IGB REIT

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

***Maintain* BUY**

Decent earnings

***Revised* Target Price: RM1.78**

Previously RM1.72

KEY INVESTMENT HIGHLIGHTS

- **1HFY22 earnings slightly above expectations**
- **Decent earnings**
- **Earnings forecast revised upwards**
- **Maintain BUY with a revised TP of RM1.78**

1HFY22 earnings slightly above expectations. IGB REIT's 1HFY22 core net income of RM168.9m came in slightly above expectations, making up 57% of our and consensus full year estimates. The positive deviation was mainly due to the stronger than expected earnings in 2QFY22. Meanwhile, a DPU of 2.45sen (ex-date: 9th August 2022) was announced for 2QFY22, bringing cumulative DPU to 4.96sen in 1HFY22.

Decent earnings. Sequentially, 2QFY22 core net income was little-changed at RM83.5m (-2.2%qoq) as shopper footfall remains stable in 2QFY22 which driven by festive season. Note that rental income and turnover rent were supported by Hari Raya shopping spree. On yearly basis, 2QFY22 core net income was higher (+88.4%yoy) as rental income was weighed by rental support to tenants in 1QFY21. That brought cumulative core net income to RM168.9m (+91.8%yoy) in 1HFY22. Earnings recovery of IGB REIT was decent, underpinned by lower rental support to tenants and higher footfall at Mid Valley Megamall and The Gardens Mall following relaxation of movement restriction.

Earnings forecast revised upwards. We revise our FY22/23F earnings forecast by +6.6%/+6%. We remain positive on earnings outlook on IGB REIT as we see the recovery in shopper footfall at Mid Valley Megamall and The Gardens Mall should improve rental reversion outlook and support earnings growth going forward.

Maintain BUY with a revised TP of RM1.78. Corresponding to the upward revision in earnings, our **TP** is revised to **RM1.78** from RM1.72. Our valuation is based on Dividend Discount Model (DDM). We maintain our **BUY** call on IGB REIT as we like its good quality retail assets namely Mid Valley Megamall and The Gardens Mall which will benefit from recovery in shopper footfall following reopening of economy. Occupancy rates of the two malls remains stable at close to 100%. Meanwhile, dividend yield is estimated at 5.2%.

RETURN STATISTICS	
Price @ 27th July 2022 (RM)	1.59
Expected share price return (%)	11.9
Expected dividend yield (%)	5.2
Expected total return (%)	17.1

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	1.9	-0.3
3 months	-0.6	9.9
12 months	-5.4	-2.5

KEY STATISTICS	
FBM KLCI	1,470.71
Syariah compliant	No
F4BGM Index	No
ESG Grading Band (Star rating)	☆☆
Issue shares (m)	3,571.85
Estimated free float (%)	21.79
Market Capitalisation (RM'm)	5,691.29
52-wk price range	RM1.36-RM1.72
Beta vs FBM KLCI (x)	0.42
Monthly velocity (%)	2.00
Monthly volatility (%)	11.0
3-mth average daily volume (m)	1.07
3-mth average daily value (RM'm)	1.73
Top Shareholders (%)	
IGB Berhad	48.43
Employees Provident Fund Board	11.47
KWAP	7.36

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INVESTMENT STATISTICS

FYE Dec (RM'm, unless otherwise stated)	FY19A	FY20A	FY21A	FY22F	FY23F
Gross Revenue	552	465	400	557	604
Net Rental Income	399	317	275	408	451
Net Investment Income	406	323	284	410	465
Net Income	316	237	200	319	352
Core Net Income	316	237	200	317	352
Realised EPU (sen)	8.91	6.65	5.62	8.95	9.87
Core EPU (sen)	8.91	6.65	5.62	8.90	9.87
Gross DPU (sen)	9.16	7.09	6.03	9.12	10.08
Net DPU (sen)	8.24	6.38	5.43	8.21	9.07
Net Distribution Yield	5.2%	4.0%	3.4%	5.2%	5.7%
Core PER (x)	17.8	23.9	28.3	17.9	16.1
NAV per unit (RM)	1.07	1.07	1.07	1.08	1.09
P/NAV (x)	1.49	1.49	1.48	1.47	1.45
Core ROE	8.4%	6.2%	5.2%	8.2%	9.1%
Core ROA	6.1%	4.5%	3.9%	6.2%	6.5%

Source: Company, MIDFR

IGB REIT: 2QFY22 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY22	%YoY	%QoQ	FY22	%YoY
Gross Revenue	133.8	57.5%	0.0%	267.6	45.1%
Net Property Income (NRI)	105.7	67.4%	-1.9%	213.4	70.0%
Net Investment Income	106.2	63.7%	-1.9%	214.3	66.2%
Net Income	83.5	88.4%	-2.2%	168.9	91.8%
Core Net Income (CNI)	83.5	88.4%	-2.2%	168.9	91.8%
Realised EPU (sen)	2.3	87.5%	-2.4%	4.7	91.1%
Core EPU (sen)	2.3	87.5%	-2.4%	4.7	91.1%
Gross DPU (sen)	2.45	81.5%	-2.4%	5.0	85.1%

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 *rise* 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 *fall* 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