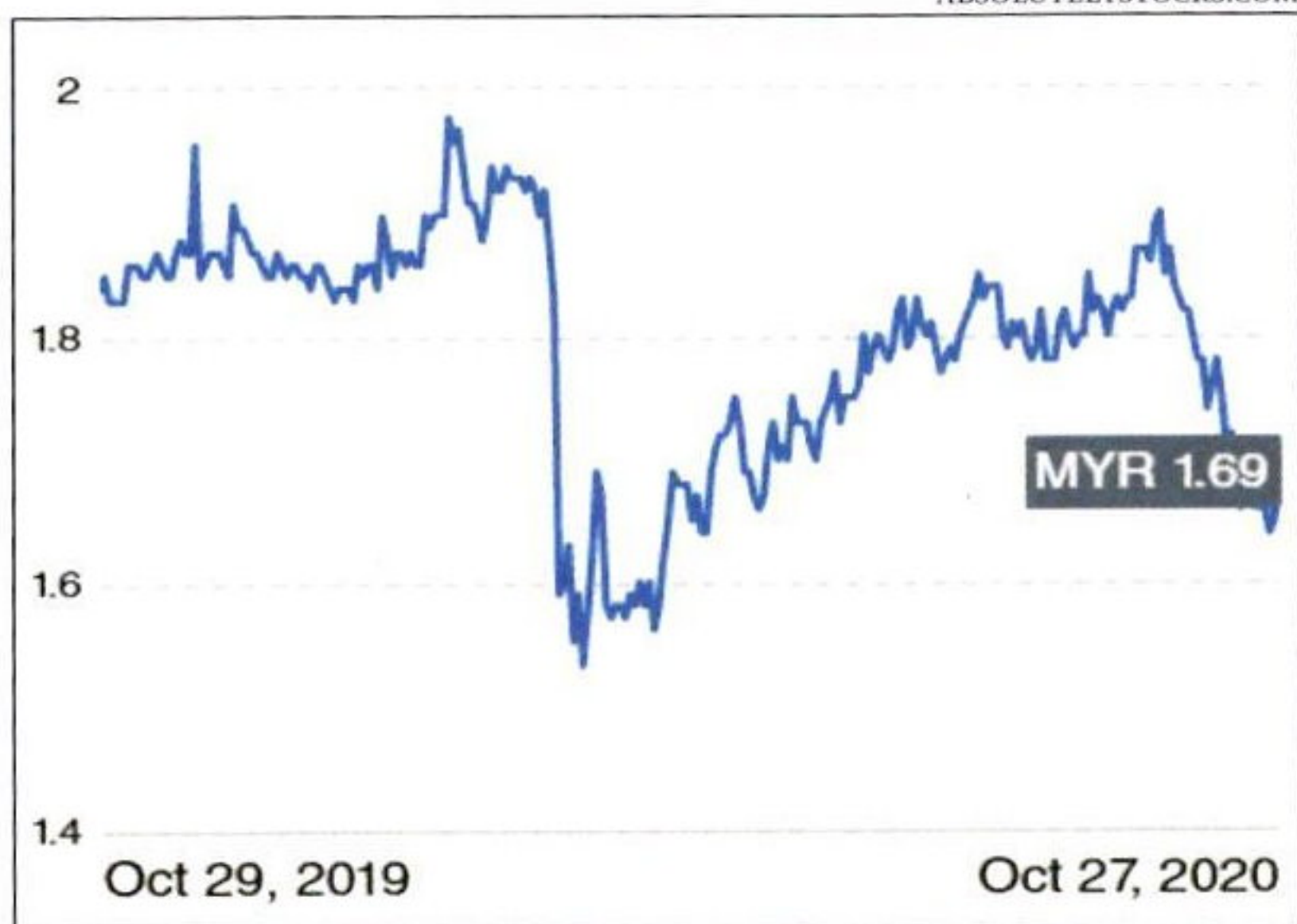


IGB Real Estate Investment Trust

Target price: **RM1.90 BUY**

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UOB KAY HIAN RESEARCH (OCT 27): IGB REIT reported a 3QFY20 net profit of RM76.8 million (up more than 100% q-o-q, down 3.7% y-o-y). Cumulatively, this brings 9MFY20 net profit to RM164.7 million (-31.5% y-o-y), which is above our expectations but within consensus' full-year net profit forecasts of 82% and 75% respectively. The surprise came from well-managed expenses and lower-than-expected rental assistance provided during the quarter.

However, we believe that 4QFY20 earnings may see weakness as footfall at malls has been disrupted, especially since the Conditional Movement Control Order has been reimposed.

We continue to like IGB REIT owing to its lean balance sheet with low gearing level of 0.23 times, which is still well below the threshold set by the Securities Commission Malaysia of 0.6 times. We raise our earnings forecasts by 6.5% for 2020 as we have reduced our operating expenses assumptions while keeping our rental assumptions unchanged. We have previously factored in a total of three months of rental relief for 2020. We maintain our "buy" call and target price, based on a dividend discount model and supported by an implied dividend yield of 4.7% for 2021.