

IGB REIT

(5227 | IGBREIT MK) Real Estate | Real Estate Investment Trust

Earnings dragged by MCO

KEY INVESTMENT HIGHLIGHTS

- **1QFY20 below expectation**
- **Earnings dragged by MCO**
- **Earnings forecast reduced**
- **Maintain NEUTRAL with a revised TP of RM1.70**

1QFY20 below expectation. IGB REIT's 1QFY20 core net income of RM68.4m came in slightly below our expectation, making up 20% of our full year estimate. The slight earnings miss was due to the lower income from turnover rent and car park since Movement Control Order (MCO) was implemented on 18th March 2020. Meanwhile, a DPU of 1.94sen was announced for 1QFY20, which was lower than DPU of 2.4sen in 1QFY19.

Earnings dragged by MCO. Core net income of IGB REIT is weaker in 1QFY20 at RM68.4m, declining by 9.2%qoq and 17.5%yoy. The weaker earnings in 1QFY20 were mainly due to lower income from turnover rent, rental support provided to tenants and lower car park income arising from Covid-19 pandemic and MCO since 18th March 2020. Note that only tenants who provide essential services are allowed to operate while parking fee is waived during the MCO period. Hence, that has led to lower income from turnover rent and lower car park income.

Earnings forecast reduced. We revised downward our FY20F earnings forecast by -32.8% as we factor in lower income from turnover rent and car park as well as lower shopper traffic in the near-term even after MCO is lifted. We also cut our FY21F earnings forecast by -6.3% as we assume more conservative positive rental reversion in view of the weaker retail backdrop.

Maintain NEUTRAL with a revised TP of RM1.70. Corresponding to the lower forward earnings, our TP for IGB REIT is revised to RM1.70 from RM1.90. Our valuation is based on Dividend Discount Model (DDM) valuation. We maintain Neutral on IGB REIT due to limited catalyst. Meanwhile, dividend yield is expected to taper to below 4% in FY20.

Maintain NEUTRAL

Revised Target Price: RM1.70
(from RM1.90)

RETURN STATISTICS

Price @ 22nd April 2020 (RM)	1.70
Expected share price return (%)	0.0
Expected dividend yield (%)	3.6
Expected total return (%)	3.6

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	9.7	-0.7
3 months	6.9	-0.3
12 months	-8.6	6.9

KEY STATISTICS

FBM KLCI	1391.4
Syariah compliant	No
Issue shares (m)	3548.8
Estimated free float (%)	26.2
Market Capitalisation (RM'm)	6038.1
52-wk price range	RM1.43 - RM2.1
Beta vs FBM KLCI (x)	0.7
Monthly velocity (%)	11.0
Monthly volatility (%)	7.2
3-mth average daily volume (m)	3.1
3-mth average daily value (RM'm)	5.6
Top Shareholders (%)	
Goldis Bhd	48.8
EPF	10.3
KWAP	6.9

Analyst(s)

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INVESTMENT STATISTICS

FYE Dec (RM'm, unless otherwise stated)	FY17A	FY18A	FY19A	FY20F	FY21F
Gross Revenue	525	536	552	490	604
Net Rental Income	374	386	399	329	439
Net Investment Income	422	423	406	341	448
Net Income	343	334	316	233	343
Core Net Income	303	304	316	233	342
Realised EPU (sen)	9.77	9.44	8.91	6.58	9.67
Core EPU (sen)	8.63	8.59	8.91	6.58	9.65
Gross DPU (sen)	9.28	9.19	9.16	6.89	9.83
Net DPU (sen)	8.35	8.27	8.24	6.20	8.85
Net Distribution Yield	4.9%	4.9%	4.8%	3.6%	5.2%

Source: Company, MIDFR

IGB REIT: 1QFY20 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY20	%YoY	%QoQ	FY20	%YoY
Gross Revenue	88.5	-37.4%	-36.6%	88.5	-37.4%
Net Property Income (NRI)	88.4	-14.6%	-8.0%	88.4	-14.6%
Net Investment Income	90.2	-14.4%	-7.7%	90.2	-14.4%
Net Income	68.4	-17.5%	-9.2%	68.4	-17.5%
Core Net Income (CNI)	68.4	-17.5%	-9.2%	68.4	-17.5%
Realised EPU (sen)	1.9	-17.8%	-9.3%	1.9	-17.8%
Core EPU (sen)	1.9	-17.8%	-9.3%	1.9	-17.8%
Gross DPU (sen)	1.9	-19.2%	-11.4%	1.9	-19.2%

Source: Company, 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.