

## IGB REIT

(5227 | IGBREIT MK) Main | REIT

**Maintain BUY**

### Solid Earnings

**Unchanged Target Price: RM1.86**


#### KEY INVESTMENT HIGHLIGHTS

- **FY23 earnings within expectations**
- **Solid earnings**
- **Earnings forecast maintained**
- **Maintain BUY with an unchanged TP of RM1.86**

**FY23 earnings within expectations.** IGB REIT FY23 core net income of RM359.1m came in within expectations, making up 100% of our and consensus full year estimates. Note that we have excluded fair value gain on its investment properties of RM159m in our core net income calculations. Meanwhile, IGB REIT announced distribution per unit (DPU) of 2.7sen for 4QFY23, bringing total DPU to 10.47sen in FY23 which translates into gross yield of 6%.

**Solid earnings.** Sequentially, 4QFY23 core net income was higher at RM92.9m (+4.5%qoq), in tandem with higher topline (+5.9%qoq). The earnings growth could be attributed to positive rental reversion and higher shopper footfall amid year-end shopping sprees. Nevertheless, earnings growth was partly offset by the higher property operating expenses (+12.6%qoq). On yearly basis, 4QFY23 core net income was solid at RM92.9m (+10.7%yoy), bringing full year earnings in FY23 higher at RM359.1m (+6.8%yoy). The earnings growth in FY23 was underpinned by recovery in shopper footfall at Mid Valley Megamall and The Gardens Mall as well as positive rental reversion. Nevertheless, higher property operating expenses in relating to higher utilities cost has dragged earnings growth.

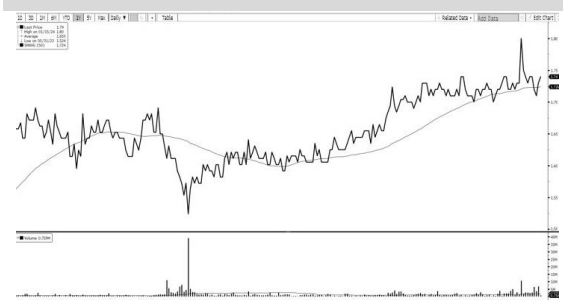
**Earnings forecast maintained.** We maintain our earnings forecast for FY24F/25F. We also introduce our earnings forecast for FY26F. We see stable long-term earnings outlook for IGB REIT as its retail assets namely Mid Valley Megamall and The Gardens Mall enjoyed high occupancy rates of close to 100% which will drive rental growth.

**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 see that long-term prospect for IGB REIT remains promising due to the strategic location of its retail assets which will drive rental growth in the near to long term. Meanwhile, distribution yield is estimated at 5.5%. 

#### RETURN STATISTICS

Price @ 30 Jan 2024 (RM)	1.74
Expected share price return (%)	+6.9
Expected dividend yield (%)	+5.5
<b>Expected total return (%)</b>	<b>+12.4</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	1.2	-2.7
3 months	1.2	-2.5
12 months	-1.7	-2.7

#### INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	626	643	654
Net Rental Income	470	482	489
Net Investment Income	478	493	502
Core Net Income	373	385	392
Core EPU (sen)	10.35	10.70	10.89
Net DPU (sen)	9.49	9.80	9.98
Dividend Yield	5.5%	5.6%	5.7%

#### KEY STATISTICS

FBM KLCI	1,512.75
Issue shares (m)	3586.91
Estimated free float (%)	19.84
Market Capitalisation (RM'm)	6,267
52-wk price range	RM1.5– RM1.81
3-mth average daily volume (m)	1.84
3-mth average daily value (RM'm)	3.17
Top Shareholders (%)	
IGB Berhad	48.13
EPF	11.95
KWAP	7.14
IGB REIT MGMT Sdn Bhd	5.50

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**IGB REIT: 4QFY23 RESULTS SUMMARY**

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY23	%YoY	%QoQ	FY23	%YoY
Gross Revenue	158.5	6.6%	5.9%	604.3	8.6%
Net Property Income (NRI)	115.2	9.1%	3.5%	447.9	6.6%
Net Investment Income	113.7	-32.1%	-58.6%	611.9	25.4%
Net Income	89.7	-37.7%	-64.2%	517.6	30.7%
Core Net Income (CNI)	92.9	10.7%	4.5%	359.1	6.8%
Realised EPU (sen)	2.5	-37.9%	-64.3%	14.4	30.1%
Core EPU (sen)	2.6	10.3%	4.4%	10.0	6.4%
Gross DPU (sen)	2.7	9.8%	3.8%	10.5	6.2%

Source: Company, MIDFR

**FINANCIAL SUMMARY**

<b>Income Statement (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
Gross Revenue	556	604	626	643	654
Net Rental Income	420	448	470	482	489
Net Investment Income	488	612	478	493	502
Net Income	396	518	373	385	393
Core Net Income	336	359	373	385	392
Core EPU (sen)	9.4	10.0	10.4	10.7	10.9
Core PER (x)	18.6	17.5	16.8	16.3	16.0
NAV/unit (RM)	1.08	1.12	1.10	1.12	1.14
P/NAV (x)	1.61	1.55	1.58	1.55	1.52

<b>Balance Sheet (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
Investment Properties	5020	5186	5215	5241	5267
Total non-current assets	5022	5188	5216	5242	5268
Cash	258	274	307	376	485
Other Assets	37	43	18	36	41
<b>Total Assets</b>	<b>5318</b>	<b>5505</b>	<b>5540</b>	<b>5654</b>	<b>5794</b>
LT Borrowings	1199	1199	1199	1223	1285
ST Borrowings	15	15	37	38	39
Other Liability	48	55	63	63	63
Total Liability	1447	1468	1571	1605	1675
Unitholders' capital	4526	4550	4581	4623	4653
Other Equity	-655	-514	-612	-574	-534
Total Equity	3871	4037	3969	4049	4119
<b>Equity + Liability</b>	<b>5318</b>	<b>5505</b>	<b>5540</b>	<b>5654</b>	<b>5794</b>

<b>Cash Flow (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
<b>Cash flows from operating activities</b>					
Net income before taxation	200	396	518	373	385
Net cash from operating activities	257	425	433	492	508
<b>Cash flows from investing activities</b>					
Interest received	9	7	5	8	7
Net cash used in investing activities	8	37	-27	-4	-5
<b>Cash flows from financing activities</b>					
Net cash from/(used in) financing activities	-265	-397	-422	-424	-434
Net increase/(decrease) in cash and cash equivalents	1	65	-15	64	69
Cash and cash equivalent at 1 January	193	193	258	243	307
Cash and cash equivalent at 1 December	193	258	243	307	376

<b>Profitability Margins</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
Net Investment Income margin	87.7%	101.3%	76.3%	76.7%	76.8%
Core net income margin	60.4%	59.4%	59.5%	60.0%	60.0%
ROE	8.8%	9.1%	9.3%	9.6%	9.6%
ROA	6.4%	6.6%	6.7%	6.9%	6.9%

Source: Bloomberg, MIDFR

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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.

#### 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