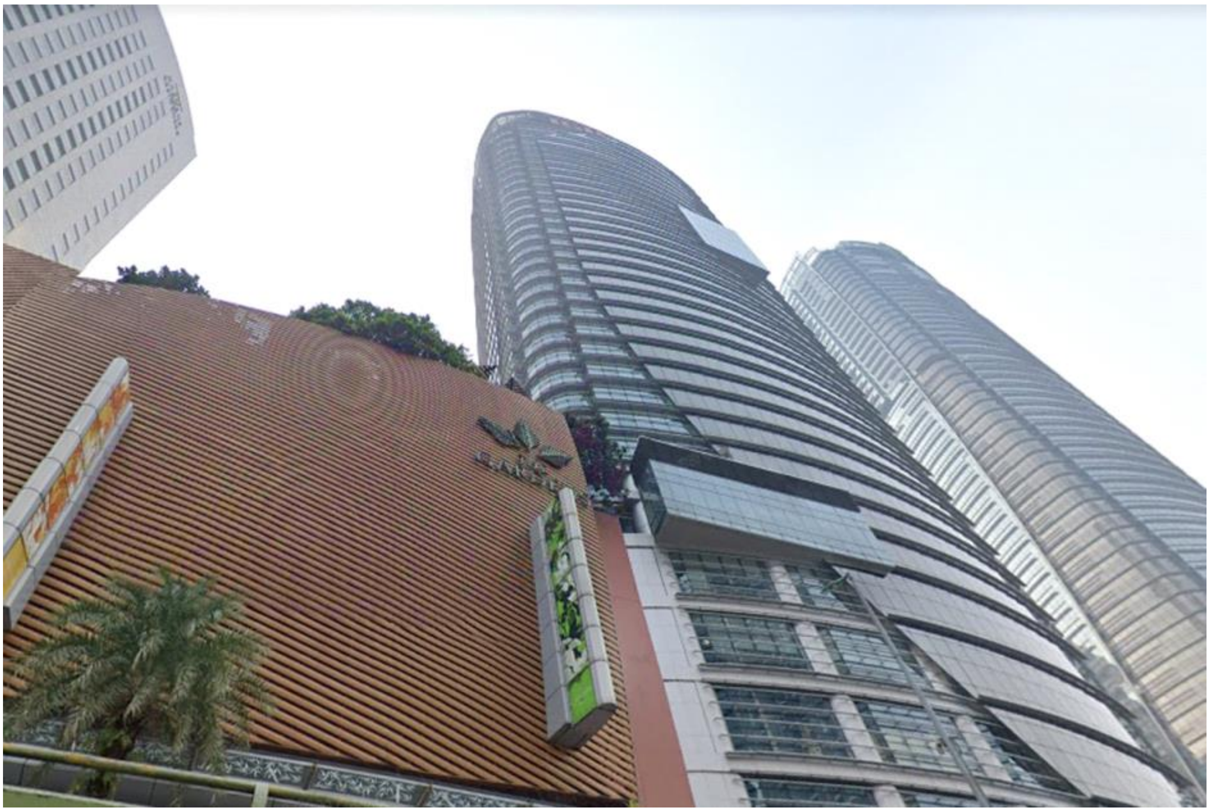
IGB REIT big beneficiary of revenge shopping on retail sector recovery — CGS-CIMB | The Edge Markets

Wednesday, October 27, 2021

Clipped from: https://www.theedgemarkets.com/article/igb-reit-big-beneficiary-revenge-shopping-retail-sector-recovery-cgscimb



KUALA LUMPUR (Oct 27): CGS-CIMB Securities Sdn Bhd said on Wednesday (Oct 27) that IGB Real Estate Investment Trust (IGB REIT) is a big beneficiary of revenge shopping in the fourth quarter of 2021 on Malaysia's retail sector recovery, helped by progress in the country's Covid-19 vaccination to curb the spread of the pandemic.

IGB REIT owns the Mid Valley Megamall and The Gardens Mall along Lingkaran Syed Putra here.

"We believe IGB REIT's flagship malls' strong neighbourhood appeal is well positioned to benefit from the turnaround in retail mall sentiment and a recovery in retail sales, which is its key medium term potential share price catalyst.

"Downside risks: weak tenancy renewals, prolonged negative rental reversion, and a spike in Covid-19 infections," CGS-CIMB analyst Sharizan Rosely wrote in a note.

Sharizan said CGS-CIMB retained its "add" rating and target price (TP) of RM1.88 for units of IGB REIT, which reported on Tuesday (Oct 26) that net property income fell to RM55.92 million in the third quarter ended Sept 30, 2021 (3QFY21) from RM97.83 million a year earlier.

In a statement to Bursa Malaysia, IGB REIT said gross revenue was lower at RM95.8 million compared to RM130.75 million while net profit dropped to RM38.54 million from RM76.84 million.

For 9MFY21, IGB REIT said cumulative net property income fell to RM181.44 million from RM223.58 million a year earlier while gross revenue was lower at RM280.16 million versus RM317.73 million.

Cumulative net profit declined to RM126.56 million from RM164.7 million. According to IGB REIT, its latest-reported net assets per share stood at RM1.07.

For 3QFY21, IGB REIT declared an income distribution of 1.18 sen a unit, comprising 1.16 sen and 0.02 sen taxable and non-taxable portions respectively.

At 10:48am on Wednesday (Oct 27), IGB REIT’s unit price was unchanged at RM1.68, which values the group at about RM6 billion based on IGB REIT’s 3.57 billion issued units.

Sharizan said IGB REIT’s 9MFY21 results made up 70% of CGS-CIMB's and consensus full-year forecasts.

He said CGS-CIMB deems IGB REIT’s 9MFY21 performance "as broadly in line".

"(IGB REIT’s) FY21-23F EPS (earnings per share forecasts) are maintained. We project robust core EPS/DPU (dividend per unit) growth of 21% year-on-year in FY22F, in line with retail sector recovery,” he said.

Meanwhile, UOB Kay Hian Pte Ltd analyst Yap Xiu Li wrote in a note on Wednesday that IGB REIT’s 3QFY21 results were slightly below UOB Kay Hian’s expectations due to IGB REIT’s higher-than-expected expenses.

Yap said IGB REIT’s cumulative 9MFY21 core net profit of RM126.6 million accounted for 56% and 59% of UOB Kay Hian’s and consensus full-year estimates respectively. Core net profit excludes extraordinary items in a company’s financial statements.

According to Yap, UOB Kay Hian has reduced its IGB REIT earnings forecasts by 7% and 2% for FY21 and FY22 respectively but maintained its "buy" call and TP of RM1.90 for the stock.

"We continue to expect recovery to pick up in 4Q21 when consumer sentiment picks up. We still like IGB REIT over other retail REITs for its resilient assets and faster-than-peers recovery pace.

"The REIT still offers decent yields of at least 5% from 2022 onwards in this low interest rate environment,” she said.