

IGB REIT's assets strong

Steady earnings recovery seen in FY22

PROPERTY

PETALING JAYA: Despite the lockdowns and lower footfall traffic at its malls, the prospects of steady earnings recovery in financial year (FY) 2022 is expected for IGB Real Estate Investment Trust (IGB REIT).

This is also backed by its quality assets and a strategic rental structure to leverage on an imminent return of shopper traffic.

Analysts remained positive that footfall traffic would gradually increase for IGB REIT malls.

However, for the immediate term, especially in the third quarter of FY21, Kenanga Research said the worsening Covid-19 pandemic would put pressure on IGB REIT's earnings.

UOB Kay Hian liked IGB REIT over other retail REITs for its resilient assets and faster-than peers' recovery pace as well as the decent yields of at least 5% for 2022.

On assets, RHB Research said despite the challenging FY20, the market value of both Mid Valley Megamall (MVM) and The Gardens Mall (TGM) remained unchanged from FY19, at RM3.7bil and RM1.3bil respectively – a testament to the quality of the assets.

AmInvestment Research added that the

"The company is confident that footfall will rebound strongly once standard operating procedures are relaxed as the vaccination rate continues to increase."

AmInvestment Research

occupancy rate for MVM remained at 100% during the quarter, and 90% for TGM.

It added that IGB has guided that most of the tenancy contracts expiring by this year are being renewed at relatively flat rental rates.

The research house added that under the recent lockdown, MVM and TGM only recorded 10% of pre-pandemic footfall during the second quarter of FY21 compared with 60% to 70% before the movement control order 3.0 which commenced on May 6.

"The company is confident that footfall will rebound strongly once standard operating procedures are relaxed as the vaccination rate continues to increase," AmInvestment said.

RHB Research has slashed its FY earnings by 19% to take into account the impact of the various phases of lockdowns for the year. But it retained its FY22-23 earnings unchanged.

RHB, AmInvestment and UOB Kay Hian retained their "buy" calls on the stock with a target price (TP) of RM1.95, RM1.65 and RM1.90 a share respectively.

Kenanga maintained its "market perform" call with a TP at RM1.70 a share.

RHB cited slower-than-expected reopening of the economy as the key risk to its call.

For the first half of FY21, IGB REIT's net property income fell marginally to RM125mil while revenue dropped 1.4% to RM184mil from RM186mil earlier.