

IGB REIT

(5227 | IGBREIT MK) Main | REIT

Defensive Earnings


KEY INVESTMENT HIGHLIGHTS

- **1QFY24 earnings within expectations**
- **Defensive earnings**
- **Earnings forecast maintained**
- **Maintain BUY with an unchanged TP of RM1.86**

1QFY24 earnings within expectations. IGB REIT 1QFY24 core net income of RM99.6m came in within expectations, making up 26.7% and 26% of our and consensus full year estimates respectively. Meanwhile, IGB REIT announced distribution per unit (DPU) of 2.96sen (ex-date: 30 April 2024) for 1QFY24.

Defensive earnings. Sequentially, 1QFY24 were solid at RM99.6m (+7.2%qoq), in line with higher revenue (+2.6%qoq). The higher earnings were driven by shopping spree for festive season in 1Q. Besides, the earnings growth was partly helped by lower property expenses namely maintenance expenses and upgrading costs. Meanwhile, 1QFY24 earnings were higher on yearly basis (+3.5%yoy), in tandem with higher topline (+5.1%yoy). The earnings growth was underpinned by positive rental reversion as Mid Valley Megamall and The Gardens Mall continue to enjoy decent occupancy rate. Note that The Gardens Mall enjoyed occupancy rate of 99.9%. Meanwhile, occupancy rate of Mid Valley Megamall fell to 88.6% in 1QFY24 from 99.9% in FY23 as Metrojaya surrendered 200k sq ft of NLA in March while the NLA is undergoing reconfiguration works. Meanwhile, we expect the resilient shopper footfall at the two malls to support tenant sales and rental reversion.

Earnings forecast maintained. We maintain our earnings forecast for FY24F/25F/26F. We continue to see positive earnings outlook for IGB REIT driven by organic growth of positive rental reversion. Mid Valley Megamall and The Gardens Mall continues to see strong shopper footfall due to strategic location of the malls which should underpin long term 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 remain positive on IGB REIT as we see that IGB REIT will stay defensive going forward due to good quality of its retail assets. The stable outlook for its assets will drive rental and DPU growth going forward. Hence, we maintain our **BUY** call on IGB REIT. Meanwhile, distribution yield is estimated at 5.4%. 

Maintain BUY
Unchanged Target Price: RM1.86

RETURN STATISTICS

Price @ 17 April 2024 (RM)	1.75
Expected share price return (%)	6.3
Expected dividend yield (%)	5.4
Expected total return (%)	11.7

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.6	1.4
3 months	0.6	-2.6
12 months	3.6	-3.5

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	5.4%	5.6%	5.7%

KEY STATISTICS

FBM KLCI	1,540.42
Issue shares (m)	3586.91
Estimated free float (%)	28.58
Market Capitalisation (RM'm)	6,309
52-wk price range	RM1.5– RM1.81
3-mth average daily volume (m)	2.39
3-mth average daily value (RM'm)	41.5
Top Shareholders (%)	
IGB Berhad	48.08
EPF	11.56
KWAP	6.96
IGB REIT MGMT Sdn Bhd	5.50

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IGB REIT: 1QFY24 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY24	%YoY	%QoQ	FY24	%YoY
Gross Revenue	162.6	5.1%	2.6%	162.6	5.1%
Net Property Income (NRI)	123.2	4.0%	6.9%	123.2	4.0%
Net Investment Income	123.8	3.5%	8.8%	123.8	3.5%
Net Income	99.6	3.5%	11.1%	99.6	3.5%
Core Net Income (CNI)	99.6	3.5%	7.2%	99.6	3.5%
Realised EPU (sen)	2.8	3.1%	10.9%	2.8	3.1%
Core EPU (sen)	2.8	3.1%	7.1%	2.8	3.1%
Gross DPU (sen)	3.0	5.7%	9.6%	3.0	5.7%

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
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)	18.7	17.6	16.9	16.4	16.1
NAV/unit (RM)	1.08	1.12	1.10	1.12	1.14
P/NAV (x)	1.62	1.56	1.59	1.56	1.53

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
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
Total Assets	5318	5505	5540	5654	5794
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
Equity + Liability	5318	5505	5540	5654	5794

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
Cash flows from operating activities					
Net income before taxation	200	396	518	373	385
Net cash from operating activities	257	425	433	492	508
Cash flows from investing activities					
Interest received	9	7	5	8	7
Net cash used in investing activities	8	37	-27	-4	-5
Cash flows from financing activities					
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

Profitability Margins	2022A	2023A	2024E	2025F	2026F
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