

IGB Berhad - Dragged By Land Value Write-down | I3investor

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IGB Berhad's (IGB) 4QFY22 results came in weaker-than-expected at RM18.8m (+92.0% YoY, -60.8% QoQ) mainly due to a write down of land amounting to RM32m. Excluding the write-down, Group net profit in FY22 is estimated at RM191.1m, still higher at 109% and 110% of our and consensus full year estimates. Group revenue in 4QFY22 rose 28% YoY to RM383.2m due to higher contributions from all operating divisions except for the property development division. However, Group profit before tax dropped from RM297.9m to RM90.4m in 4QFY22 due to a gain of disposal of a joint venture company in 4QFY21. No change to our earnings estimates. Separately, IGB has proposed a bonus issue of up to 452.7m new shares on the basis of one new share for every two existing shares held. We maintain our **Outperform** call with **TP of RM2.70**, pegged at c.40% discount to NTA. We continue to believe in the long-term attractiveness of IGB's assets.

- **Revenue from retail assets (via IGBREIT) rose 39.3%YoY** in FY22 to RM556.4m while net property income (NPI) rose 52.8 YoY to RM420.2m as profits were bolstered by lower rental support provided to tenants in the current period-to-date arising from the economic reopening and improving retail sales of tenants. As at 4QFY22, average gross monthly rental income for Mid Valley Megamall is at RM15.28psf, while The Gardens Mall is getting RM13.39psf. In FY23, we understand that Mid Valley Megamall has 190 leases up for renewal, which is 49.29% of total net lettable area(NLA) while The Gardens Mall has 97 leases expiring in FY22 (49.63% of total NLA). Both assets are currently fully occupied. Meanwhile, The Mall, Mid Valley Southkey, Johor Bahru contributed revenue of RM48.6m in 4QFY22 (+31% YoY) and recorded pre-tax profit of RM15.9m (+75% YoY) as the mall continued to benefit from economic reopening and improving retail sales of its tenants.
- **Property Investment-Commercial division** reported gross revenue and NPI of RM49.4m (+10.7% YoY) and RM27.3m (-14.2% YoY) respectively in 4QFY22 mainly due to higher occupancy rate achieved, though mitigated by higher finance cost. Average occupancy rates as at 4QFY22 for IGB Commercial REIT's portfolio of 10 investment properties was 77.5% (74.9% in 3QFY22) with average rental rates at RM6.18 (RM6.17psf in 3QFY22). Operating profits were dragged by higher operating expenses arising from refurbishment costs/utility expenses and interest costs. As for the hotels, revenue in 4QFY22 rose more than 100% YoY to RM66.8m as average occupancy rates and room rates for all hotels in the Group showed a significant increase.

Source: [PublicInvest Research](#) - 23 Feb 2023