

IGB looking to reduce opex amid pandemic, 1Q20 earnings slump 64%

by FARA AISYAH

PROPERTY company IGB Bhd is taking measures to reduce operating expenses (opex) to mitigate the blow from the Covid-19 pandemic, after its retail net property income (NPI) fell 15% in the first quarter this year (1Q20).

"The group will not be spared from the negative impact of the pandemic," it told Bursa Malaysia in a filing yesterday.

However, it's still too early to quantify the financial effects of the pandemic on the group's results for the financial year ending Dec 31, 2020, which will largely depend on the duration of

the Covid-19 crisis and the continued negative impact on economic activity, it added.

The group will also be assessing the various government assistance measures which may be applicable, to navigate the downturn.

IGB's net profit fell 64.3% to RM17.68 million in the 1Q20 ended March 31 from RM49.45 million a year ago, due to lower contributions from its property investment — retail, property development and hotel divisions.

Quarterly revenue decreased 12.7% to RM291.42 million from RM333.76 million in 1Q19.

The group is the major unitholder of IGB Real Estate

Investment Trust (REIT), whose portfolio includes Mid Valley Megamall and The Gardens Mall, both in Kuala Lumpur.

IGB REIT's NPI slid 15% to RM88.4 million from RM103.5 million in 1Q19, while gross revenue fell 11% to RM125 million from RM141.2 million previously.

"The Mall, Mid Valley Southkey in Johor Baru, which opened in April 2019, contributed revenue of RM28.5 million, but a pretax loss of RM9.2 million after accounting for depreciation of RM8.8 million and finance cost of RM12.9 million," IGB said.

Revenue contributed by the firm's hotel division in 1Q20 plunged 40%

to RM40.1 million from RM66.9 million last year as a result of lower average occupancy rates across all hotels in the group.

The property development division's revenue sank 58% to RM20.1 million against RM47.7 million in 1Q19.

The property investment — commercial division — reported a 14% jump in pretax profit to RM24.3 million versus RM21.4 million last year, as gross revenue rose 4% to RM44.8 million from RM43.1 million previously.

Average occupancy rates for IGB's commercial buildings stayed above 80% in 1Q20, with average rental rates at RM6 per sq ft.