IGB REIT

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

***Maintain* BUY**

Strong earnings recovery

***Unchanged* Target Price: RM1.78**

KEY INVESTMENT HIGHLIGHTS

- **9MFY22 earnings within expectations**
- **Strong earnings recovery**
- **Earnings forecast maintained**
- **Maintain BUY with an unchanged TP of RM1.78**

RETURN STATISTICS	
Price @ 3 November 2022 (RM)	1.54
Expected share price return (%)	15.6
Expected dividend yield (%)	5.3
Expected total return (%)	20.9

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-2.5	-4.1
3 months	-3.8	-3.2
12 months	-7.8	-0.6

KEY STATISTICS	
FBM KLCI	1,420.38
Syariah compliant	No
F4BGM Index	No
ESG Grading Band (Star rating)	☆☆
Issue shares (m)	3,571.85
Estimated free float (%)	21.68
Market Capitalisation (RM'm)	5,518.10
52-wk price range	RM1.36-RM1.69
Beta vs FBM KLCI (x)	0.46
3-mth average daily volume (m)	0.58
3-mth average daily value (RM'm)	0.93
Top Shareholders (%)	
IGB Berhad	48.38
Employees Provident Fund Board	11.52
KWAP	7.37

9MFY22 earnings within expectations. IGB REIT's 9MFY22 core net earnings of RM252.2m came in within expectations, making up 79% of our and consensus full year forecasts. Meanwhile, a DPU of 2.44sen (ex-date: 16th November 2022) was announced for 3QFY22, bringing cumulative DPU to 7.40sen in 9MFY22.

Strong earnings recovery. Sequentially, 3QFY22 core net income was stable at RM83.4m (-0.1%qoq) as the higher operating expenses (+38.9%qoq) offset higher rental income. On yearly basis, 3QFY22 core net income more than doubled to RM83.4m (+116.4%yoy) as earnings recovered from adverse impact of rental support to tenants. That brought cumulative core net income to RM252.2m (+99.3%yoy) in 9MFY22. The strong earnings recovery was underpinned by recovery in rental income following lower rental support to tenants. Besides, the recovery in shopper footfall also led to higher turnover rent and car park income. Similarly, the lower property expenses also contributed to earnings growth. On the other hand, finance cost was little-changed despite the hike in OPR as its borrowings are on fixed cost.

Earnings forecast maintained. We make no changes to our earnings forecast for FY22/23F. We remain sanguine on earnings outlook for IGB REIT as rental income from Mid Valley Megamall and The Gardens Mall is expected to benefit from positive rental reversion and high shopper footfall. We expect rental reversion to be positive due to high occupancy rates of the two malls.

Maintain BUY with an unchanged TP of RM1.78. Our **TP** for IGB REIT is maintained at **RM1.78**, based on Dividend Discount Model (DDM). We continue to favor IGB REIT for its good quality retail assets namely Mid Valley Megamall and The Gardens Mall with high occupancy rates. That would support rental reversion into positive territory thus translates into higher rental income going forward. Hence, we maintain our **BUY** call on IGB REIT. Meanwhile, dividend yield is estimated at 5.3%.

Analyst(s)
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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	5.4%	4.1%	3.5%	5.3%	5.9%
Core PER (x)	17.3	23.2	27.4	17.3	15.6
NAV per unit (RM)	1.07	1.07	1.07	1.08	1.09
P/NAV (x)	1.44	1.44	1.43	1.42	1.41
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: 3QFY22 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY22	%YoY	%QoQ	FY22	%YoY
Gross Revenue	140.1	46.3%	4.8%	407.7	45.5%
Net Property Income (NRI)	101.2	80.9%	-4.3%	314.6	73.4%
Net Investment Income	106.1	80.7%	0.0%	320.4	70.8%
Net Income	83.4	116.4%	-0.1%	252.2	99.3%
Core Net Income (CNI)	83.4	116.4%	-0.1%	252.2	99.3%
Realised EPU (sen)	2.3	115.2%	-0.2%	7.0	98.4%
Core EPU (sen)	2.3	115.2%	-0.2%	7.0	98.4%
Gross DPU (sen)	2.4	106.8%	-0.4%	7.4	91.7%

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