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IGB's 2Q net profit more than doubles on higher revenue, increased forex gains

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KUALA LUMPUR (Aug 30): IGB Bhd's net profit more than doubled to RM112.04 million in the second quarter ended June 30, 2023 (2QFY2023), from RM49.79 million a year earlier, on the back of a higher revenue and increased forex gains. Earnings per share rose to 8.30 sen, from 3.68 sen.

Revenue increased 24.92% to RM382.25 million, from RM306 million in 2QFY2022, thanks to higher revenue contribution from all its businesses.

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The REIT's net property income (NPI) dropped 3% to RM102.8 million from RM105.7 million, due to higher utility expenses and higher reversal for impairment of trade receivables, said IGB in a bourse filing on Wednesday.

The Mall, Mid Valley Southkey in Johor Bahru, recorded total gross revenue of RM51 million versus RM39.8 million previously, with the profit before tax (PBT) rising to RM14.5 million from RM10.6 million. The higher revenue and PBT was attributed to higher rental income and the reversal of impairment of trade receivables.

Meanwhile, IGB Commercial REIT saw its quarterly gross revenue rising to RM53 million, from RM48.3 million in 2QFY2022, driven by higher occupancy rates. The NPI rose to RM31.1 million, from RM30.1 million.

IGB is also engaged in property development and hotel businesses. Revenue from the property development division saw a more than three-fold increase to RM39.9 million, from RM12.4 million previously, due to higher sales of completed condominium.

The hotel division's performance improved in 2QFY2023, with revenue up 67% to RM57.3 million from RM34.4 million a year earlier, due to a higher occupancy rate and average room rates.

The stronger quarterly earnings helped IGB record a 81.72% jump in net profit for the first six months of FY2023 (6MFY2023) to RM168.11 million, from RM92.51 million in the previous January-June period. First-half revenue increased 31% to RM778.31 million, from RM594.19 million previously.

On prospects, IGB said a shortage of workers, higher operating costs, more intense competition and expansion plans remain as key challenges to the domestic retail industry in 2023.

"The retailers' profit margins would be depleted unless such cost escalations could be passed onto domestic consumers in the form of cost-pushed price hikes," the property group said.

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However, with China reopening its borders and more international travellers returning to Malaysia, the group expects the property market to benefit as foreign investors return.

With that, the group' s focus remain on disposing of its current stock of completed properties, while at the same time, strategising the timing and launching of new projects, said IGB.

It added that its hotel segment is set to see an exciting year, with anticipation of further growth in inbound travel. The segment is expected to continue its steady recovery in 2023, supported by the reopening of the 390-room Boulevard Hotel on Aug 31, and the full-year contribution from the St Giles Southkey Hotel that opened for business on Aug 31, 2022.

IGB shares, which have dropped 34% from this year's high of RM3.10, closed at RM2.06 on Wednesday, for a market capitalisation of RM2.8 billion.