

24 January 2018 | 4QFY17 Results Review

IGB REIT

Ended FY17 on a positive note


INVESTMENT HIGHLIGHTS

- **FY17 earnings came in within expectations**
- **Ended FY17 on a positive note**
- **Earnings estimates maintained**
- **Maintain BUY with an unchanged TP of RM1.73**

FY17 earnings came in within expectations. IGB REIT FY17 core net income of RM303.4m is within expectations, making up 104% and 103% of our and consensus forecasts respectively. Distribution per unit (DPU) of 4.9sen was also announced for 2HFY17, bringing total gross DPU to 9.28sen in FY17 or equivalent to net distribution yield of 5.2%.

Ended FY17 on a positive note. On a sequential basis, 4QFY17 earnings eased by 7.2%qoq to RM77.1m due to write-back of step-up interest rate arising from the fixed rate term loan boosted earnings in the previous quarter. Meanwhile, 4QFY17 earnings were higher by 9.7%yoy due to organic growth of positive rental reversions. That brought full year earnings to RM303.4m (+9.2%yoy) while topline grew 3.5%yoy. Rental reversions of Mid Valley Megamall and the Gardens Mall are at around +5% per annum, underpinned by high occupancy rates of the two malls (close to 100% occupied).

Earnings estimates maintained. We maintain our earnings forecasts for FY18. We also introduce our earnings forecast for FY19. We are forecasting FY19 earnings to grow 5.3%yoy on the back of positive rental reversion. On asset injection, we see no visible asset injection in the near-term.

Maintain BUY with an unchanged TP of RM1.73. We maintain our target price for IGB REIT at RM1.73, based on Dividend Discount Model (DDM) valuation (Required rate of return: 7.5%, Perpetual growth rate: 1.5%). We maintain our BUY call on IGBREIT due to its stable earnings outlook that will be driven by positive rental reversion. Meanwhile, dividend yield is also attractive at 5.2%. 

Maintain BUY

Unchanged Target Price (TP): RM1.73

RETURN STATS	
Price (23 Jan 2018)	RM1.61
Target Price	RM1.73
Expected Share Price Return	7.5%
Expected Dividend Yield	5.2%
Expected Total Return	12.7%
STOCK INFO	
KLCI	1,838.04
Bursa / Bloomberg	5227/ IGBREIT MK
Board / Sector	Main / REITs
Syariah Compliant	No
Issued shares (mil)	3,513.45
Market cap. (RM'm)	5,657
Price over NA	1.52
52-wk price Range	RM1.55 – RM1.8
Beta (against KLCI)	0.71
3-mth Avg Daily Vol	3.29m
3-mth Avg Daily Value	RM5.29m
Major Shareholders	
IGB Corp	49.34%
EPF	8.91%

INVESTMENT STATISTICS

FYE Dec (RM'm, unless otherwise stated)	FY15A	FY16A	FY17A	FY18F	FY19F
Gross Revenue	489	507	525	557	579
Net Rental Income	343	361	374	403	422
Net Investment Income	350	370	422	414	435
Net Income	254	278	343	307	323
Core Net Income	254.1	278	303	307	323
Realised EPU (sen)	7.40	8.09	9.77	8.74	9.19
Core EPU (sen)	7.40	8.09	8.63	8.74	9.19
Gross DPU (sen)	8.19	8.71	9.28	9.32	9.79
Net DPU (sen)	7.37	7.84	8.35	8.39	8.81
Net Distribution Yield (%)	4.6%	4.9%	5.2%	5.2%	5.5%
Core PER (x)	21.8	19.9	18.6	18.4	17.5
NAV per unit (RM)	1.07	1.07	1.06	1.06	1.06
P/NAV (x)	1.51	1.51	1.52	1.52	1.52
Core ROE	6.9%	7.6%	8.2%	8.3%	8.7%
Core ROA	4.9%	5.4%	5.8%	5.8%	6.0%

Source: MIDF Research

IGB REIT: 4QFY17 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY17	%YoY	%QoQ	FY17	%YoY
Gross Revenue	134.4	6.9%	3.7%	524.9	3.5%
Net Property Income (NRI)	95.2	4.1%	0.9%	373.6	3.4%
Net Investment Income	137.2	47.0%	42.1%	421.9	14.1%
Net Income	117.1	66.6%	40.9%	343.4	23.6%
Core Net Income (CNI)	77.1	9.7%	-7.2%	303.4	9.2%
Realised EPU (sen)	3.3	65.2%	40.7%	9.8	22.7%
Core EPU (sen)	2.2	8.8%	-7.4%	8.7	8.4%
Gross DPU (sen)	4.9	N/A	N/A	9.3	6.5%

Source: Company, MIDF Research

DAILY PRICE CHART



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Source: Bloomberg

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.