

IGB REIT

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

Ended FY19 on a positive note

KEY INVESTMENT HIGHLIGHTS

- **FY19 earnings in line**
- **Earnings driven by higher rental income**
- **Earnings forecast unchanged**
- **Maintain NEUTRAL with an unchanged TP of RM1.90**

FY19 earnings in line. IGB REIT's FY19 core net income of RM315.9m came in within expectations, making up 96% and 98% of our and consensus full year estimates. A DPU of 2.16sen was announced, bringing cumulative DPU to 9.16sen in FY19 and translates into gross distribution yield of 4.7%.

Earnings driven by higher rental income. On sequential basis, 4QFY19 revenue is higher at RM139.6m (+2.4%qoq) due to seasonally higher shopper traffic in 4Q. Nevertheless, core net income was lower at RM75.3m (-5.7%qoq) mainly due to higher expenses. That brings cumulative core net income to RM315.9m (+4%yoy) in FY19. Earnings were resilient in FY19, driven by higher rental income from Mid Valley Megamall and The Gardens Mall. Rental reversions of the two malls remain supported by high shopper traffic.

Earnings forecast unchanged. We make no changes to our earnings forecast for FY20F. We also introduce our earnings forecast for FY21F. Earnings of IGB REIT is expected to be resilient going forward as we believe the positive rental reversion is sustainable due to high shopper traffic at the two malls.

Maintain NEUTRAL with an unchanged TP of RM1.90. We maintain our TP of RM1.90. Our valuation based on Dividend Discount Model (DDM) valuation (Required rate of return: 7.5%, Perpetual growth rate: 1.5%), is unchanged. We maintain Neutral on IGB REIT due to limited upside. Meanwhile, dividend yield is estimated at 4.6%.



Maintain NEUTRAL

Unchanged Target Price: RM1.90

RETURN STATISTICS

Price @ 22 nd January 2020 (RM)	1.95
Expected share price return (%)	-2.6
Expected dividend yield (%)	4.6
Expected total return (%)	2.0

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	2.63	4.99
3 months	3.17	-1.09
12 months	9.55	17.20

KEY STATISTICS

FBM KLCI	1577.98
Syariah compliant	No
Issue shares (m)	3548.8
Estimated free float (%)	26.1
Market Capitalisation (RM'm)	6920.21
52-wk price range	RM1.74 - RM2.1
Beta vs FBM KLCI (x)	0.4
Monthly velocity (%)	11.0
Monthly volatility (%)	7.2
3-mth average daily volume (m)	2.7
3-mth average daily value (RM'm)	5.13
Top Shareholders (%)	
Goldis Bhd	48.85
EPF	9.4
Kumpulan Wang Persaraan	6.62

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	609	634
Net Rental Income	374	386	399	448	469
Net Investment Income	422	423	406	461	488
Net Income	343	334	316	347	366
Core Net Income	303	304	316	347	365
Realised EPU (sen)	9.77	9.44	8.91	9.78	10.32
Core EPU (sen)	8.63	8.59	8.91	9.78	10.29
Gross DPU (sen)	9.28	9.19	9.16	9.96	10.46
Net DPU (sen)	8.35	8.27	8.24	8.96	9.41
Net Distribution Yield	4.3%	4.2%	4.2%	4.6%	4.8%
Core PER (x)	22.6	22.7	21.9	19.9	19.0
NAV per unit (RM)	1.06	1.07	1.07	1.08	1.09
P/NAV (x)	1.84	1.83	1.83	1.81	1.79
Core ROE	8.2%	8.1%	8.4%	9.1%	9.5%
Core ROA	5.8%	5.8%	6.1%	6.5%	6.6%

Source: Company, MIDFR

IGB REIT: 4QFY19 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY19	%YoY	%QoQ	FY19	%YoY
Gross Revenue	139.6	1.8%	2.4%	552.1	3.1%
Net Property Income (NRI)	96.1	-0.4%	-4.6%	398.8	3.2%
Net Investment Income	97.7	-23.7%	-4.8%	405.9	-4.0%
Net Income	75.3	-28.7%	-5.7%	315.9	-5.4%
Core Net Income (CNI)	75.3	-0.3%	-5.7%	315.9	4.0%
Realised EPU (sen)	2.1	-28.9%	-5.7%	8.9	-5.8%
Core EPU (sen)	2.1	-0.6%	-5.7%	8.9	3.5%
Gross DPU (sen)	2.2	-3.9%	-5.2%	9.2	-0.3%

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.