

IGB REIT

(5227 | IGBREIT MK) Main | REIT

Limited Upside


KEY INVESTMENT HIGHLIGHTS

- **9MFY24 earnings within expectations**
- **Earnings remain solid**
- **Earnings forecast maintained**
- **Downgrade to NEUTRAL from BUY with an unchanged TP of RM2.10**

9MFY24 earnings within expectations. IGB REIT 9MFY24 core net income of RM283.2m came in within expectations, making up 76% and 74% of our and consensus full year estimates. IGB REIT announced distribution per unit (DPU) of 2.68sen for 3QFY24, bringing cumulative DPU in 9MFY24 to 8.26sen.

Earnings remain solid. Sequentially, 3QFY24 core net income was higher at RM92.7m (+5.1%qoq), in line with higher topline (+3.5%qoq) due to higher shopper footfall in the quarter. On yearly basis, 3QFY24 core net income was solid at RM92.7m (+4.2%yoy), bringing cumulative earnings in 9MFY24 higher at RM283.2m (+6.4%yoy). The higher earnings in 9MFY24 were mainly due to the higher rental income as a result of positive rental reversion and higher variable rent amid higher shopper footfalls. Occupancy rates of Mid Valley Megamall and The Gardens Mall remains encouraging at close to 100% due to high shopper footfall and strategic location of the malls. Looking forward, rental reversion outlook is expected to remain positive due to the high shopper footfall of the malls.

Earnings forecast maintained. We maintain our earnings forecast for FY24F/25F/26F. Earnings outlook for IGB REIT is expected to support by positive rental reversion of Mid Valley Megamall and The Gardens Mall as tenant sales of the malls remains healthy while shopper footfall is encouraging.

Downgrade to NEUTRAL from BUY with an unchanged TP of RM2.10. We maintain our **TP** for IGB REIT at **RM2.10**, based on Dividend Discount Model. While we like IGB REIT for it's the good quality of its retail assets, upside to share price is limited at this juncture. Hence, we downgrade IGB REIT to **NEUTRAL** from BUY. Yield of IGB REIT tapered to 4.4% after the recent run up in share price. 

Downgrade to NEUTRAL

(Previously BUY)

Unchanged Target Price: RM2.10

RETURN STATISTICS

Price @ 28 Oct 2024 (RM)	2.18
Expected share price return (%)	-3.7
Expected dividend yield (%)	+4.4
Expected total return (%)	+0.7

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	3.8	7.0
3 months	2.3	11.4
12 months	28.2	14.8

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	4.4%	4.5%	4.6%

KEY STATISTICS

FBM KLCI	1,610.47
Issue shares (m)	3586.91
Estimated free float (%)	45.01
Market Capitalisation (RM'm)	7,875
52-wk price range	RM1.7– RM2.25
3-mth average daily volume (m)	3.07
3-mth average daily value (RM'm)	6.3
Top Shareholders (%)	
IGB Berhad	47.99
EPF	10.59
KWAP	6.83
IGB REIT MGMT Sdn Bhd	5.80

Analyst

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

IGB REIT: 3QFY24 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY24	%YoY	%QoQ	FY24	%YoY
Gross Revenue	155.3	3.7%	3.5%	467.8	4.9%
Net Property Income (NRI)	114.1	2.5%	4.2%	346.8	4.3%
Net Investment Income	103.3	-62.4%	-1.6%	332.1	-33.3%
Net Income	79.6	-68.3%	-2.4%	260.7	-39.1%
Core Net Income (CNI)	92.7	4.2%	5.1%	283.2	6.4%
Realised EPU (sen)	2.2	-68.4%	-2.5%	7.2	-39.3%
Core EPU (sen)	2.6	3.8%	5.1%	7.8	6.0%
Gross DPU (sen)	2.7	3.1%	4.7%	8.2	5.5%

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)	23.3	21.9	21.1	20.4	20.0
NAV/unit (RM)	1.08	1.12	1.10	1.12	1.14
P/NAV (x)	2.02	1.95	1.98	1.94	1.91

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

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