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## IGBREIT Achieves Record Revenue in Q4 FY2023



LV Trading Diary

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Two days ago, Malaysia's renowned retail real estate investment trust, IGB Real Estate Investment Trust (IGBREIT, 5227), released an impressive quarterly report, highlighting a historic high in the company's revenue. Additionally, in this quarterly report, the company provided insights into the 2024 outlook for the retail industry. Without further ado, let's delve into the latest performance of IGBREIT.



### Revenue Comparison (YoY +6.55%, QoQ +5.87%)

As of the fourth quarter ending on December 31, 2023, the company's revenue reached approximately RM158.46 million, marking a growth of around 6.55% compared to approximately RM148.71 million in the same period last year. This substantial increase is primarily attributed to a surge in rental income during this quarter.

Out of the total, approximately RM116.20 million in revenue comes from Lease Revenue, witnessing a year-on-year increase of around 4.38%. The remaining revenue of around RM42.26 million comes from Revenue from Contracts with Customers, showing a year-on-year growth of approximately 13.02%.

Similarly, due to the increase in rental income, the company's revenue increased by approximately RM8.78 million or 5.87% compared to the previous quarter.

Overall, IGBREIT recorded a total revenue of approximately RM604.30 million for the fiscal year 2023, representing a growth of about 8.60% compared to the fiscal year 2022.

### Net Profit Comparison (YoY -37.68%, QoQ -64.23%)

Despite the growth in rental income, the company's net profit declined by approximately 37.68% YoY to around RM89.68 million. This is mainly due to a net fair value gain related to investment properties in the same period last year (4Q22), amounting to around RM60.00 million. Adjusted, the net profit for this quarter is higher than that of 4Q22.

Similarly, the net profit of the company also showed a quarter-on-quarter decrease, reducing by approximately RM161.05 million or 64.23%. This decline is attributed to a net fair value gain of approximately RM161.80 million recorded in the previous quarter (3Q23). Therefore, the net profit for the current quarter is, in fact, higher than that of 3Q23.

It's worth mentioning that the company's total net property income for this quarter shows an upward trend, with a YoY increase of about 9.08% and a QoQ increase of about 3.54%, reaching approximately RM115.23 million.

In summary, IGBREIT achieved a net profit of approximately RM517.62 million for the fiscal year 2023, representing a growth of about 30.65% compared to approximately RM396.16 million in the fiscal year 2022.

As anticipated, IGBREIT declared a dividend of RM0.0270 per unit in this quarter (with RM0.0265 subject to a 10.00% withholding tax, and the remaining RM0.0005 tax-exempt). The ex-dividend date is on February 15, and the payment will be made to unitholders on February 29, 2024.

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**Outlook**

The Retail Group Malaysia (RGM) forecasts a 3.50% growth rate for the retail industry in 2024, aligning with predictions from the Malaysia Retailers Association and Malaysia Retail Chain Association. The Central Bank of Malaysia also forecasts a Gross Domestic Product (GDP) growth of 4.00% to 5.00% in 2024.

However, challenges such as the increase in sales and service tax, the introduction of the High-Value Goods Tax\*, rising living costs, and geopolitical issues may adversely affect the purchasing power of Malaysian consumers, potentially leading to a decline in sales performance for shopping centres tenants.

\*High-Value Goods Tax, scheduled to be implemented on May 1, 2024, involves a government levy of 5.00% to 10.00% on certain high-value items.

Additionally, factors like rising labour costs, intense competition from new retail centres, and increased utility bills contribute to a decrease in retailers' profit margins. The weakening Malaysian currency raises import costs, impacting the financial performance of the retail industry negatively too.

Considering these factors, the management maintains a cautious outlook for the financial prospects in 2024. So, dear readers, how do you perceive the future prospects of IGBREIT?