IGB REIT

(5227 | IGBREIT MK) Main | REIT

Off to A Solid Start

Maintain **BUY**

Unchanged **Target Price: RM1.86**

KEY INVESTMENT HIGHLIGHTS

- **1QFY23 earnings within expectations**
- **Off to a solid start**
- **Earnings forecast maintained**
- **Positive earnings outlook**
- **Maintain BUY with an unchanged TP of RM1.86**

1QFY23 earnings within expectations. IGB REIT's 1QFY23 core net income of RM96.2m came in within expectations, making up 27.0% and 27.3% of our and consensus full year estimates respectively. IGB REIT announced distribution per unit (DPU) of 2.80sen (ex-date: 12th May 2023) for 1QFY23.

Off to a solid start. Sequentially, 1QFY23 core net income was higher at RM96.2m (+14.6%qoq), in line with higher topline (+4.0%qoq). The sequential earnings growth was mainly underpinned by shopping spree for Chinese New Year in 1QFY23. Besides, earnings growth was also helped by lower property expenses (-16.3%qoq). On yearly basis, 1QFY23 earnings were solid at RM96.2m (+12.7%yoy) mainly due to higher rental income as a result of positive rental reversion and higher shopper footfall. Nevertheless, earnings growth was partly mitigated by higher property expenses as a result of higher utilities expenses.

Earnings estimates maintained. We maintain our earnings forecast for FY23F/24F/25F. We expect earnings in 2QFY23 to remain solid due to shopping spree for Hari Raya festive holidays. Meanwhile, we continue to see positive earnings outlook for IGB REIT as rental reversion outlook for Mid Valley Megamall and The Gardens Mall remains positive. The high occupancy rate of the two malls and high shopper footfall should continue to underpin earnings growth going forward.

Maintain BUY with unchanged TP of RM1.86. We maintain our **TP** for IGB REIT at **RM1.86**, based on Dividend Discount Model (DDM). We remain positive on IGB REIT as Mid Valley Megamall and The Gardens Mall have high occupancy rates of close to 100% with high shopper footfall which support rental income growth going forward. Besides, distribution yield is also attractive at 5.3%. Hence, we maintain our **BUY** call on IGB REIT.

RETURN STATISTICS	
Price @ 27th April 2023 (RM)	1.72
Expected share price return (%)	8.1
Expected dividend yield (%)	5.3
Expected total return (%)	**13.4**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.6	-2.1
3 months	-1.1	2.6
12 months	10.3	23.3

INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	606	626	643
Net Rental Income	453	470	482
Net Investment Income	461	478	493
Core Net Income	357	373	385
Core EPU (sen)	9.95	10.41	10.74
Net DPU (sen)	9.13	9.54	9.84
Dividend Yield	5.31%	5.54%	5.72%

KEY STATISTICS	
FBM KLCI	1,418.05
Issue shares (m)	3586.91
Estimated free float (%)	20.32
Market Capitalisation (RM'm)	6175.63
52-wk price range	RM1.5– RM1.78
3-mth average daily volume (m)	0.72
3-mth average daily value (RM'm)	1.24
Top Shareholders (%)	
IGB Berhad	48.28
EPF	11.37
KWAP	7.35
IGB REIT MGMT Sdn Bhd	5.31

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IGB REIT: 1QFY23 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY23	*%YoY*	*%QoQ*	FY23	*%YoY*
Gross Revenue	154.6	*15.5%*	*4.0%*	154.6	*15.5%*
Net Property Income (NRI)	118.6	*10.1%*	*12.2%*	118.6	*10.1%*
Net Investment Income	119.6	*10.5%*	*-28.6%*	119.6	*10.5%*
Net Income	96.2	*12.7%*	*-33.1%*	96.2	*12.7%*
Core Net Income (CNI)	96.2	*12.7%*	*14.6%*	96.2	*12.7%*
Realised EPU (sen)	2.7	*12.2%*	*-33.2%*	2.7	*12.2%*
Core EPU (sen)	2.7	*12.2%*	*14.5%*	2.7	*12.2%*
Gross DPU (sen)	2.8	*11.6%*	*13.8%*	2.8	*11.6%*

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
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
Core EPU (sen)	5.6	9.4	10.0	10.4	10.7
Core PER (x)	30.6	18.4	17.3	16.5	16.0
NAV/unit (RM)	1.07	1.08	1.08	1.09	1.10
P/NAV (x)	1.61	1.59	1.59	1.58	1.56

Balance Sheet (RM'm)	2021A	2022A	2023E	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**

Cash Flow (RM'm)	2021A	2022A	2023E	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

Profitability Margins	2021A	2022A	2023E	2024F	2025F
Net Investment Income margin	71.0%	87.7%	76.0%	76.3%	76.7%
Core net income margin	50.1%	60.4%	58.9%	59.6%	60.0%
ROE	5.3%	8.8%	9.2%	9.6%	9.8%
ROA	3.8%	6.4%	6.7%	6.9%	7.0%

Source: Bloomberg, 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