

IGB REIT earnings set to rebound

Group's malls to gain from recovering economy

CORPORATE

KUALA LUMPUR: IGB Real Estate Investment Trust (IGB REIT) may post a rebound in its earnings following a recovery of the economy and a low base effect from the previous year's results.

CGS-CIMB Research said it expects IGB REIT's 2022 earnings per share and distribution per unit to grow 28.3% year-on-year (y-o-y) to reflect the company's low-base, post-pandemic recovery trajectory.

IGB REIT manages the Mid Valley Megamall and The Gardens Mall in Kuala Lumpur.

"IGB REITs flagship malls' strong neighbourhood appeal makes them well positioned for a robust recovery and a key medium-term potential share price catalyst," it said.

It added that a worsening of the Covid-19 situation in the country could pose downside risks to the company's business.

IGB REIT's net profit rose by 2.07% y-o-y to RM73.59mil in the fourth quarter ended Dec 31, 2021, despite a weaker top line.

The improved earnings were achieved on the back of IGB REIT's lower property operating expenses in the four-month period.

Revenue fell by 19.08% y-o-y to RM119.37mil from RM147.51mil.

For the full year, IGB REIT announced a net profit of RM200.15mil, representing a drop of 15.48% from RM236.79mil in 2020.

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CGS-CIMB Research

Its revenue also declined by 14.12% y-o-y to RM399.53mil from RM465.24mil.

The lower revenue and net profit were mainly due to the higher rental support provided to tenants arising from the Covid-19 pandemic.

CGS-CIMB said IGB REIT's 2021 results were "broadly in line."

"IGB REIT's 2021 core net profit made up 101% and 102% of our and consensus' full-year forecasts.

"The performance was broadly in line, with the fourth quarter exhibiting a strong quarter-on-quarter recovery, setting the base for improvements in operating conditions in the coming quarters."

The research house noted that revenue was driven by the full economic reopening since October, as well as the vibrant retail scene that benefited from year-end festivities.

"Overall, 2021 revenue fell due to the dis-

ruptions from prolonged lockdowns on rental and car park income," CGS-CIMB said.

AmInvestment Bank in a report yesterday said rental reversion rates are unlikely to recover to pre-pandemic levels this year and may need to be turned slightly negative in order to retain good tenants.

"Some tenants still require assistance in the form of rental rebates in the near term," the research house said, adding that there could be higher borrowing costs due to potential hikes in interest rates.

AmInvestment Bank said the retail footfall at both malls had recovered to between 80% and 90% of pre-Covid levels in the last quarter of 2021.

"Management has renewed almost half of the projected tenancies due to expire in 2022. Nevertheless, we expect some projected tenancies will be negotiated at a lower rental reversion rate."