IGB Berhad - Strong Quarter | I3investor

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IGB Berhad's (IGB) 2QFY23 came in stronger than expected as the Group posted anet profit of RM112.0m (>100% YoY and QoQ). In 1HFY23, Group headline net profit of RM168.1m (+81.8% YoY) beat both our and consensus full year estimates. The earnings disparity is mainly due to higher contributions from hotel and property development divisions and an exchange gain of RM47m. Stripping out the exchange gain of MR47m, Group core net profit of RM121m is about 51% of our and consensus estimates. We adjust our FY23/FY24/FY25 earnings upwards by 6%/9%/10% mainly to account for higher contributions from hotels. Meanwhile, Group revenue dropped by 3% YoY to RM382.2m due to lower contribution from its retail assets. All told, we maintain our **Neutral** call, while revising the **TP** lower from RM2.70 to **RM2.00** (post bonus issue), pegged at c.40% discount to NTA.

- **Revenue from retail assets (via IGBREIT)** rose 6% YoY tp RM141.5m while net property income (NPI) dropped by 3% YoY to RM102.8m. The higher total revenue achieved was mainly due to the higher rental income though NPI was impacted negatively by higher utility expenses in the current quarter and higher reversal for impairment of trade receivables in 2QFY22. As at 2QFY23, average gross monthly rental income for Mid Valley Megamall is at RM16.27psf (vis-a-vis RM15.28psf in FY22), while The Gardens Mall is getting RM15.29psf (vis-a-vis RM13.39psf in FY22). In FY23, Mid Valley Megamall has 155 leases up for renewal (35.6% of total net lettable area (NLA)) while The Gardens Mall has 65 leases expiring in FY23 (39.4% of total NLA). Elsewhere, The Mall, Mid Valley Southkey, Johor Bahru reported total gross revenue and PBT of RM51m (+28% YoY) and RM14.5m(+37% YoY) due to higher rental income and reversal of impairment of trade receivables.

- **Property Investment – Commercial division** reported gross revenue of RM53.0m (+10% YoY) while NPI rose 3% YoY to RM31.1m. The increase in revenue was due to the higher occupancy rate of 78.9% (2QFY22: 71.4%). However, profit after taxation was RM33.5m, or down by 8% YoY mainly due to higher property operating expenses and higher finance cost. In 1HFY23, average rental rates are at RM6.23 (RM6.30psf in 1HFY22). As for the Hotel segment, revenue in 2QFY23 jumped by 67% YoY to RM57.3m on higher occupancy rate and average room rates. Management is expecting its hotels to recover further, underpinned by the reopening of the 390-room Boulevard Hotel on 31 August 2023 and the full year contribution from St. Giles Southkey hotel that has opened for business on 31 August 2022. Elsewhere, it also has embarked on several refurbishment plans throughout 2023.

Source: PublicInvest Research - 1 Sept 2023