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IGB REIT's results within expectation

▶ IGB REAL ESTATE INVESTMENT TRUST

FYE DEC	FY13	FY14	FY15F	FY16F
GROSS REVENUE (RM mil)	430.7	461.8	457.2	473.9
CORE NET INCOME (RM mil)	206.9	232.6	238.7	245.7
CORE EPU (sen)	6.1	6.8	7.0	7.2
CORE PER (x)	21.6	19.4	18.8	18.3



▶ Recommendation: Neutral

TARGET Price: RM1.41
by MIDF Research Institute Sdn Bhd (Jan 28)

Investment Highlights

- **FY14 core net income (CNI)** met expectations accounting for 103% of consensus and 105% of our estimate.
- Strong revenue growth of 7.2% YoY. CNI grew by commendable 12.4% YoY due to higher net rental income margin.
- Announced a final DPU of 3.90 sen.
- Maintain 'Neutral' with unchanged TP of RM1.41.

Results within expectation: IGB Real Estate Investment Trust (IGBREIT) FY14 CNI of RM232.6m met expectations accounting for 103% of consensus estimate of RM224.9m and 105% of our estimate of RM220.9m.

IGBREIT announced a final

income distribution per unit (DPU) of 3.90 sen which covers for its distribution for 3QFY14 (2.01 sen) and 4QFY14 (1.89 sen).

Cumulatively for the full FY14, DPU was 7.79 sen representing 5.2% dividend yield (after taking into account withholding tax of 10%).

Strong revenue growth of 7% YoY: IGBREIT FY14 revenue grew by 7% YoY to RM461.8m attributed to higher rental income. Although no details were provided in the announcement, we believe this was likely due to positive rental reversion at Mid Valley Megamall and The Gardens Mall.

CNI grew 12.4% YoY to RM232.6m due to margin expansion: IGBREIT CNI grew 12.4% YoY to RM232.6m.

Growth in CNI was stronger than its revenue growth of 7% YoY. This was contributed by improved net rental income

margin to 67.7% in FY14 against 66.3% last year.

We believe that management is likely to have implemented cost saving measures as reimbursement costs declined 14% YoY to RM44.9m while maintenance expenses slipped 6% YoY to RM19m.

Maintain Neutral with unchanged Target Price (TP) of RM1.41: In view of its FY14 numbers which came within our expectation, we leave our forecast for FY15 as well as our TP unchanged.

Our TP is based on dividend discount model (required rate of return: 7.5%, perpetual growth rate: 1.3%).

Our 'Neutral' recommendation is based on the lack of any near-term rerating catalysts.

The next possible asset injection (South Key Mall) is still undergoing construction and is expected to complete only in FY17.