

IGB REIT

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

Maintain NEUTRAL

Earnings to recover in 2HFY20

Unchanged Target Price: RM1.70


KEY INVESTMENT HIGHLIGHTS

- **1HFY20 within expectations**
- **Full quarter impact from MCO**
- **Earnings to recover in 2HFY20**
- **Earnings forecast maintained**
- **Maintain NEUTRAL with an unchanged TP of RM1.70**

1HFY20 within expectations. IGB REIT's 1HFY20 core net income of RM87.9m is deemed within expectations despite only making up 38% and 35% of our and consensus full year estimates as we expect 2HFY20 earnings to recover from Movement Control Order (MCO). Meanwhile, a DPU of 0.62sen was announced for 2QFY20, bringing cumulative DPU to 2.56sen per share.

Full quarter impact from MCO. On sequential basis, 2QFY20 core net income is weaker at RM19.5m (-71.5%qoq) due to full quarter's impact from MCO which was implemented on 18th March 2020. Note that only tenants who provide essential services are allowed to operate during the MCO period while IGB REIT has provided rental support to tenants. That coupled with lower car park income and lower turnover rent has led to the fall in earnings in 2QFY20. Meanwhile, the weaker earnings in 2QFY20 brought cumulative earnings in 1HFY20 to be lower at RM87.9m (-45.4%yoy).

Earnings to recover in 2HFY20. We expect earnings to recover in 2HFY20 as shopper traffic recovers gradually while retail shops in Mid Valley are gradually reopening. Nevertheless, we only expect earnings to recover gradually as we think it will take a while for shopper traffic to revert to pre-Covid-19 levels. In a nutshell, we make no changes to our earnings forecast for FY20/21F.

Maintain NEUTRAL with an unchanged TP of RM1.70. We maintain our TP for IGB REIT at RM1.70, based on Dividend Discount Model (DDM) valuation. We maintain **NEUTRAL** on IGB REIT due to subdued retail backdrop in the near-term. Meanwhile, dividend yield is expected to taper to below 4% in FY20. 

RETURN STATISTICS

Price @ 20 th July 2020 (RM)	1.80
Expected share price return (%)	-5.6
Expected dividend yield (%)	3.4
Expected total return (%)	-2.2

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	1.7	-3.9
3 months	0.0	-6.7
12 months	-8.7	-5.1

KEY STATISTICS

FBM KLCI	1,589.45
Syariah compliant	No
Issue shares (m)	3,548.83
Estimated free float (%)	26.45
Market Capitalisation (RM'm)	6,399
52-wk price range	RM1.43-2.10
Beta vs FBM KLCI (x)	0.56
Monthly velocity (%)	0.01
Monthly volatility (%)	7.19
3-mth average daily volume (m)	1.80
3-mth average daily value (RM'm)	3.14
Top Shareholders (%)	
Goldis Bhd	48.77
EPF	10.59
KWAP	7.29

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	9.68
Core EPU (sen)	8.63	8.59	8.91	6.58	9.65
Gross DPU (sen)	9.28	9.19	9.16	6.81	9.83
Net DPU (sen)	8.35	8.27	8.24	6.13	8.85
Net Distribution Yield	4.6%	4.6%	4.6%	3.4%	4.9%
Core PER (x)	20.8	20.9	20.2	27.4	18.7
NAV per unit (RM)	1.06	1.07	1.07	1.08	1.09
P/NAV (x)	1.70	1.69	1.69	1.67	1.66
Core ROE	8.2%	8.1%	8.4%	6.1%	8.9%
Core ROA	5.8%	5.8%	6.1%	4.5%	6.4%

Source: Company, MIDFR

IGB REIT: 2QFY20 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY20	%YoY	%QoQ	FY20	%YoY
Gross Revenue	62.0	-54.1%	-29.9%	150.4	-45.5%
Net Property Income (NRI)	37.4	-62.1%	-57.7%	125.8	-37.7%
Net Investment Income	38.8	-61.4%	-57.0%	128.9	-37.3%
Net Income	19.5	-75.0%	-71.5%	87.9	-45.4%
Core Net Income (CNI)	19.5	-75.0%	-71.5%	87.9	-45.4%
Realised EPU (sen)	0.5	-75.1%	-71.5%	2.5	-45.5%
Core EPU (sen)	0.5	-75.1%	-71.5%	2.5	-45.5%
Gross DPU (sen)	0.6	-72.6%	-68.0%	2.6	-45.1%

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.