IGB REIT's FY21 in line, analysts cautiously optimistic on 2022

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KUCHING: IGB Real Estate Investment Trust's (IGB REIT) financial year 2021 (FY21) performance was generally within analysts' expectations but they continue to retain a cautiously optimistic view on its 2022 outlook.

In a report, the research team at Kenanga Investment Bank Bhd (Kenanga Research) noted that IGB REIT's FY21 realised net income (RNI) of RM200.1 million came generally within expectations.

On a year-on-year (y-o-y), year to date (YTD) basis, it said, the REIT's top-line was down by 14 per cent as a result of lockdowns which affected tenants operations from January to August 2021, while FY20 saw rental weakness since mid-March to May 2021 due to the pandemic.

As a result, RNI was down by 15 per cent on the back of flattish financing cost.

On a quarterly basis, GRI bounced back by 25 per cent on less rental support provided to tenants during the quarter given that most shops began opening since August onwards.

All in, RNI increased by 91 per cent while its gearing level remained stable at a low level of 0.23-folds.

"With the smooth reopening of malls spaces in the fourth quarter of FY21 (4QFY21), footfall traffic is expected to increase gradually over the year as the Covid-19 situation becomes more manageable and helped by high national vaccination rates. FY22 will see 23 per cent of leases expiring at Mid Valley and 45 per cent at

"The Gardens which the group has already secured close to half of the leases up for expiry. We do not expect the acquisition of Southkey Mall in Johor to happen in the near term as the pandemic may have pushed back the timeline for this acquisition for now, likely to FY24 to FY25," it said.

All in, Kenanga Research downgraded its call on the stock to 'market perform' from 'outperform' as it remained mildly cautious at this juncture.

"That said, FY22 is set to be a recovery year and we will continue to monitor the situation closely as proper handling of the pandemic and vigilant supervision of SOPs remain vital to avoid renewed disruptions to malls' operations and hence earnings," it opined.

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