2022 (FY2022) was a big improvement for us as we achieved a cumulative revenue of RM1.291 billion compared to RM930 million in FY2021. A large chunk of the revenue came from the retail sector. After the pandemic, there was a lot of revenge spending so the retail segment rebounded and almost reached our pre-pandemic numbers.

The retail segment's improvement was synonymous with its REIT performing well too. IGB holds a 53.56% stake in IGB REIT, which contributed RM551 million to the group in FY2022.

The office sector, on the other hand, was slower to recover, especially with many multinational corporations (MNCs) implementing work-from-home alternatives. The hotel segment improved from its 2021 levels.

Over the past year, our company has exhibited a commendable growth trajectory, reflecting a satisfactory performance. Group revenue for the first half of the year (1H2023) increased 29% to RM981 million from RM762 million in 1H2022. The pre-tax profit of 1H2023 also increased 47% to RM327 million from RM223 million in 1H2022.

All sectors recorded increased revenue in 1H2023 compared to 1H2022, whereby retail rose by 17%,

"We have always liked to anticipate future trends because when you are an innovator, you have to look forward and see what the demand is going to be five years from today." – Tan



Tan (centre) with (from left) *The Edge Malaysia* editor-in-chief Kathy Fong, editor emeritus Au Foong Yee, *The Edge Media Group* publisher and group CEO Datuk Ho Kay Tat and *City & Country* editor E Jacqui Chan

commercial increased by 12%, the hotel segment saw a big improvement from the pandemic at 75% and property development witnessed a whopping 180% increase.

How does the group continue to set a benchmark to make itself distinct from its peers? We always look at trends, try to understand the changing lifestyles and adapt or introduce new concepts to accommodate future demand. This is in line with our vision of creating and managing spaces now and for the future.

IGB's diverse portfolio, including assets that deliver constant recurring income, showcases our strategic diversification. By entering varied market segments, the company hedges risks and capitalises on emerging opportunities, demonstrating adaptability and resilience in a competitive industry.

By diversifying our portfolio to include properties with recurring income, we can establish financial stability. The steady revenue helps us to cover operational costs, invest in new projects and weather economic fluctuations, contributing to long-term sustainability and growth.

Our senior management team also constantly reviews our business strategies and directions, as

well as risk management. We are also prudent about conserving cash to prepare for any major unexpected downturn in the market.

How did the group's retail, office and hospitality segments perform post-pandemic? What were some of the challenges, and how did you overcome them?

Post-pandemic, there was an increase in demand for shopping and travel. Hence, both our retail and hotel segments performed well.

For hotels, we are seeing healthy demand. During the pandemic, we did not do any asset enhancements because we could not see the light at the end of the tunnel. However, when we saw signs of the pandemic winding down, we decided to renovate our hotels. Currently, three are under renovation.

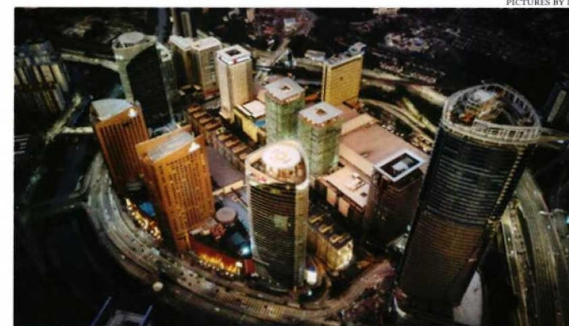
The office market, on the other hand, remains challenging as more people and companies adjust to a changing work-life balance. The pandemic probably sped up the transition of working from home by five years, but change was inevitable.

The cost of getting help at home has also increased, therefore working parents are finding that flexibility in work hours helps a lot. As companies downsize, another problem arises, where the vacancy rate of older office buildings increases.

To improve the office market, I think landlords need to be more accommodating to their tenants by looking at ways to differentiate their buildings from others, such as asset enhancement and adding green features.

It is also expected of companies to adapt to the change in working modes and balance their expectations of the staff's working hours. But I think the general direction is flexibility in work hours, depending on the person's duties or position.

For the overall market, rising inflation has continued to affect the people, drawing in a negative outlook towards the market. Other than that, we also have supply chain risk that arises from unanticipated disruptions to our supply chain due to internal and external factors such as wars, infectious diseases, extreme weather and changes in regulations.



Mid Valley City is an integrated mixed-use development in Kuala Lumpur

What we have done to overcome these challenges include maintaining a diversified portfolio to mitigate the risks of a slowdown within any particular sector, cultivating collaboration between subsidiaries to maximise operational and business synergies, carrying out ongoing monitoring and management costs as well as staying abreast of business trends and developments to seize new opportunities and remain relevant.

What are IGB's strategies to sustain the business?

In the 1990s, the company found that property development income was very volatile as it was heavily reliant on the market.

Property development depends on cycles. But how long or short the cycle is, is something we do not know. There will be peaks and then all developers will rush in and build more units, causing oversupply, which takes time for them to be sold. Once they are sold, demand picks up again and developers will start building again, which is why we keep getting a cycle. So, as a developer, if your portfolio is 100% property development, property income will be very cyclical depending on the cycles.

Therefore, the company took a strategic decision to try to concentrate more on recurring income. That's the direction we've taken ever since then. That means we will have land bank to do property development, but we will only launch these projects when the market is performing well.

We have always liked to anticipate future trends because when you are an innovator, you have to look forward and see what the demand is going to be five years from today. If you get it right, then you are a first prime mover, and we are practising just that.

To further diversify our portfolio, we are also looking at plans to repurpose old buildings. There are a number of such empty buildings around. Rather than tear down and build new ones, I think we can repurpose them. Most are very well located and near connectivity points.

Since the structure is already built, the cost of putting in the mechanical and engineering and finishes would not cost much. An idea we have is to repurpose old buildings as affordable homes.

Of course, for this to happen, we will need government assistance. The building codes and everything that come with them need to be more accommodative because these are old buildings and when you try to impose many conditions on them, that makes it very difficult to repurpose them in the right context.

The Mid Valley Southkey mixed-use development in Johor Bahru will comprise seven components



IGB Bhd

| FINANCIAL YEAR END (RM MIL) | 2022 | 2021 | 2020 | 2019 | 2018 |
|-------------------------------------|-------|-------|-------|-------|-------|
| Revenue | 1,291 | 930 | 1,016 | 1,436 | 1,302 |
| Pre-tax profit | 421 | 351 | 148 | 463 | 481 |
| Paid-up capital | 1,394 | 1,394 | 1,339 | 886 | 884 |
| Shareholders' funds | 3,759 | 3,841 | 3,612 | 3,614 | 3,435 |
| Profit attributable to shareholders | 159 | 162 | 9 | 209 | 236 |
| Dividend payout ratio (%) | NA | NA | NA | NA | NA |

ONGOING PROJECTS

| PROJECT/LOCATION | TYPE | GDV (RM MIL) | LAUNCH DATE |
|---|-------------|--------------|-------------|
| Southpoint Residences | Residential | 430 | 1Q2024 |
| 38 D'Laman Kundang Shop Offices | Commercial | 31 | 1Q2024 |
| Mid Valley Southkey South Tower | Commercial | TBC | 1Q2024 |
| ReU Living (eldercare/post-hospitalisation) | Commercial | TBC | 2Q2024 |

IN THE PIPELINE

| LOCATION | TYPE | GDV (RM MIL) | EXPECTED LAUNCH DATE |
|-------------------|-----------------------|--------------|----------------------|
| Damansara Heights | Residential | TBC | TBC |
| Kerinci | Mixed-use development | TBC | TBC |
| Melawati | Residential | TBC | TBC |
| Wangsa Maju | Residential | TBC | TBC |

As part of our environment, social and governance (ESG) efforts, we are looking to reduce our carbon footprint internally by shifting to a more digital environment. We are also looking to add solar panels to our shopping malls. On the waste front, we are cutting down on disposable plastic.

Besides that, a succession plan is in place. We have looked at the organisational structure and how we can move ahead. The succession plan involves several family members who are being groomed to take roles alongside professionals on both management teams.

What is the group's current land bank and what are your plans for it?

We have more than 1,000 acres, mainly spread out across Selangor, Kuala Lumpur, Negeri Sembilan, Pahang, Perak and Johor.

We are always on the lookout for strategic land. As we are not a large housing estate developer, we focus on the higher-end market, with which we are familiar and where the margins are hopefully better. The recent two acquisitions are neighbouring lots to land that we already own.

What are the group's upcoming projects and plans?

Our primary focus is to generate recurring income for the group. Rental-based business activities such as retail, office building, hotel, co-living and senior living will be our focus in the coming financial year. We are looking to develop more properties with services such as co-living or senior living as we tend to prefer businesses that have recurrent income. So, rather than just selling the apartment, we prefer to rent it out on a co-living or as an assisted living basis.

For example, we have plans to set up an eldercare or post-hospitalisation centre called ReU Living in Mid Valley City in 2Q2024. We are also looking at other potential sites to expand our co-living business, CoLiv.

In terms of property development, our projects in Damansara Heights, Kerinci, Wangsa Maju and Melawati are currently in the design and development stage. We are also aiming to launch Southpoint Residences in Mid Valley City, Kuala Lumpur, in 1Q2024 and a high-end residential development in Jalan Batai, Damansara Heights.

For the retail segment, we remain committed to continuing to elevate the shopping experience, thereby cementing our malls' position as one of the top retail destinations in the Klang Valley and Johor Bahru. To generate more income per sq ft, we plan to reconfigure the retail spaces in our existing malls together with asset enhancement initiatives.

For our commercial segment, we will remain committed to working closely with our tenants to support their business while continuing to focus on upgrading our properties, prioritising health and safety, and working to increase the efficiency and effectiveness of our work processes and equipment to better manage our costs.

We are aiming to launch 38 D'Laman Kundang Shop Offices in 1Q2024. This project comprises 38 shop lots with a built-up of approximately 2,800 sq ft. Apart from that, the Mid Valley Southkey South Tower is expected to be completed by 1Q2024.

For the hospitality segment, we remain cognisant of the life cycle of our products and will enhance the product and service quality on an ongoing basis. This is to ensure we stay competitive in the market.

Our hotels, Cititel Express Ipoh has been partially closed for renovation, and should be completed in mid-December. We have started selling a few of the new rooms. Some properties that are currently undergoing renovation works are Cititel Express Kota Kinabalu (partially closed and expected to be completed in 1Q2024), Sage Restaurant (expected to reopen in January 2024) and The Garden Residences (slated to reopen in 3Q2024).

The group is also working on resort projects such as the Pangkor Island redevelopment project. In terms of overseas expansion plans, we are working on a mixed-use development in Bangkok (which is by the Chao Phraya River). We will continue to look for more overseas opportunities.

In the future, we may develop industrial properties on our large tracts of land, but it really depends on what the market is like at that point in time.

What is your market outlook for next year?

Next year, if interest rates stay elevated in Malaysia, it will be very challenging as costs will continue to rise and most businesses would likely be unable to pass it on. For the retail sector, we are expecting a shortage of workers, higher operating costs and more competition. The hotel segment is set to be an exciting year as we anticipate further growth in inbound travel, both across the region and further afield.

As the oversupply of high-end properties continues, the property development segment is expected to have a continued challenging year. However, with China reopening its borders and more international travellers returning to Malaysia, we expect the property market to benefit as foreign investors return.

Globally, the macroeconomic landscape is full of uncertainties, with conflicts happening in different parts of the world. Trade barriers are increasingly being used by nations and impeded globalisation is taking place. There appears to be a resurgence in inflation, particularly in the world's bigger markets like the US and the UK. China's property crisis is creating economic uncertainty domestically and slowing down its economic activities.

On a brighter note, we see the Australian government warming up to the Chinese government. We also see our unity government addressing some of the ingrained issues as well as attracting foreign direct investment into the country. Overall, we remain cautiously optimistic for both the local and global markets.