



### IGB REIT

**Neutral**

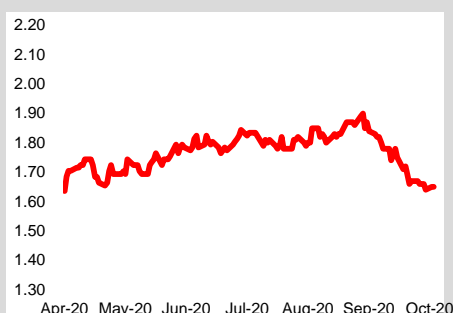
#### DESCRIPTION

Owns 2 of the leading malls in the country i.e, Mid Valley Megamall and The Gardens Mall.

12-Month Target Price RM1.72  
Current Price RM1.65  
Expected Return 4%

Market Main  
Sector REIT  
Bursa Code 5227  
Bloomberg Ticker IGBREIT MK  
Shariah-Compliant No

#### SHARE PRICE CHART



52 Week Range (RM) RM1.43 – RM2.01  
3-Month Average Vol ('000) 1,078.5

#### SHARE PRICE PERFORMANCE

	1M	3M	12M
Absolute Returns	-10.3	-10.5	-0.9
Relative Returns	-9.5	-4.0	-8.9

#### KEY STOCK DATA (post-deal completion)

Market Capitalisation (RMm)	5,869.2
No. of Shares (m)	3,557.1

#### MAJOR SHAREHOLDERS (post-deal completion)

	%
GOLDIS	48.7
EPF	10.6
KWAP	7.4

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### Mild Recovery

IGB Real Estate Investment Trusts (IGBREIT) registered a higher 3QFY20 net profit of RM76.8m (-3.7% YoY, +>100% QoQ) as its mall tenants reopened post the mandatory closures following the Movement Control Order (MCO) lockdowns from 18 March 2020 to 28 April 2020. YTD, Group net profit of RM164.7m (-31.5% YoY) was within our and consensus expectations, constituting ~70% and ~74% of full year estimates respectively. While we believe IGB REIT's rental will continue to recover, consumer sentiment is still very weak given the spike in pandemic cases in recent weeks that could derail the recovery. We remain cautious and maintain our **Neutral** call and RM1.72 TP.

§ **3QFY20 revenue dropped 4.1% YoY** to RM130.7m with net property income correspondingly declining by 2.8% YoY to RM97.8m, mainly due to the lower rental income and lower car park income arising from the Covid-19 pandemic and resultant MCOs. Distributable income for the current quarter amounted to RM83.3m, consisting of realised profit of RM76.8m and the non-cash adjustments arising mainly from managers' fee payable in units of RM5.7m.

We understand that IGBREIT's rental income has been negatively impacted by rental support programmes and could suffer potential increases in expected credit losses and possible impairment of fair value for investment properties arising from prolonged MCO periods. However, we understand that since the Recovery MCO started on 10 June 2020, both of its malls have seen an apparent and gradual increase in footfall, albeit cautious, along with vehicle traffic volume. That said, full recovery could be clouded by a spike in pandemic cases in recent weeks.

#### KEY FORECAST TABLE

FYE Dec (RM m)	2018A	2019A	2020F	2021F	2022F	CAGR
Revenue	535.7	552.9	469.6	560.3	595.6	2.7%
Pre-tax Profit	333.8	315.7	234.3	317.2	347.9	-2.0%
Reported Net Profit	333.8	315.7	234.3	317.2	347.9	-2.0%
Realised Net Profit	303.8	315.7	234.3	317.2	347.9	1.1%
Realised EPS (Sen)	8.6	8.9	6.6	8.8	9.6	0.5%
P/E (x)	19.2	18.5	25.1	18.7	17.1	
DPS (Sen)	9.2	9.5	7.1	9.4	10.2	
Dividend Yield (%)	5.6	5.7	4.3	5.7	6.2	

Source: Company, PublicInvest Research estimates

**Table 1: Results Summary**

<b>FYE 31 Dec (RM m)</b>	<b><u>3QFY20</u></b>	<b><u>3QFY19</u></b>	<b><u>2QFY20</u></b>	<b><u>YoY</u> <u>chg</u></b>	<b><u>QoQ</u> <u>chg</u></b>	<b><u>FY20</u></b>	<b><u>FY19</u></b>	<b><u>YoY</u> <u>chg</u></b>
<b>Revenue</b>	<b>130.7</b>	<b>136.3</b>	<b>62.0</b>	-4.1	111.0	<b>317.7</b>	<b>412.5</b>	-23.0
- <i>Gross rental income</i>	95.7	99.0	34.5	-3.3	177.1	<b>218.7</b>	<b>300.2</b>	-27.1
- <i>Other income</i>	35.1	37.4	27.4	-6.2	27.7	<b>99.0</b>	<b>112.3</b>	-11.8
Operating expenses	-32.9	-35.6	-24.6	-7.6	33.7	<b>-94.2</b>	<b>-109.8</b>	-14.3
<b>Net Property Income</b>	<b>97.8</b>	<b>100.7</b>	<b>37.4</b>	-2.8	161.9	<b>223.6</b>	<b>302.7</b>	-26.1
<i>NPI margin (%)</i>	0.7	0.7	0.6	1.3	24.1	<b>1.4</b>	<b>1.5</b>	-3.4
Revaluation surplus/others	1.5	1.9	1.4	-18.9	nm	<b>4.7</b>	<b>5.5</b>	-15.6
<b>Net Investment Income</b>	<b>99.3</b>	<b>102.5</b>	<b>38.8</b>	-3.1	156.2	<b>228.3</b>	<b>308.2</b>	-25.9
Int expense	-13.4	-13.4	-13.2	0.0	1.1	<b>-39.8</b>	<b>-39.7</b>	0.4
REIT's expenses	-9.1	-9.4	-6.0	-2.8	51.2	<b>-23.7</b>	<b>-28.0</b>	-15.1
<b>Pretax</b>	<b>76.8</b>	<b>79.8</b>	<b>19.5</b>	-3.7	293.9	<b>164.7</b>	<b>240.6</b>	-31.5
<b>Comprehensive Income</b>	<b>76.8</b>	<b>79.8</b>	<b>19.5</b>	-3.7	293.9	<b>164.7</b>	<b>240.6</b>	-31.5
<b>Realised net profit</b>	<b>76.8</b>	<b>79.8</b>	<b>19.5</b>	-3.7	293.9	<b>164.7</b>	<b>240.6</b>	-31.5
<b>Distributable Income</b>	<b>83.3</b>	<b>86.4</b>	<b>24.0</b>	-3.6	247.4	<b>181.8</b>	<b>260.2</b>	-30.2

Source: Company, PublicInvest Research estimates

## KEY FINANCIAL DATA

### INCOME STATEMENT DATA

FYE Dec (RM m)	2018A	2019A	2020F	2021F	2022F
Revenue	535.7	552.9	469.6	560.3	595.6
Total Expenses	-149.4	-152.8	-155.6	-158.5	-161.7
Pre-tax Profit	333.8	315.7	234.3	317.2	347.9
Income Tax	0.0	0.0	0.0	0.0	0.0
Effective Tax Rate (%)	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	1.0
Reported Net Profit	333.8	315.7	234.3	317.2	347.9
Realised Net Profit	303.8	315.7	234.3	317.2	347.9

#### Growth

Revenue	2%	3%	-2%	-1%	-1%
Pre-tax Profit	-3%	-5%	16%	3%	5%
Reported Net Profit	-3%	-5%	14%	3%	5%
Realised Net Profit	0%	4%	14%	3%	5%

Source: Company (actual), PublicInvest Research estimates (forecast)

### BALANCE SHEET DATA

FYE Dec (RM m)	2018A	2019A	2020F	2021F	2022F
Property, Plant & Equipment	4,960.0	4,925.0	4,925.0	4,925.0	4,925.0
Cash and Cash Equivalents	207.1	491.0	510.9	539.6	571.5
Receivables, deposits and prepayment	27.9	29.0	30.2	31.4	32.6
Other Assets	8.0	8.3	8.7	9.1	9.5
<b>Total Assets</b>	<b>5,203.0</b>	<b>5,453.4</b>	<b>5,474.8</b>	<b>5,505.1</b>	<b>5,538.6</b>
Payables	222.4	364.0	364.0	364.0	364.0
Borrowings	1,218.0	1,227.1	1,223.4	1,219.8	1,216.2
Deferred tax	0.0	0.0	0.0	0.0	1.0
Other Liabilities	-4.1	28.4	29.4	30.4	30.4
<b>Total Liabilities</b>	<b>1,436.3</b>	<b>1,619.5</b>	<b>1,616.9</b>	<b>1,614.3</b>	<b>1,611.6</b>
Shareholders' Equity	3,766.7	3,833.8	3,857.9	3,890.8	3,926.9
<b>Total Equity and Liabilities</b>	<b>5,203.0</b>	<b>5,453.4</b>	<b>5,474.8</b>	<b>5,505.1</b>	<b>5,538.6</b>

Source: Company (actual), PublicInvest Research estimates (forecast)

### PER SHARE DATA & RATIOS

FYE Dec	2018A	2019A	2020F	2021F	2022F
Book Value Per Share	1.1	1.1	1.1	1.1	1.1
NTA Per Share	1.1	1.1	1.1	1.1	1.1
Distributable EPS (Sen)	9.7	10.0	7.5	9.9	10.8
DPS (Sen)	9.2	9.5	7.1	9.4	10.2
Payout Ratio (%)	94.9	94.8	94.8	94.8	94.8
ROA (%)	6.4	5.8	4.3	5.8	6.3
ROE (%)	8.9	8.2	6.1	8.2	8.9

Source: Company (actual), PublicInvest Research estimates (forecast)

## RATING CLASSIFICATION

### STOCKS

<b>OUTPERFORM</b>	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
<b>NEUTRAL</b>	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
<b>UNDERPERFORM</b>	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
<b>TRADING BUY</b>	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
<b>TRADING SELL</b>	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
<b>NOT RATED</b>	The stock is not within regular research coverage.

### SECTOR

<b>OVERWEIGHT</b>	The sector is expected to outperform a relevant benchmark over the next 12 months.
<b>NEUTRAL</b>	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
<b>UNDERWEIGHT</b>	The sector is expected to underperform a relevant benchmark over the next 12 months.

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