

The Edge TV V Sections V

Others >

新闻

News Search

Frankly Speaking EdgeProp.my

Corporate

TRENDING NOW

Latest Covid-19 news

Economic Recovery Plan

The Edge Covid-19 funds

28 October 2020. Wednesday

MALAYSIA

Update

Home

CORPORATE

IGB REIT not short of 'buy' calls despite resurgence of Covid-19

cases

Tan Siew Mung / theedgemarkets.com

October 27, 2020 23:00 pm +08







G Select Language ▼



KUALA LUMPUR (Oct 27): IGB Real Estate Investment Trust

(REIT), which owns Mid Valley Megamall and The Gardens Mall here, is not short of "buy" calls despite a dip in its latest quarterly earnings. While the REIT's earnings were broadly within analyst

expectations for the third quarter ended Sept 30, 2020 (3QFY20),

three among seven research houses covering the stock — namely

Hong Leong Investment Bank (HLIB) Research, CGS-CIMB and RHB Research Institute — maintain their "buy" calls for the REIT. RHB Research Institute analyst Loong Kok Wen said in a note today that the REIT's earnings met her expectations as 3QFY20 business activity improved significantly, leading to minimal rental

assistance given out for the quarter.

in the second half of the year.

5.3% for FY20 to FY22.

positive Covid-19 cases in Selangor is likely to lead to subdued 4QFY20 earnings. However, we believe the impact will be cushioned by the closed borders, which should support domestic spending," said Loong, who trims her target price (TP) for the REIT to RM1.87 from RM1.90 previously. However, she cuts her FY20 earnings forecast by 8%, believing that

"While we look at the swift recovery positively, the new wave of

rental assistance will pick up again with the recent spike in cases. HLIB Research analyst Nazira Abdullah also noted that the REIT

quality and premium locations. "We believe IGB REIT's low exposure to tourists (less than 10% for

international tourists) and its establishment were the reasons for

showed a strong recovery in 3QFY20, thanks to its robust asset

the strong recovery in 3QFY20," said Nazira, who maintains her TP of RM2.01 for the REIT. Meanwhile, CGS-CIMB analyst Sharizan Rosely said the Conditional Movement Control Order (CMCO) in Kuala Lumpur,

Selangor and Putrajaya is likely to disrupt the recovery of its malls

However, he believes that its flagship malls, with their "superior occupancy rates and diversified tenants", will likely stage a stronger recovery after the CMCO, ahead of other urban malls.

Nevertheless, he forecasts a lower positive average rental

reversion of +1% (from +2.5% previously) for FY20 and an average occupancy rate of 94% (97% previously). Sharizan also cuts the REIT's expected distribution per unit for

FY20-FY22 by 7%-16% as he anticipates weaker rental income due to the CMCO, coupled with weaker net profit income margins and lower occupancy rates. He lowers his TP to RM1.85 from RM1.98 previously. He explained

Others 'neutral' amid spike in Covid-19 cases Meanwhile, the four other research houses were "neutral" on IGB

REIT, largely due to the recent spike in Covid-19 infections.

that the price is supported by its decent dividend yields of 4.3% to

"We were pleasantly surprised by the strong recovery of IGB REIT following 2QFY20's lows. As we were too conservative in our

Despite their "neutral" call, Affin Hwang Capital analysts Azhani

Hashim and Isaac Chow raise their TP to RM1.72 from RM1.71.

offer rental support to underperforming tenants in the coming quarters. However, beyond the near-term challenging outlook, he continues

to favour the REIT's malls, which are prominently located in high-

Wong. Meanwhile, PublicInvest Research and MIDF Research remain

would continue to recover, consumer sentiment is still very weak,

He noted that the REIT's rental income was affected by rental

support programmes, and it could suffer more expected credit

losses and a possible impairment of fair value for investment property due to the extended movement curbs.

"In a nutshell, we revise our FY20-FY21 earnings forecasts by -6.8%/-2% as we expect lower footfall to hurt rental income," said

the subdued outlook for retail malls in the Klang Valley in the near term, and expects its dividend yield to be below 3.6% for FY20.

IGB REIT announced yesterday that its net property income for

ago. Gross revenue for the quarter also fell 4.08% to RM130.75

3QFY20 fell 2.85% to RM97.83 million from RM100.7 million a year

million from RM136.31 million a year earlier. The REIT attributed the lower gross revenue and net property income for the quarter mainly to lower rental income and car park

restrictions. It has approved a distribution of 90% of its quarterly distributable

will be paid on Nov 27. IGB REIT closed up four sen or 2.42% at RM1.69, valuing the group

Edited by Lam Jian Wyn

RELATED NEWS

your inbox daily

We deliver news to

at RM6.05 billion.

not short of

not expected to make

25 April 2018

IGB REIT

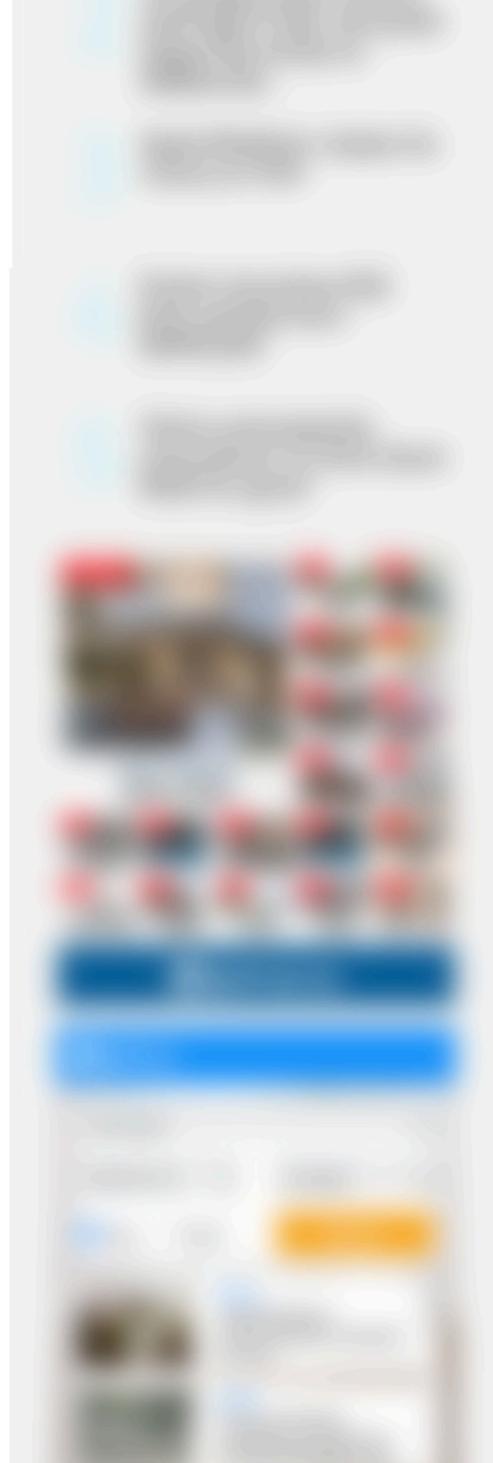
Email Address

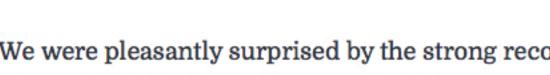
favoured for stable.

23 June 2014

IGB REIT

SUBSCRIB





footfall and multiple-catchment areas.

cautious about the REIT's outlook.

forecasts previously, we raise our FY20-FY22 earnings estimates by 1%-20%," they said.

Maybank IB Research analyst Kevin Wong, who maintains his earnings forecasts for the REIT, expects the trust to selectively

"Its gross gearing remained relatively low at 0.23 times (at end-3QFY20), which would support long-term acquisition plans," said

PublicInvest analyst Tan Siang Hing said while IGB REIT's rental with recovery possibly derailed by the new wave of cases.

Meanwhile, MIDF analyst Jessica Low pointed out that several cases of Covid-19 were reported in Klang Valley malls lately, while the CMCO had reduced the number of shoppers.

Low. She revises down IGB REIT's TP to RM1.66 (from RM1.70) due to

income arising from the pandemic and resultant movement

income amounting to RM74.9 million or 2.11 sen per unit, which

27 October 2020 27 October 2020 **IGB REIT** RHB trims target price

'buy' calls despite resu... cases

for IGB REIT to RM1.87... 8%

any... term **IHEEDGE**

App Store

6% yield





e-Paper