IGB REIT

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

Maintain BUY

Solid earnings

***Revised* Target Price: RM1.86**
(Previously RM1.78*)*

KEY INVESTMENT HIGHLIGHTS

- **FY22 earnings above our expectation**
- **Solid earnings**
- **Earnings forecast revised upwards**
- **Maintain BUY with a revised TP of RM1.86**

FY22 earnings above our expectation. IGB REIT's FY22 core net earnings of RM336.2m came in within consensus expectation but slightly above ours, making up 102% and 106% of our and consensus full year forecast respectively. The positive deviation could be attributed to the stronger than expected rental income in 4QFY22. Meanwhile, DPU of 2.46sen (ex-date: 7th Feb 2023) was announced for 4QFY22, bringing cumulative DPU to 9.86sen in FY22 and translates into gross dividend yield of 5.6%.

Solid earnings. Sequentially, 4QFY22 core net income was marginally higher at RM83.9m (+0.7%qoq) due to seasonally stronger shopper footfall in 4Q amid year-end shopping spree. On yearly basis, 4QFY22 core net income was higher at RM83.9m (+14.1%yoy), in line with higher rental income (+24.6%yoy). That brought cumulative core net income to RM336.2m (+68%yoy) in FY22. The solid earnings in FY22 were underpinned by recovery in rental income as a result of lower rental support to tenants. Besides, earnings recovery was also supported by higher car park income and higher turnover rent following recovery in shopper footfall. Meanwhile, finance cost was little-changed in FY22 as its borrowings are on fixed cost.

Earnings forecast revised upwards. We revise our earnings forecast for FY23F by +1.4% to factor in the higher rental income. We continue to see positive earnings outlook for IGB REIT due to high shopper footfall and high occupancy rates of Mid Valley Megamall and The Gardens Mall which will underpin positive rental reversion outlook. Besides, higher turnover rent will also support earnings growth.

Maintain BUY with a revised TP of RM1.86. Corresponding to the upward revision in earnings, our **TP** for IGB REIT is revised from RM1.78 to **RM1.86**. Our TP is based on Dividend Discount Model (DDM). We continue to stable earnings outlook for IGB REIT going forward due to high occupancy rates of Mid Valley Megamall and The Gardens Mall. Hence, we maintain our **BUY** call on IGB REIT. Meanwhile, net dividend yield is estimated at 5.2%.

RETURN STATISTICS	
Price @ 19 January 2023 (RM)	1.77
Expected share price return (%)	5.1
Expected dividend yield (%)	5.2
Expected total return (%)	10.3

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	7.4	6.4
3 months	5.5	3.4
12 months	10.1	13.9

KEY STATISTICS	
FBM KLCI	1,496.22
Syariah compliant	No
F4BGM Index	No
ESG Grading Band (Star rating)	☆☆
Issue shares (m)	3,571.85
Estimated free float (%)	20.12
Market Capitalisation (RM'm)	6,349
52-wk price range	RM1.36-RM1.77
Beta vs FBM KLCI (x)	0.40
3-mth average daily volume (m)	0.62
3-mth average daily value (RM'm)	1.00
Top Shareholders (%)	
IGB Berhad	48.38
Employees Provident Fund Board	11.51
KWAP	7.37

Analyst(s)
JESSICA Low Jze Tieng
Jessica.low@midf.com.my
03 -2173 8391

IGB REIT: 4QFY22 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY22	%YoY	%QoQ	FY22	%YoY
Gross Revenue	148.7	24.6%	6.1%	556.4	39.3%
Net Property Income (NRI)	105.6	12.8%	4.4%	420.2	52.8%
Net Investment Income	167.4	74.2%	57.8%	487.8	71.9%
Net Income	143.9	95.6%	72.6%	396.2	97.9%
Core Net Income (CNI)	83.9	14.1%	0.7%	336.2	68.0%
Realised EPU (sen)	4.0	94.4%	72.4%	11.1	96.9%
Core EPU (sen)	2.3	13.3%	0.6%	9.4	67.1%
Gross DPU (sen)	2.5	13.4%	0.8%	9.9	63.5%

Source: Company, MIDFR

INVESTMENT STATISTICS

FYE Dec (RM'm, unless otherwise stated)	FY21A	FY22A	FY23F	FY24F	FY25F
Gross Revenue	400	556	606	626	643
Net Rental Income	275	420	453	470	482
Net Investment Income	284	488	461	478	493
Net Income	200	396	357	373	385
Core Net Income	200	336	357	373	385
Realised EPU (sen)	5.62	11.04	9.95	10.41	10.74
Core EPU (sen)	5.62	9.37	9.95	10.41	10.74
Gross DPU (sen)	6.03	9.86	10.15	10.60	10.93
Net DPU (sen)	5.43	8.87	9.13	9.54	9.84
Net Distribution Yield	3.1%	5.1%	5.2%	5.4%	5.6%
Core PER (x)	31.1	18.7	17.6	16.8	16.3
NAV per unit (RM)	1.07	1.08	1.08	1.09	1.10
P/NAV (x)	1.64	1.62	1.62	1.60	1.59
Core ROE	5.3%	8.8%	9.2%	9.6%	9.8%
Core ROA	3.8%	6.4%	6.7%	6.9%	7.0%

Source: Company, MIDFR

IGB REIT: Balance Sheet

FY Dec (RM m)	2021	2022	2023F	2024F	2025F
Investment Properties	4960	5020	5070	5121	5147
Total non-current assets	**4963**	**5022**	**5071**	**5122**	**5148**
Cash	223	258	274	327	432
Other Assets	47	37	61	35	13
Total Assets	**5233**	**5318**	**5406**	**5484**	**5592**
LT Borrowings	0	1199	1199	1199	1259
ST Borrowings	1215	15	5	37	38
Other Liability	214	48	55	63	63
Total Liability	**1429**	**1447**	**1531**	**1571**	**1640**
Unitholders' capital	4502	4526	4526	4526	4526
Other Equity	-697	-655	-650	-612	-574
Total Equity	**3805**	**3871**	**3876**	**3913**	**3952**
Equity + Liability	**5233**	**5318**	**5406**	**5484**	**5592**

Source: Company, MIDFR

IGB REIT: Cash Flow Statement

FY Dec (RM m)	2021	2022	2023F	2024F	2025F
Cash flows from operating activities					
Net income before taxation	200	396	357	373	385
Net cash from operating activities	257	425	470	491	507
Cash flows from investing activities					
Interest received	9	7	7	8	7
Net cash used in investing activities	8	6	-4	-3	-5
Cash flows from financing activities					
Net cash from/(used in) financing activities	-265	-397	-442	-413	-398
Net increase/(decrease) in cash and cash equivalents	1	35	25	75	105
Cash and cash equivalent at 1 January	193	193	228	253	327
Cash and cash equivalent at 1 December	193	228	253	327	432

Source: Company, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077(23878 – X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related companies and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loess, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such companies mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

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