

IGB REIT FY19 core net income within expectations

IGB Real Estate Investment Trust (Jan 23, RM1.93)

Maintain neutral with an unchanged target price (TP) of RM1.90: IGB Real Estate Investment Trust's (IGB REIT) financial year 2019 (FY19) core net income of RM315.9 million came in within expectations, making up 96% and 98% of our and consensus full-year estimates respectively. A distribution per unit (DPU) of 2.16 sen was announced, bringing cumulative DPU to 9.16 sen in FY19, translating into a gross distribution yield of 4.7%.

On sequential basis, revenue for the fourth quarter of FY19 was higher at RM139.6 million (+2.4% quarter-on-quarter [q-o-q]) due to seasonally higher shopper traffic during the quarter. Nevertheless, core net income was lower at RM75.3 million (-5.7% q-o-q) mainly due to higher expenses, bringing cumulative core net income to RM315.9 million (+4% year-on-year) in FY19. Earnings were resilient in FY19, driven by higher rental income from Mid Valley Megamall and The Gardens Mall. Rental reversions of

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both malls remain supported by high shopper traffic.

We make no changes to our earnings forecast for FY20. We also introduce our earnings forecast for FY21.

Earnings are expected to be resilient going forward as we believe the positive rental reversion is sustainable due to high shopper traffic at both malls.

Our valuation based on dividend discount model valuation (required rate of return: 7.5%, perpetual growth rate: 1.5%) remains unchanged. We maintain "neutral" on IGB REIT due to limited upside. Meanwhile, dividend yield is estimated at 4.6%. — *MIDF Research, Jan 23*

IGB Real Estate Investment Trust

FYE DEC (RM MIL)	2017A	2018A	2019A	2020F	2021F
Gross revenue	525	536	552	609	634
Net rental income	374	386	399	448	469
Net investment income	422	423	406	461	488
Net income	343	334	316	347	366
Core net income	303	304	316	347	365
Realised EPU (sen)	9.77	9.44	8.91	9.78	10.32
Core EPU (sen)	8.63	8.59	8.91	9.78	10.29
Gross DPU (sen)	9.28	9.19	9.16	9.96	10.46
Net DPU (sen)	8.35	8.27	8.24	8.96	9.41
Net distribution yield (%)	4.3	4.2	4.2	4.6	4.8
Core PER (x)	22.6	22.7	21.9	19.9	19.0
NAV per unit (RM)	1.06	1.07	1.07	1.08	1.09
P/NAV (x)	1.84	1.83	1.83	1.81	1.79
Core ROE (%)	8.2	8.1	8.4	9.1	9.5
Core ROA (%)	5.8	5.8	6.1	6.5	6.6

Sources: Company, MIDF Research