

# IGB REIT

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

## Subdued outlook

### KEY INVESTMENT HIGHLIGHTS

- **9MFY20 within expectations**
- **Earnings recovered from impact of MCO but still lower on yearly basis**
- **Subdued outlook ahead due to resurgence of Covid-19 cases**
- **Maintain NEUTRAL with a revised TP of RM1.66**

**9MFY20 within expectations.** IGB REIT's 9MFY20 core net income of RM164.7m came in within expectations, making up 71% and 75% of our and consensus full year estimates respectively. Meanwhile, a DPU of 2.11sen was announced for 3QFY20, bringing cumulative DPU to 4.67sen per share.

**Earnings recovered from impact of MCO but still lower on yearly basis.** On sequential basis, 3QFY20 core net income surged to RM76.8m (+294%qoq) as earnings recovered from adverse impact of MCO. Note that earnings in 2QFY20 were dampened by rental supports to tenants and lower car park income. On yearly basis, 3QFY20 core net income was lower (-3.7%yoy), bringing 9MFY20 cumulative earnings to RM164.7m (-31.5%yoy). The lower earnings were mainly due to lower rental income during MCO period, lower car park income and lower turnover rent as a result of lower footfall at Mid Valley Megamall and The Gardens Mall.

**Subdued outlook ahead due to resurgence of Covid-19 cases.** We expect 4QFY20 outlook for IGB REIT to be unexciting due to resurgence of Covid-19 cases in Malaysia. Shopper traffic at shopping malls is expected to be low in 4QFY20 due to implementation of CMCO in Klang Valley and as Covid-19 cases were reported at shopping malls in Klang Valley. In a nutshell, we revise our FY20/21F earnings forecasts by -6.8%/-2% as we expect lower footfall to hurt rental income.

**Maintain NEUTRAL with a revised TP of RM1.66.** Corresponding to the downward revision in earnings, our TP for IGB REIT is revised to RM1.66 from RM1.70. Our TP is based on Dividend Discount Model (DDM) valuation. We maintain Neutral on IGB REIT due to subdued outlook for retail malls in Klang Valley in the near-term. Meanwhile, dividend yield is expected be below at 3.6% in FY20.



## Maintain NEUTRAL

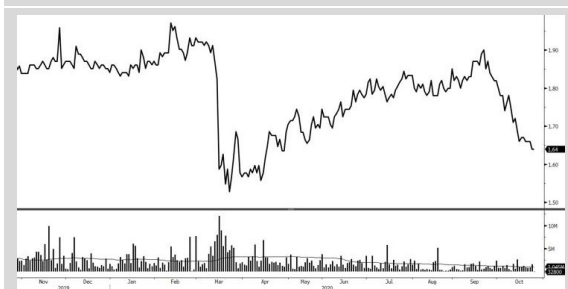
**Revised Target Price: RM1.66**

Previously RM1.70

### RETURN STATISTICS

Price @ 26 <sup>th</sup> Oct 2020 (RM)	1.65
Expected share price return (%)	0.1
Expected dividend yield (%)	3.6
Expected total return (%)	3.7

### SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-10.3	-8.9
3 months	-9.3	-4.6
12 months	-14.9	-10.1

### KEY STATISTICS

FBM KLCI	1,494.61
Syariah compliant	No
Issue shares (m)	3548.83
Estimated free float (%)	26.26
Market Capitalisation (RM'm)	5,869.23
52-wk price range	RM1.43-RM2.01
Beta vs FBM KLCI (x)	0.57
Monthly velocity (%)	2.00
Monthly volatility (%)	9.86
3-mth average daily volume (m)	1.09
3-mth average daily value (RM'm)	1.95
Top Shareholders (%)	
GOLDIS BERHAD	48.74
Employees Provident Fund Board	10.63
KWAP	7.41

**Analyst(s)**

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**INVESTMENT STATISTICS**

FYE Dec (RM'm, unless otherwise stated)	FY17A	FY18A	FY19A	FY20F	FY21F
Gross Revenue	525	536	552	474	596
Net Rental Income	374	386	399	312	431
Net Investment Income	422	423	406	325	438
Net Income	343	334	316	218	336
Core Net Income	303	304	316	218	335
Realised EPU (sen)	9.77	9.44	8.91	6.13	9.48
Core EPU (sen)	8.63	8.59	8.91	6.13	9.45
Gross DPU (sen)	9.28	9.19	9.16	6.60	9.64
Net DPU (sen)	8.35	8.27	8.24	5.94	8.68
Net Distribution Yield	5.1%	5.0%	5.0%	3.6%	5.3%
Core PER (x)	19.1	19.2	18.5	26.9	17.5
NAV per unit (RM)	1.06	1.07	1.07	1.07	1.08
P/NAV (x)	1.56	1.55	1.55	1.54	1.52
Core ROE	8.2%	8.1%	8.4%	5.7%	8.8%
Core ROA	5.8%	5.8%	6.1%	4.2%	6.3%

Source: Company, MIDFR

**IGB REIT: 3QFY20 RESULTS SUMMARY**

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY20	%YoY	%QoQ	FY20	%YoY
Gross Revenue	130.7	-4.1%	111.0%	281.2	-31.8%
Net Property Income (NRI)	97.8	-2.8%	161.9%	223.6	-26.1%
Net Investment Income	99.3	-3.1%	156.2%	228.3	-25.9%
Net Income	76.8	-3.7%	294.1%	164.7	-31.5%
Core Net Income (CNI)	76.8	-3.7%	294.1%	164.7	-31.5%
Realised EPU (sen)	2.2	-4.0%	293.9%	4.6	-31.8%
Core EPU (sen)	2.2	-4.0%	293.9%	4.6	-31.8%
Gross DPU (sen)	2.1	-8.7%	240.3%	4.7	-33.0%

Source: Company, MIDFR

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

<b>BUY</b>	Total return is expected to be >10% over the next 12 months.
<b>TRADING BUY</b>	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.
<b>NEUTRAL</b>	Total return is expected to be between -10% and +10% over the next 12 months.
<b>SELL</b>	Total return is expected to be <10% over the next 12 months.
<b>TRADING SELL</b>	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

<b>POSITIVE</b>	The sector is expected to outperform the overall market over the next 12 months.
<b>NEUTRAL</b>	The sector is to perform in line with the overall market over the next 12 months.
<b>NEGATIVE</b>	The sector is expected to underperform the overall market over the next 12 months.