

IGB Reit - No Suprises | I3investor

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IGB Real Estate Investment Trust's (IGBREIT) 3QFY23 realised net profit came in at RM88.9m (+6.7% YoY, +9.9% QoQ) mainly driven by higher rental income derived in the current quarter. YTD, Group realised net profit of RM266.1m (+5.5% YoY) came in within our and consensus full year estimates at about 72% and 74% respectively. The market value of Mid Valley Megamall and The Gardens Mall which were revalued on 5 October 2023 are now at RM3.79bn and RM1.40bn respectively, from RM3.70bn and RM1.32bn as at 30 June 2023. Group net property income (NPI) rose 10% YoY to RM111.3m while Group profit after tax leapt almost 2x to RM250.7m, mainly due to higher rental income and the net fair value changes of RM161.8m. All told, we maintain our earnings estimates and reiterate our **Neutral** call with **RM1.72 TP** as the stock is fairly valued in our view given risks of slowing economic growth.

- **9MFY23 revenue rose 9.4% YoY** to RM445.8m while Group NPI increased 5.7% YoY to RM332.6m. Profit after tax rose 69.7% YoY to RM427.9m. The higher total revenue and NPI were mainly due to the higher rental income received while higher profit after tax was mainly due to the higher rental income and the net fair value changes of RM161.8m. The distributable income YTD amounted to RM286.0m, consisting of realised profit of RM266.1m and non-cash adjustments arising mainly from net fair value changes of RM161.8m and manager fee payable in units of RM18.8m. Loan to total asset value is steady at 22%, with its average debt cost at 4.49% per annum.
- **Average rents for both assets remain steady.** Both assets in the portfolio are still fully-occupied with rental income rising in tandem with the improved tenants' sales. We understand that average gross monthly rental income for Mid Valley Megamall is now at about RM16.26psf (from RM16.27psf in 2QFY23 and RM15.28psf in FY22). Meanwhile, The Gardens Mall's average rent increased to RM15.43psf from RM15.29psf in 2QFY23 (vis-a-vis RM13.39psf in FY22). For the remainder of FY23, Mid Valley Megamall has 72 leases up for renewal (32.6% of total net lettable area (NLA)) while The Gardens Mall has 34 leases expiring in FY23 (12.0% of total NLA).

Source: [PublicInvest Research](#) - 16 Oct 2023