

MAYBANK IB MAINTAINS 'HOLD' RATING ON IGB REIT

Firm sees another challenging year for malls and retail properties

KUALA LUMPUR

THIS will be another challenging year for malls and retail properties due to Covid-19 cases and prolonged pandemic-related regulations.

Maybank Investment Bank Bhd (Maybank IB) opines that tighter regulations will result in lower footfall and tenant sales.

"Nevertheless, beyond the near term, we continue to favour IGB REIT's malls (Mid Valley Megamall and Gardens Mall) which sit on a prime location with favourable connectivity and mul-

tiple wide catchment areas.

"This, in turn, would sustain their occupancy and rental rates," the bank-backed research firm said in a note.

It said IGB REIT's second-quarter net profit stood at RM44.3 million, taking the first-half earnings to RM88 million.

"Results were below our estimates, as we were previously expecting sequential improvements in Malaysia's retail industry. Its financial year 2021 second-quarter earnings have remained weak, despite the higher year-on-year earnings due to higher rental support provided in



Maybank Investment Bank Bhd says tighter regulations will result in lower footfall and tenant sales at malls. FILE PIC

the second quarter of last year," it said.

This was mainly attributed to the Movement Control Order 3.0, resulting in the continuation of rental support to selected tenants, lower car park income and lower tenant sales.

Nevertheless, IGB REIT partially offset the lower earnings by reduced operation expenditure,

such as utility expenses.

Notably, both malls' end-second-quarter occupancy rates remained above 90 per cent, said Maybank IB.

"We lower our financial years 2021 and 2022 net profit by 17 and six per cent, respectively, as we are assuming a lower rental income and earnings at both malls due to the prolonged pandemic and its

related regulations, via a continuation of rental support to selected tenants and flattish rental reversions," said Maybank IB.

It has maintained a "hold" recommendation on IGB REIT with a target price of RM1.70.

Risks to its earnings estimates, target price and rating are the changes in rental rates, occupancy rates and operating expenses.