IGB's 4Q earnings fall on higher costs

by **FARA AISYAH**

IGB Bhd warned the rise in retail space and weak demand for office space could weigh on its financial performance as its earnings for the fourth quarter ended Dec 31, 2019 (4Q19), were hit by lower contributions from its property investment, commercial and retail divisions.

The property group posted a 34.9% year-on-year (YoY) fall in net profit to RM59.9 million or earnings per share of 8.8 sen as a result of higher depreciation and finance costs being charged to the income statement upon commencement of business of Mid Valley City Southpoint Sdn Bhd and Southkey Megamall Sdn Bhd.

IGB's quarterly revenue increased 18.39% YoY to RM427.49 million due to higher contributions from its property investment, commercial and retail divisions, with higher rental revenue from the group's new office building, Menara Southpoint, which is located at Mid Valley City as well as rental revenue from The Mall, Mid Valley Southkey in Johor Baru, which opened for business on April 23, 2019.

For the full year, IGB's net profit decreased 11.45% YoY to RM208.67 million from RM235.64 million in the previous year despite yearly revenue climbing 10.77% YoY to RM1.44 billion, its exchange filing yesterday stated.

IGB said the property investment segment will be more challenging in the near term with the scheduled increase in supply of new retail space and slower demand for office space in Kuala Lumpur.

"Due to the prime location of the group's retail malls and office buildings, the board expects contribution from this segment to be satisfactory," it stated in its filing.

IGB said Menara Southpoint at Mid Valley City has a net lettable area of about 490,000 sq ft and obtained its Certificate of Occupation on July 6, 2018, and is expected to contribute positively to the growth.

The Mall, Mid Valley Southkey, is expected to contribute to the growth of the group's retail division, as 90% of The Mall's lettable area has been committed with 87% of tenants currently open for business.

Nevertheless, IGB expects 2020 to be a difficult and challenging year for the property development segment in view of the current weak sentiment in the property development market.

"The group's development projects were completed in 2019 and there are at present no plans for any new launches.

"The group will concentrate its efforts on disposing of its current stock of completed properties while at the same time plan future launches," it added.

It expects the hotel segment to face some headwinds due to the current uncertainty in the global and local economies as a result of the Covid-19 outbreak.

As such, the group plans to take appropriate measures to minimise disruptions.