

IGB REIT

(5227 | IGBREIT MK) Main | REIT

Positive Outlook


KEY INVESTMENT HIGHLIGHTS

- **1HFY24 earnings within expectations**
- **Decent earnings growth**
- **Earnings forecast maintained**
- **Positive earnings outlook**
- **Maintain BUY with a revised TP of RM2.10**

1HFY24 earnings within expectations. IGB REIT 1HFY24 core net income of RM190.5m came in within expectations, making up 51% and of our and consensus full year estimates. IGB REIT announced distribution per unit (DPU) of 2.56sen for 2QFY24, bringing cumulative DPU in 1HFY24 to 5.56sen.

Decent earnings growth. Sequentially, 2QFY24 core net income was lower at RM88.2m (-13.9%qoq), in line with lower revenue (-7.7%qoq) mainly on seasonally lower shopper footfall in 2Q. Note that shopper footfall in 1Q is seasonally stronger due to shopping spree for Chinese New Year. On yearly basis, 2QFY24 core net income was higher (+8.9%yoy), bringing cumulative earnings in 1HFY24 higher at RM190.5m (+7.5%yoy). The earnings growth was mainly underpinned by positive rental reversion and higher shopper footfall. Looking ahead, rental reversion outlook remains positive due to high occupancy rate of Mid Valley Megamall and The Gardens Mall. Note that occupancy rate of Mid Valley Megamall returns to 100% in 2QFY24 from 88.6% in 1QFY24 after reconfiguration works of 200k sq ft of NLA surrendered by Metrojaya completed. Meanwhile, occupancy rate of The Gardens Mall stood at 99.95%.

Earnings forecast maintained. We make no changes for our earnings forecast for FY24F/25F/26F. We see stable earnings outlook for IGB REIT with steady organic growth which driven by positive rental reversion. Occupancy rate of Mid Valley Megamall and The Gardens Mall should remain high on the back of strategic location of the malls and that will drive rental growth in the long term.

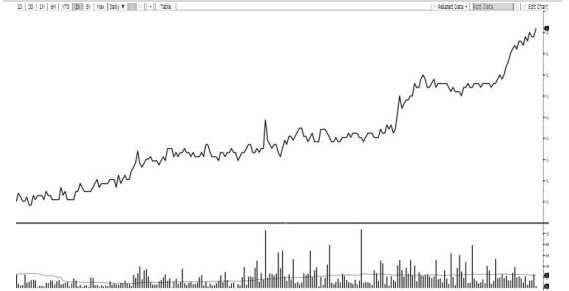
Maintain BUY with a revised TP of RM2.10. We revise our **TP** for IGB REIT to **RM2.10** from RM2.04 as we assume higher terminal growth rate for our Dividend Discount Model in view of the stable earnings outlook for IGB REIT. We continue to favour IGB REIT for its resilient earnings outlook which is supported by the good quality of its retail assets. Hence, we maintain our **BUY** call on IGB REIT. Meanwhile, distribution yield is estimated at 4.9%. 

Maintain BUY
Revised Target Price: RM2.10
 (Previously RM2.04)

RETURN STATISTICS

| | |
|----------------------------------|--------------|
| Price @ 25 July 2024 (RM) | 1.95 |
| Expected share price return (%) | +7.7 |
| Expected dividend yield (%) | +4.9 |
| Expected total return (%) | +12.6 |

SHARE PRICE CHART



| Price performance (%) | Absolute | Relative |
|-----------------------|----------|----------|
| 1 month | 7.7 | 5.6 |
| 3 months | 6.5 | 4.5 |
| 12 months | 17.4 | 1.3 |

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 | 4.9% | 5.0% | 5.1% |

KEY STATISTICS

| | |
|----------------------------------|---------------|
| FBM KLCI | 1,615.18 |
| Issue shares (m) | 3586.91 |
| Estimated free float (%) | 26.87 |
| Market Capitalisation (RM'm) | 7,038 |
| 52-wk price range | RM1.6– RM1.95 |
| 3-mth average daily volume (m) | 2.41 |
| 3-mth average daily value (RM'm) | 41.5 |
| Top Shareholders (%) | |
| IGB Berhad | 48.03 |
| EPF | 11.37 |
| KWAP | 6.82 |
| IGB REIT MGMT Sdn Bhd | 5.80 |

Analyst

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IGB REIT: 2QFY24 RESULTS SUMMARY

| FYE Dec (RM'm, unless otherwise stated) | Quarterly Results | | | Cumulative | |
|---|-------------------|------|--------|------------|------|
| | 2QFY24 | %YoY | %QoQ | FY24 | %YoY |
| Gross Revenue | 150.0 | 6.0% | -7.7% | 312.5 | 5.5% |
| Net Property Income (NRI) | 109.5 | 6.5% | -11.2% | 232.7 | 5.1% |
| Net Investment Income | 105.0 | 1.1% | -15.2% | 228.8 | 2.4% |
| Net Income | 81.5 | 0.7% | -18.1% | 181.2 | 2.2% |
| Core Net Income (CNI) | 88.2 | 8.9% | -13.9% | 190.5 | 7.5% |
| Realised EPU (sen) | 2.3 | 0.3% | -18.2% | 5.0 | 1.8% |
| Core EPU (sen) | 2.4 | 8.4% | -14.0% | 5.3 | 7.1% |
| Gross DPU (sen) | 2.6 | 8.0% | -13.5% | 5.5 | 6.8% |

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) | 20.8 | 19.6 | 18.8 | 18.2 | 17.9 |
| NAV/unit (RM) | 1.08 | 1.12 | 1.10 | 1.12 | 1.14 |
| P/NAV (x) | 1.81 | 1.74 | 1.77 | 1.73 | 1.71 |

| 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