

## IGB REIT

(5227 | IGBREIT MK) Main | REIT

### Earnings Dragged by Higher Property Expenses

#### KEY INVESTMENT HIGHLIGHTS

- **FY24 earnings within expectations**
- **Earnings dragged by higher property expenses**
- **Earnings forecast maintained**
- **Positive earnings outlook intact**
- **Maintain NEUTRAL with an unchanged TP of RM2.10**

**FY24 earnings within expectations.** IGB REIT FY24 core net income of RM368.7m came in within expectations, making up 99% and 96% of our and consensus' estimates. Note that we have excluded fair value gain on investment properties in our core net income calculations. Meanwhile, IGB REIT announced distribution per unit (DPU) of 2.5sen for 4QFY24, bringing total DPU to 10.7sen in FY24 which translates into gross distribution yield of 4.9%.

**Earnings dragged by higher property expenses.** Sequentially, 4QFY24 core net income eased to RM85.5m (-7.8%qoq) despite higher topline (+2%qoq) as earnings were dragged by higher expenses. IGB REIT incurred higher property expenses in 4QFY24 due to higher upgrading and maintenance costs. On yearly basis, 4QFY24 core net income declined to RM85.5m (-8%yoy), mainly owing to higher property expenses. That brought full year earnings in FY24 at RM368.7m (+2.7%yoy). The marginal earnings growth in FY24 were mainly driven by the positive rental reversion of Mid Valley Megamall and The Gardens Mall as footfall and tenant sales remains encouraging.

**Earnings forecast maintained.** We maintain our earnings forecast for FY25F/26F. We also introduce our earnings forecast for FY27F. We see stable earnings outlook for IGB REIT which will be driven by organic growth of positive rental reversion of Mid Valley Megamall and The Gardens Mall. Occupancy rates of the two malls remains encouraging at close to 100% due to high shopper footfall and strategic location of the malls.

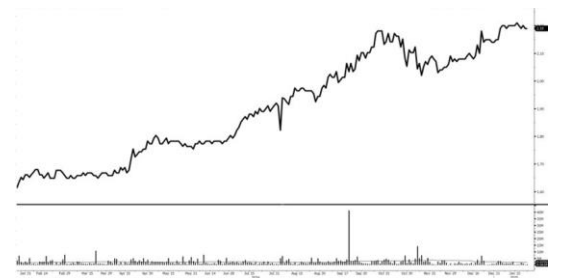
**Maintain NEUTRAL with an unchanged TP of RM2.10.** We maintain our **TP** for IGB REIT at **RM2.10**, based on Dividend Discount Model. While we see stable earnings outlook for IGB REIT which will be supported by rental growth of Mid Valley Megamall and The Gardens Mall, we see that the positives are largely priced in while share price upside is limited. Hence, we maintain our **NEUTRAL** call on IGB REIT. Meanwhile, net distribution yield is estimated at 4.5%.

**Maintain NEUTRAL**
**Unchanged Target Price: RM2.10**

#### RETURN STATISTICS

Price @ 23 Jan 2025 (RM)	2.19
Expected share price return (%)	-4.1
Expected dividend yield (%)	+4.5
Expected total return (%)	+0.4

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.3	3.6
3 month	2.3	4.1
12 months	27.3	20.8

#### INVESTMENT STATISTICS

FYE Dec	2025E	2026F	2027F
Revenue	643	654	667
Net Rental Income	482	489	498
Net Investment Income	493	502	513
Core Net Income	386	392	399
Core EPU (sen)	10.69	10.85	11.04
Net DPU (sen)	9.78	9.94	10.12
Dividend Yield	4.5%	4.5%	4.6%

#### KEY STATISTICS

FBM KLCI	1,577.20
Issue shares (m)	3586.91
Estimated free float (%)	44.98
Market Capitalisation (RM'm)	7,917
52-wk price range	RM1.7– RM2.25
3-mth average daily volume (m)	2.20
3-mth average daily value (RM'm)	4.65
Top Shareholders (%)	
IGB Berhad	47.95
EPF	11.12
KWAP	6.91
IGB REIT MGMT Sdn Bhd	5.80

#### Analyst

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**IGB REIT: 4QFY24 RESULTS SUMMARY**

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY24	%YoY	%QoQ	FY24	%YoY
Gross Revenue	158.3	-0.1%	2.0%	626.1	3.6%
Net Property Income (NRI)	107.9	-6.4%	-5.5%	454.7	1.5%
Net Investment Income	343.5	202.1%	232.6%	675.6	10.4%
Net Income	319.0	255.7%	300.9%	579.8	12.0%
Core Net Income (CNI)	85.5	-8.0%	-7.8%	368.7	2.7%
Realised EPU (sen)	8.8	254.4%	300.6%	16.0	11.5%
Core EPU (sen)	2.4	-8.3%	-7.8%	10.2	2.3%
Gross DPU (sen)	2.5	-7.4%	-6.7%	10.7	2.2%

Source: Company, MIDFR

**FINANCIAL SUMMARY**

<b>Income Statement (RM'm)</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026F</b>	<b>2027F</b>
Gross Revenue	604	626	643	654	667
Net Rental Income	448	455	482	489	498
Net Investment Income	612	676	493	502	513
Net Income	518	580	386	393	401
Core Net Income	359	369	386	392	399
Core EPU (sen)	10.0	10.2	10.7	10.8	11.0
Core PER (x)	22.0	21.5	20.5	20.2	19.8
NAV/unit (RM)	1.12	1.18	1.17	1.19	1.20
P/NAV (x)	1.95	1.86	1.87	1.84	1.82

<b>Balance Sheet (RM'm)</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026F</b>	<b>2027F</b>
Investment Properties	5,186	5,436	5,463	5,491	5,518
Total non-current assets	5,188	5,438	5,464	5,492	5,519
Cash	274	258	320	431	546
Other Assets	43	45	64	65	37
<b>Total Assets</b>	<b>5,505</b>	<b>5,741</b>	<b>5,848</b>	<b>5,988</b>	<b>6,102</b>
LT Borrowings	1,199	1,200	1,224	1,285	1,349
ST Borrowings	15	15	38	39	39
Other Liability	55	63	63	63	63
Total Liability	1,468	1,486	1,605	1,675	1,749
Unitholders' capital	4,550	4,576	4,618	4,648	4,648
Other Equity	(514)	(321)	(375)	(335)	(295)
Total Equity	4,037	4,255	4,243	4,313	4,353
<b>Equity + Liability</b>	<b>5,505</b>	<b>5,741</b>	<b>5,848</b>	<b>5,988</b>	<b>6,102</b>

<b>Cash Flow (RM'm)</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026F</b>	<b>2027F</b>
<b>Cash flows from operating activities</b>					
Net income before taxation	518	580	386	392	399
Net cash from operating activities	433	460	511	519	529
<b>Cash flows from investing activities</b>					
Interest received	5	9	7	8	9
Net cash used in investing activities	-27	-30	-5	-4	-3
<b>Cash flows from financing activities</b>					
Net cash from/(used in) financing activities	-422	-448	-412	-405	-411
Net increase/(decrease) in cash and cash equivalents	-15	-17	94	111	115
Cash and cash equivalent at 1 January	258	243	226	320	431
Cash and cash equivalent at 1 December	243	226	320	431	546

<b>Profitability Margins</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026F</b>	<b>2027F</b>
Net Investment Income margin	101.3%	107.9%	76.7%	76.8%	77.0%
Core net income margin	59.4%	58.9%	60.1%	60.0%	59.9%
ROE	9.1%	8.9%	9.1%	9.2%	9.2%
ROA	6.6%	6.6%	6.7%	6.6%	6.6%

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 <i>rise</i> 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 <i>fall</i> 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