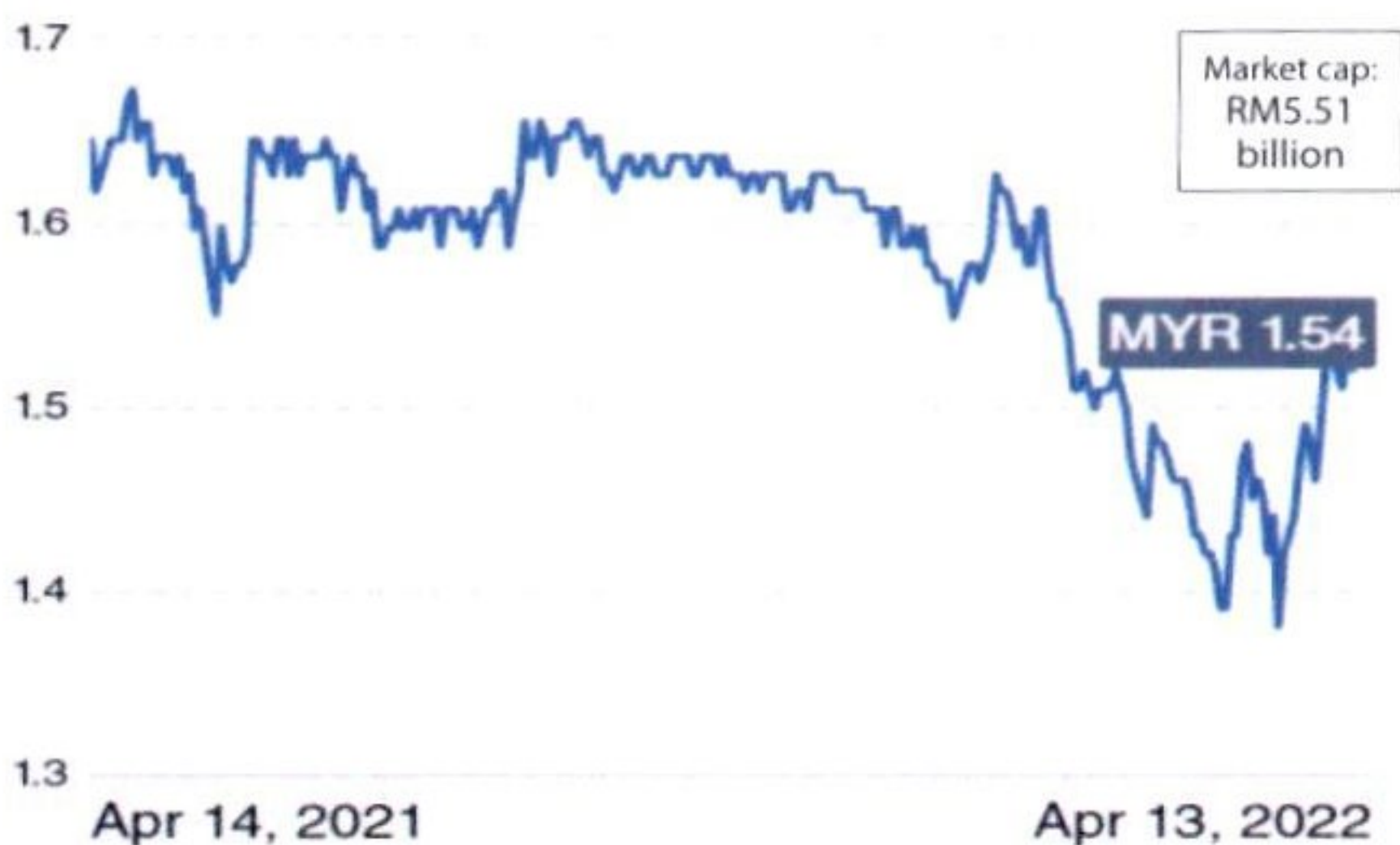


IGB REIT

Target price: **RM1.90** **BUY**

ABSOLUTELY STOCKS



UOB KAY HIAN RESEARCH (APRIL 12): With earnings to recover by 54% for 2022 (-2.4% versus 2019), coupled with attractive yields of 5.6% to 6% for 2022/23, IGB REIT should rerate as its share price is still hovering at the pandemic trough. The earnings growth is mainly on the back of reduced rental assistance, further boosted by the reopening of the economy and borders. Our projected 54% year-on-year earnings growth is based on flat rental reversion and minimal rental assistance. Revenue portion from tenant sales is about 10% to 15%. Occupancy remained resilient, with Mid Valley Megamall and The Gardens both at 99%.

We think most of the negative impact from the interest rate hike and lingering Covid-19 after-effects has been priced in as IGB REIT's yield spread to 10-year Malaysia Government Securities (MGS) widened to 2.8ppt, above the 2.2ppt spread during the last overnight policy hike in 2018, before narrowing to 2ppt currently.

We believe IGB REIT's quality assets will allow it to experience faster earnings recovery compared with other retail REITs. Its gearing of 0.23 times is the lowest among the stocks under our coverage.