IGB REIT earnings could flatten out in fourth quarter, says Kenanga - Malaysian Daily News

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KUALA LUMPUR: IGB Real Estate Investment Trust

(IGB REIT), which has put in a strong earnings performance so far this year, could see profits begin to normalise from the coming quarter as the low base effect dissipates.

The REIT, which posted a 9MFY22 net profit of RM252.2mil or nearly double the amount of the previous corresponding period, attributes its strong year-on-year growth figures to an earnings rebound following the Covid-19 transition to Phase 4 of the national recovery plan on Oct 18, 2021.

But the rebound could be hitting a wall as the REIT's average gross monthly rental income has already slightly surpassed 2019 levels in both Mid Valley Megamall and The Gardens Mall, said Kenanga Research in its stock update.

"Notwithstanding the upcoming year-end festive spending, the final quarter performance may be weighed down by weaker purchasing power amid the elevated inflationary pressure and economic recession fears as well as persistent industry headwinds (such as manpower shortage)," cautioned the research firm.

IGB REIT's strong profit performance came in tandem with a 46% jump in gross revenue to RM407.7mil in 9MFY22 as it provided minimal rental support to tenants while the economy reopened and tenant sales improved.

"By asset, Mid Valley Megamall contributed net property income (NPI) of RM224.2m (or 71% of total NPI) while The Gardens Mall made up the balance of RM90.4m (or 29% of NPI).

"Both malls continued to enjoy high occupancy rates of 99.7% and 99.9%%, respectively, as of end-September 2022. Gearing level stood unchanged QoQ at 23%," reported Kenanga.

The research firm is keeping its net profit projections for FY22 and FY23 in anticipation of a broadly flattish final quarter.

It forecasts FY22 and FY23 gross dividend per unit of 9.7 sen and 9.9 sen respectively, implying yields of 6.3% and 6.4%.

Kenanga kept "market perform" on the stock with an unchanged target price of RM1.65.