

# IGBREIT Reports Record-High Net Profit in Q3 FY2023 | I3investor

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Despite a slowing trend in revenue spending post-pandemic, the enthusiasm for shopping in physical malls remains unwavering. Just days ago, Malaysia's prominent retail real estate investment trust, IGB Real Estate Investment Trust (IGBREIT, 5227), announced outstanding quarterly results, with the company achieving an all-time high in net profit.

Before we delve into the details of the quarterly report, let's briefly comprehend IGBREIT's background.



As per IGBREIT's 2022 annual report, the company was listed on September 21, 2012, and specializes in the pure retail industry. IGBREIT owns two renowned shopping centers, both located in the heart of Kuala Lumpur – Mid Valley Megamall (MVM) and The Gardens Mall (TGM).

As of December 31, 2022, the appraised values of MVM and TGM were approximately RM 3,700.00 million and RM 1,320.00 million, with net lettable areas of 1.84 million square feet and 0.84 million square feet, respectively. MVM had an occupancy rate of around 99.50%, while TGM's was 97.00%. Furthermore, MVM and TGM hosted 557 and 226 tenants, respectively.

Now, let's dive into IGBREIT's latest performance (Q3FY2023).

### **Revenue Comparison (YoY +6.82%, QoQ +5.75%)**

As of September 30, the company recorded approximately RM 149.68 million in revenue, marking an increase of around 6.82% compared to the same period last year when it was RM 140.12 million. This increase is primarily attributable to higher rental income from the retail mall.

Out of the RM 149.68 million in revenue, about RM 108.16 million came from lease revenue, an increase of around 3.85% compared to the previous year. The remaining RM 41.51 million or so was from revenue from contracts with customers, which also increased by about 15.40% year-on-year.

For your information, revenue from contracts with customers includes income or profit-sharing from contracts between the company and tenants, as well as short-term rental income from certain stalls.

Compared to the previous quarter, the company's revenue also increased by approximately RM 8.14 million or 5.75%.

### **Net Profit Comparison (YoY +200.73%, QoQ +209.68%)**

Driven by strong rental income, IGBREIT achieved a net profit of approximately RM 250.75 million in this quarter, a substantial increase of around 200.73% compared to the same period last year. In addition to rental income, there was also a significant net fair value gain of approximately RM 161.80 million this quarter. Therefore, after adjustments, the net profit stood at around RM 88.95 million.

Furthermore, IGBREIT's total net property income showed a year-on-year increase of about 9.99%, reaching RM 111.29 million.

Due to increased rental income and higher net fair value gains, the net profit increased by about RM 169.78 million or 209.68% compared to the previous quarter.

It's worth noting that IGBREIT announced a distribution of RM 0.0260 per unit for this quarter, of which RM 0.0255 is subject to a 10.00% withholding tax, with the remaining RM 0.0005 tax-free. The ex-dividend date is on October 26, and it will be paid to unitholders on November 20, 2023.

### **Outlook**

Notwithstanding a recent slowdown in inflation rates, the prices of essential goods remain higher than pre-pandemic levels. Moreover, unfavourable factors such as rising labour costs, intense competition, and increased electricity costs are affecting the growth prospects for the retail industry. As a result, the management maintains a cautious outlook on retail sales growth for 2023.

Nevertheless, most investment banks are optimistic about IGBREIT's future growth. It's because the company's two shopping centers are

strategically located, thus able to attract substantial footfall. Additionally, its shopping centers maintain a robust occupancy rate, and monthly rental income has returned to pre-pandemic levels.

So, dear readers, what are your thoughts on IGBREIT, which currently trades at a price-to-earnings ratio of approximately 10.76 times and offers a dividend yield of about 5.77%?