

IGB REIT

(5227 | IGBREIT MK) Main | REIT

Solid Earnings in 1HFY23


KEY INVESTMENT HIGHLIGHTS

- **1HFY23 earnings within expectations**
- **Solid earnings in 1HFY23**
- **Earnings forecast maintained**
- **Positive long-term prospect**
- **Maintain BUY with an unchanged TP of RM1.86**

1HFY23 earnings within expectations. IGB REIT's 1HFY23 core net income of RM177.2m came in within expectations, making up 50% and 45% of our and consensus full year estimates respectively. Meanwhile, IGB REIT announced distribution per unit (DPU) of 2.37sen (ex-date: 8th August 2023) for 2QFY23, bringing cumulative DPU to 5.17sen in 1HFY23.

Solid earnings in 1HFY23. Sequentially, 2QFY23 core net income decreased to RM81m (-15.9%qoq), in line with lower topline (-8.5%yoy). The lower earnings were mainly due to weaker shopper traffic in 2QFY23 as shopper traffic in the previous quarter was supported by shopping spree for festive season. Besides, the earnings decline was also partly attributed to higher property expenses. On yearly basis, 2QFY23 core net income was lower (-3%yoy) despite higher topline as earnings were dragged by higher utilities expenses. Meanwhile, cumulative earnings in 1HFY23 were higher at RM177.2m (+4.9%yoy). The earnings growth was mainly fuelled by higher shopper footfall and tenant sales at Mid Valley Megamall and The Gardens Mall in 1HFY23 that supported positive rental reversion. Nevertheless, earnings growth was partly mitigated by higher property expenses as a result of higher utilities expenses.

Earnings estimates maintained. We maintain our earnings forecast for FY23F/24F/25F. Earnings prospect for IGB REIT is expected to remain positive going forward mainly due to positive rental reversion. Mid Valley Megamall and The Gardens Mall remains resilient with high occupancy rates of close to 100% due to its strategic location which should support rental income growth in the near to long term.

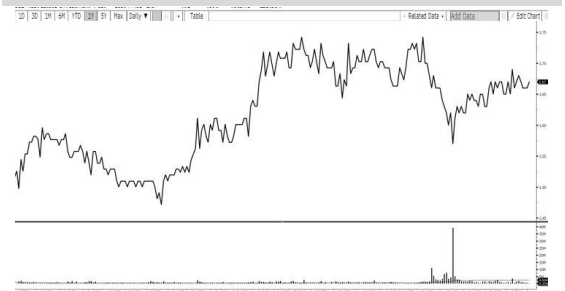
Maintain BUY with unchanged TP of RM1.86. We maintain our **TP** for IGB REIT at **RM1.86**, based on Dividend Discount Model (DDM). We maintain our **BUY** call on IGB REIT as we remain positive on IGB REIT's long-term prospect. We see that earnings of IGB REIT will remain resilient in the long term, backed by good quality retail assets. Meanwhile, distribution yield is estimated at 5%. 

Maintain BUY
Unchanged Target Price: RM1.86

RETURN STATISTICS

Price @ 26 th July 2023 (RM)	1.65
Expected share price return (%)	12.7
Expected dividend yield (%)	5.0
Expected total return (%)	17.7

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.5	-0.7
3 months	0.0	-3.0
12 months	3.7	6.2

INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	606	626	643
Net Rental Income	453	470	482
Net Investment Income	461	478	493
Core Net Income	357	373	385
Core EPU (sen)	9.95	10.41	10.74
Net DPU (sen)	9.13	9.54	9.84
Dividend Yield	5.04%	5.78%	5.96%

KEY STATISTICS

FBM KLCI	1,449.29
Issue shares (m)	3586.91
Estimated free float (%)	20.01
Market Capitalisation (RM'm)	5,931
52-wk price range	RM1.5– RM1.78
3-mth average daily volume (m)	2.51
3-mth average daily value (RM'm)	4.09
Top Shareholders (%)	
IGB Berhad	48.23
EPF	11.63
KWAP	7.35
IGB REIT MGMT Sdn Bhd	5.40

Analyst

 Jessica Low Jze Tieng
 jessica.low@midf.com.my

IGB REIT: 2QFY23 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY23	%YoY	%QoQ	FY23	%YoY
Gross Revenue	141.5	5.8%	-8.5%	296.2	10.7%
Net Property Income (NRI)	102.8	-2.8%	-13.3%	221.3	3.7%
Net Investment Income	103.9	-2.2%	-13.1%	223.4	4.3%
Net Income	81.0	-3.0%	-15.9%	177.2	4.9%
Core Net Income (CNI)	81.0	-3.0%	-15.9%	177.2	4.9%
Realised EPU (sen)	2.3	-3.4%	-15.9%	4.9	4.5%
Core EPU (sen)	2.3	-3.4%	-15.9%	4.9	4.5%
Gross DPU (sen)	2.4	-3.3%	-15.4%	5.2	4.2%

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Gross Revenue	400	556	606	626	643
Net Rental Income	275	420	453	470	482
Net Investment Income	284	488	461	478	493
Net Income	200	396	357	373	385
Core Net Income	200	336	357	373	385
Core EPU (sen)	5.6	9.4	10.0	10.4	10.7
Core PER (x)	29.5	17.7	18.4	15.9	15.5
NAV/unit (RM)	1.07	1.08	1.08	1.09	1.10
P/NAV (x)	1.55	1.54	1.54	1.52	1.51

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
Investment Properties	4960	5020	5070	5121	5147
Total non-current assets	4963	5022	5071	5122	5148
Cash	223	258	274	327	432
Other Assets	47	37	61	35	13
Total Assets	5233	5318	5406	5484	5592
LT Borrowings	0	1199	1199	1199	1259
ST Borrowings	1215	15	5	37	38
Other Liability	214	48	55	63	63
Total Liability	1429	1447	1531	1571	1640
Unitholders' capital	4502	4526	4526	4526	4526
Other Equity	-697	-655	-650	-612	-574
Total Equity	3805	3871	3876	3913	3952
Equity + Liability	5233	5318	5406	5484	5592

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
Cash flows from operating activities					
Net income before taxation	200	396	357	373	385
Net cash from operating activities	257	425	470	491	507
Cash flows from investing activities					
Interest received	9	7	7	8	7
Net cash used in investing activities	8	6	-4	-3	-5
Cash flows from financing activities					
Net cash from/(used in) financing activities	-265	-397	-442	-413	-398
Net increase/(decrease) in cash and cash equivalents	1	35	25	75	105
Cash and cash equivalent at 1 January	193	193	228	253	327
Cash and cash equivalent at 1 December	193	228	253	327	432

Profitability Margins	2021A	2022A	2023E	2024F	2025F
Net Investment Income margin	71.0%	87.7%	76.0%	76.3%	76.7%
Core net income margin	50.1%	60.4%	58.9%	59.6%	60.0%
ROE	5.3%	8.8%	9.2%	9.6%	9.8%
ROA	3.8%	6.4%	6.7%	6.9%	7.0%

Source: Bloomberg, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 – X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related BNM and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loss, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such BNM mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

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.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology