

29 January 2014 | 4QFY13 Results Review

## IGB Real Estate Investment Trust

*Good quarter but still lacking near term catalyst*

**Maintain NEUTRAL**

**Revised Target Price: RM1.20**  
(From RM1.32)

### INVESTMENT HIGHLIGHTS

- **Distribution of 3.61 sen per unit goes on ex- on 14 Feb 2014. Payment on 28 Feb 2014.**
- **Double digit growth in realised net profit despite bulkier operating expenses.**
- **Lacking catalyst with no near-term asset injections.**
- **Maintain NEUTRAL with a lower target price of RM1.20.**

**Results within expectation:** As expected, IGB Real Estate Investment Trust (IGB REIT) registered a realised net profit of RM206.9m in FY13.

**Final distribution:** In conjunction with the release of its 4QFY13 results, IGB REIT has proposed a second and final gross distribution of 3.61 sen per unit or RM123.9m, raising the total FY13 distribution up to 7.04 sen per unit or RM241.1m. This full year distribution represents 100% of IGB REIT's FY13 distributable income. The units trade ex-distribution on 14 Feb 2014 and payment will be made on 28 Feb 2014.

**Double digit revenue growth:** In 4QFY13, gross revenue growth was a double digit +11.0%yoy. The commendable growth was attributable to higher revenue contributions from Mid Valley Megamall (+12.0%yoy) and the Gardens Mall (+8.9%yoy). Support also came from other income which advanced +8.8%yoy.

**Higher operating expenses:** Property operating expenses rose by a larger +17.5%yoy to RM41.9m mainly due to a +31.4%yoy increase in reimbursement costs, and +18.5%yoy higher maintenance expenses. As a result, IGB REIT's net property income gained by a decelerated +7.6%yoy.

**Realised net profit lifted by lower expenses:** Growth in 4QFY13 realised net profit outpaced that of gross revenue and net property income, advancing +13.2%yoy. The ramp-up in realised net profit came on the back of a modest +2.5%yoy increase in trust expenses.

**Valuation:** We continue to recommend NEUTRAL on IGB REIT with a lower target price of RM1.20 based on the Gordon Growth Model. Our NEUTRAL recommendation is in view of the lack of any near-term catalysts with the next possible asset injection (South Key Mall) still undergoing construction. With completion expected in FY18 and the asset needing time to mature, IGB REIT's performance will likely have to be sustained by organic growth for a long time to come.

RETURN STATS	
Price (28 Jan 2014)	RM1.17
Target Price	RM1.20
Expected Share Price Return	+2.6%
Expected Dividend Yield	+6.4%
<b>Expected Total Return</b>	<b>+9.0%</b>

STOCK INFO	
KLCI	1,781.3
Bursa / Bloomberg	5227 / IGBREIT MK
Board / Sector	Main / REITs
Syariah Compliant	No
Issued shares (mil)	3,422.6
Par Value (RM)	1.0
Market cap. (RM'm)	4,004.5
Price over NA	1.2x
52-wk price Range	RM1.16 – RM1.45
Beta (against KLCI)	n.a.
3-mth Avg Daily Vol	1.0m
3-mth Avg Daily Value	RM1.2m
Major Shareholders	
IGB Corp	51.3%
KWAP	5.1%



## INVESTMENT STATISTICS

FYE Dec (RM'm, unless otherwise stated)	FY12*	FY13E	FY14F	FY15F
Gross revenue	397.0	430.7	436.9	457.2
Net property income	266.1	285.7	305.3	323.6
Net investment income	269.1	396.4	309.5	327.8
Realised net income	53.3	206.9	221.3	238.7
Distributable income	218.0	241.1	257.3	274.7
Realised EPU (sen)	5.4	9.1	6.5	7.0
DPU (sen)	6.4	7.0	7.5	8.0
Distribution yield (%)	5.5	6.0	6.4	6.8
PER (x)	21.6	12.8	18.0	16.7
P/NAV (x)	1.1	1.2	1.2	1.2
ROE (%)	5.3	9.0	6.4	7.0
ROA (%)	3.8	6.6	4.7	5.1

Source: IGB REIT, Forecast by MIDF Research

\* 25.07.12 to 31.12.12

## IGB REAL ESTATE INVESTMENT TRUST: 4QFY13 Results Summary

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	4QFY13	%YoY	%QoQ	FY13	%YoY <sup>#</sup>	
Gross revenue	114.3	11.0	5.9	430.7	n.a.	4QYoY: Up on higher contributions from both malls as well as other income.
Net property income	72.4	7.6	(1.7)	285.7	n.a.	4QYoY: Deceleration on bulkier operating expenses.
Net investment income	179.3	7.0	138.9	396.4	n.a.	
Realised net income	53.1	13.2	(1.4)	206.9	n.a.	4QYoY: Growth ramp-up on minimal increase in trust expenses.
Distributable income	61.6	12.0	(1.4)	241.1	n.a.	
Realised EPU (sen)	1.6	12.8	(1.5)	6.1	n.a.	
DPU (sen)	1.8	10.6	(2.7)	7.0	n.a.	

### Breakdown of Gross Revenue

Mid Valley Megamall	79.8*	12.0	6.2	300.0	n.a.	
The Gardens Mall	34.5*	8.9	5.0	130.7	n.a.	

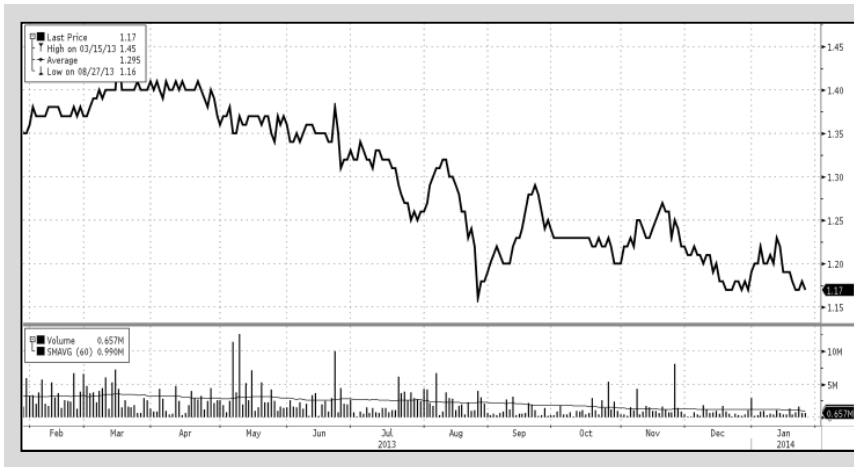
### Breakdown of Net Property Income

Mid Valley Megamall	53.0*	3.2	(2.6)	211.9	n.a.	
The Gardens Mall	19.4*	16.2	0.6	73.8	n.a.	

Source: IGB REIT, MIDF Research

\*Pro-rated <sup>#</sup>FY12 figures not available given that IGB REIT was listed in Sept 2012.

## DAILY PRICE CHART



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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	<i>Negative</i> total return is expected to be -15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% 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.