

## IGB REIT

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

### Ended FY20 on a weaker note


#### KEY INVESTMENT HIGHLIGHTS

- **FY20 above our expectation**
- **Ended FY20 on a weaker note**
- **Earnings outlook to be weighed by imposition of MCO 2.0**
- **Earnings revised downward**
- **Maintain NEUTRAL with a revised TP of RM1.61**

**FY20 above our expectation.** IGB REIT's FY20 core net income of RM236.8m came in above our expectation, making up 109% and 100% of our and consensus respective full year estimates. The positive deviation could be attributed to stronger than expected earnings in 4QFY20 due to reversal of over-provision for rental support. Meanwhile, a DPU of 2.08sen was announced for 4QFY20, bringing cumulative DPU to 6.75sen per share in FY20 which translates into gross distribution yield of 4.1%.

**Ended FY20 on a weaker note.** Sequentially, 4QFY20 gross revenue was higher at RM147.5m (+12.8%qoq) as topline was boosted by reversal of over-provision for rental support. Nevertheless, 4QFY20 core net income was lower at RM71.1m (-6.2%qoq) which could be due to lower rental income and lower car park income following the imposition of CMCO in Klang Valley in 4QFY20. Meanwhile, cumulative earnings in FY20 were lower at RM236.8m (-25%yoy), mainly dragged by rental support provided to tenants and lower car park income from Mid Valley Megamall and The Gardens Mall during MCO period.

**Earnings outlook to be weighed by imposition of MCO 2.0.** We expect earnings of IGB REIT for FY21 to be adversely impact by the imposition of MCO 2.0 as some of tenants are not allowed to operate during MCO 2.0 period. Besides, we expect shopper footfall to be low in 1QFY21 due to rising number of Covid-19 cases in Malaysia. That would reduce rental income of IGB REIT as it collects turnover rent from food and beverages tenants. Hence, we revise our FY21F earnings forecast by -7.9% to reflect the lower rental income from lower footfall and MCO 2.0. Meanwhile, we introduce our earnings forecast for FY22.

**Maintain NEUTRAL with a lower TP of RM1.61.** Corresponding to the downward revision in earnings, our TP for IGB REIT is revised to RM1.61 from RM1.66. Our TP is based on Dividend Discount Model (DDM) valuation. We maintain Neutral on IGB REIT as we continue to see challenging outlook for retail malls in Klang Valley in 1HFY21 due to rising cases of Covid-19 in Malaysia. We only expect earnings of IGB REIT to recover in 2HFY21 when vaccine is widely available. Meanwhile, dividend yield is estimated at 4.9% for FY21. 

## Maintain NEUTRAL

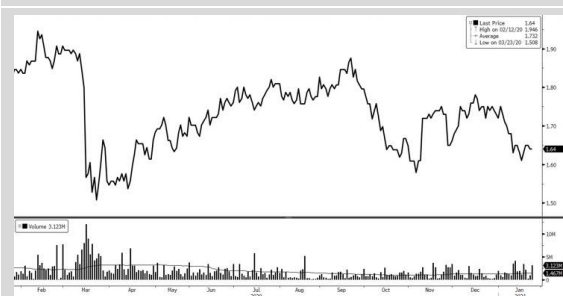
**Revised Target Price: RM1.61**

Previously RM1.66

#### RETURN STATISTICS

Price @ 25 <sup>th</sup> Jan 2021 (RM)	1.64
Expected share price return (%)	-1.8
Expected dividend yield (%)	4.9
<b>Expected total return (%)</b>	<b>3.1</b>

#### SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-5.7	-1.9
3 months	-4.7	-5.2
12 months	-13.7	-13.9

#### KEY STATISTICS

FBM KLCI	1,576.62
Syariah compliant	No
Issue shares (m)	3548.83
Estimated free float (%)	23.14
Market Capitalisation (RM'm)	5,839.32
52-wk price range	RM1.43-RM2.00
Beta vs FBM KLCI (x)	0.58
Monthly velocity (%)	2.00
Monthly volatility (%)	9.86
3-mth average daily volume (m)	1.44
3-mth average daily value (RM'm)	2.43
Top Shareholders (%)	
GOLDIS BERHAD	48.69
Employees Provident Fund Board	10.39
KWAP	7.40

**Analyst(s)**

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## INVESTMENT STATISTICS

FYE Dec (RM'm, unless otherwise stated)	FY18A	FY19A	FY20A	FY21F	FY22F
<b>Gross Revenue</b>	536	552	429	568	602
<b>Net Rental Income</b>	386	399	317	403	433
<b>Net Investment Income</b>	423	406	323	406	449
<b>Net Income</b>	334	316	237	311	335
<b>Core Net Income</b>	304	316	237	310	333
<b>Realised EPU (sen)</b>	9.44	8.91	6.65	8.74	9.40
<b>Core EPU (sen)</b>	8.59	8.91	6.65	8.71	9.35
<b>Gross DPU (sen)</b>	9.19	9.16	7.09	8.93	9.56
<b>Net DPU (sen)</b>	8.27	8.24	6.38	8.04	8.61
<b>Net Distribution Yield</b>	5.0%	5.0%	3.9%	4.9%	5.2%
<b>Core PER (x)</b>	19.1	18.4	24.7	18.8	17.5
<b>NAV per unit (RM)</b>	1.07	1.07	1.07	1.08	1.09
<b>P/NAV (x)</b>	1.54	1.54	1.54	1.52	1.51
<b>Core ROE</b>	8.1%	8.4%	6.2%	8.1%	8.6%
<b>Core ROA</b>	5.8%	6.1%	4.5%	5.8%	6.1%

Source: Company, MIDFR

## IGB REIT: 4QFY20 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY20	%YoY	%QoQ	FY20	%YoY
Gross Revenue	147.5	5.7%	12.8%	428.7	-22.4%
Net Property Income (NRI)	93.1	-3.1%	-4.8%	316.7	-20.6%
Net Investment Income	94.6	-3.1%	-4.8%	322.9	-20.5%
Net Income	72.1	-4.2%	-6.2%	236.8	-25.0%
Core Net Income (CNI)	72.1	-4.2%	-6.2%	236.8	-25.0%
Realised EPU (sen)	2.0	-4.6%	-6.3%	6.7	-25.3%
Core EPU (sen)	2.0	-4.6%	-6.3%	6.7	-25.3%
Gross DPU (sen)	2.1	-5.0%	-1.4%	6.75	-26.3%

Source: Company, MIDFR

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#### STOCK RECOMMENDATIONS

<b>BUY</b>	Total return is expected to be >10% over the next 12 months.
<b>TRADING BUY</b>	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.
<b>NEUTRAL</b>	Total return is expected to be between -10% and +10% over the next 12 months.
<b>SELL</b>	Total return is expected to be <10% over the next 12 months.
<b>TRADING SELL</b>	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

<b>POSITIVE</b>	The sector is expected to outperform the overall market over the next 12 months.
<b>NEUTRAL</b>	The sector is to perform in line with the overall market over the next 12 months.
<b>NEGATIVE</b>	The sector is expected to underperform the overall market over the next 12 months.