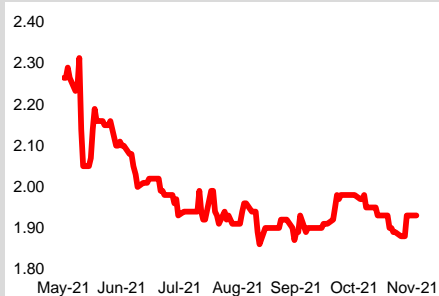


**DESCRIPTION**

IGB Berhad is an asset builder focused on harnessing recurring income from its property investment and hospitality businesses. The Group also invests in and manages a diverse portfolio of long term commercial, retail, residential and hospitality assets in Asia, Australia, the United States and Europe.

12-Month Target Price	RM2.70
Current Price	RM1.92
Expected Return	+41%

Market	Main
Sector	Property
Bursa Code	5606
Bloomberg Ticker	IGBB MK
Shariah-compliant	No

**SHARE PRICE CHART**

52 Week Range (RM)	1.85 – 2.41
3-Month Average Vol ('000)	86.4

**SHARE PRICE PERFORMANCE**

	1M	3M	6M
Absolute Returns	-2.5	1.0	-13.6
Relative Returns	1.5	0.8	-11.5

**KEY STOCK DATA**

Market Capitalisation (RM m)	2,122.3
No. of Shares (m)	897.6

**MAJOR SHAREHOLDERS**

	%
Tan Chin Nam Sdn Bhd	22.0
Wah Seong (M) Trading	15.7
Tan Kim Yeow Sdn Bhd	9.8

**Tan Siang Hing**

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**Dividend Surprise**

IGB Berhad's (IGB) 3QFY21 losses widened to RM58.7m, primarily due to weak performance from all business units and one-off tax expense of RM56.2m net of deferred tax in relation to the disposal of investment properties to IGB Commercial REIT. Stripping out one-off items, the Group's YTD net loss RM15.7m is deemed within our expectations as we expect earnings to recover in the subsequent quarters due to the easing of pandemic-induced movement restrictions. An interim dividend of 12.0sen (10 sen cash and 2 sen dividend-in-specie) per share was declared, a positive surprise after monetization of its offices and land known as 18 Blackfriars Road in the UK this year (which could see a one-off gain of c.RM190m in 4QFY21). All told, we adjust our FY21 upwards by c.6x to RM127.8m to account for the asset sale and tax expense and maintain our **Outperform** call with TP of RM2.70, pegged at c.65% discount to our RNAV estimates as we still believe in the long-term attractiveness of its assets.

§ **Group revenue in 3QFY21 dropped 28% YoY** due to lower contributions from all business units. Correspondingly, Group pre-tax profit decreased by 85% YoY to RM11.1m. Group loss after tax during the current quarter is mainly due to a one-off tax expense of RM56.2m net of deferred tax in relation to the disposal of investment properties to IGB Commercial REIT. Revenue from retail assets (via IGB REIT) dropped 26.7% YoY to RM95.8m with net property income and pre-tax profit correspondingly reduced by 42.8% YoY and 49.9% YoY to RM55.9m and RM38.5m respectively. This is due to higher rental support provided to tenants as well as higher allowance for impairment of trade receivables in 3QFY21 arising from the MCOs and NRP. Meanwhile, revenue from The Mall, Mid Valley Southkey in Johor Bahru almost halved YoY to RM16.9m, with a pre-tax loss of RM17.6m recorded

§ **Property Investment – Commercial division** Contributed gross revenue of RM40.4m (-7% YoY) with average occupancy rates above 70% and average rental rates at RM6.20psf. Office occupancies have remained relatively stable and we understand that the average rate of IGB Commercial REIT's ten buildings is 71.4%. Going forward, we believe that rental support for eligible tenants to remain minimal and rental reversion is envisaged to be flat for the fourth quarter of 2021. Separately, Hotel revenue dropped 69% YoY in 3QFY21 to RM5.1m with average occupancy rates across all hotels in the Group remaining low due to travel restrictions under the MCO.

**KEY FORECAST TABLE**

FYE Dec (RM m)	2019A	2020A	2021F	2022F	2023F	CAGR (%)
Revenue	1,436.8	1,016.4	1,062.5	1,082.7	1,200.0	-4.4%
Operating Profit	598.4	315.2	311.3	406.3	478.1	-5.5%
Pre-tax Profit	463.1	147.7	267.6	238.8	308.2	-9.7%
Net Profit	208.7	9.3	127.8	99.6	151.7	-7.7%
EPS (Sen)	23.7	1.0	14.5	11.3	17.2	-7.7%
P/E (x)	8.1	183.0	13.2	17.0	11.2	
DPS (Sen)	3.0	2.0	12.0	2.0	2.0	
Dividend Yield (%)	1.6	1.0	6.3	1.0	1.0	

Source: Company, PublicInvestResearch estimates

**Table 1: Results Summary**

<u>FYE Dec (RMm)</u>	<u>3Q21</u>	<u>3Q20</u>	<u>2Q21</u>	<u>YoY Chg (%)</u>	<u>QoQ Chg (%)</u>	<u>YTD FY21</u>	<u>YTD FY20</u>	<u>YTD Chg (%)</u>
<b>Revenue</b>	201.3	279.8	193.7	-28.1	3.9	629.6	739.7	-14.9
<b>Gross profit</b>	83.0	142.5	77.1	-41.8	7.6	269.8	336.5	-19.8
<b>EBIT</b>	25.4	119.1	58.4	-78.6	-56.4	139.9	244.4	-42.8
<b>Pretax profit</b>	11.1	72.0	24.5	84.6	-54.7	53.5	126.0	-57.5
<b>Net profit</b>	-58.7	17.0	-5.3	445.5	nm	-71.9	19.7	nm
<b>Margins (%):</b>								
<b>Gross profit</b>	41.2	50.9	39.8			42.9	45.5	
<b>EBIT</b>	12.6	42.6	30.1			22.2	33.0	
<b>Net Profit Margin</b>	-29.2	6.1	-2.7			-11.4	2.7	

Source: Company, PublicInvest Research estimates

## KEY FINANCIAL DATA

### INCOME STATEMENT DATA

FYE Dec (RM m)	2019A	2020A	2021F	2022F	2023F
Revenue	1,436.8	1,016.4	1,062.5	1,082.7	1,200.0
Gross Profit	560.1	225.9	215.2	278.9	340.5
Operating expenses	38.2	89.2	96.1	127.3	137.6
Operating Profit	598.4	315.2	311.3	406.3	478.1
Other Gains / (Losses)	37.7	14.0	134.7	12.5	9.2
Finance Costs	-173.0	-181.5	-178.4	-179.9	-179.2
Pre-tax Profit	463.1	147.7	267.6	238.8	308.2
Income Tax	-106.8	-48.9	-39.9	-60.7	-78.0
Effective Tax Rate (%)	23.1	33.1	14.9	25.4	25.3
Minorities	-157.5	-89.5	-94.9	-100.6	-106.6
Net Profit	208.7	9.3	127.8	99.6	151.7
<b>Growth</b>					
Revenue (%)	10.3	-29.3	4.5	1.9	10.8
Gross Profit (%)	3.8	-59.7	-4.7	29.6	22.1
Net Profit	-11.4	-95.6	1281.7	-22.1	52.3

Source: Company, PublicInvest Research estimates

### BALANCE SHEET DATA

FYE Dec (RM m)	2019A	2020A	2021F	2022F	2023F
Property, Plant & Equipment	1,428.7	1,531.5	1,546.9	1,562.3	1,577.9
Cash and Cash Equivalents	693.8	793.2	861.3	843.5	755.5
Receivables	0.0	0.0	0.0	0.0	0.0
Other Assets	6,522.3	6,260.1	6,600.5	6,663.6	6,874.1
<b>Total Assets</b>	<b>8,644.8</b>	<b>8,584.8</b>	<b>9,008.6</b>	<b>9,069.5</b>	<b>9,207.5</b>
Payables	843.1	656.2	749.7	702.9	726.3
Borrowings	3,843.5	4,033.0	3,964.6	3,998.8	3,981.7
Deferred Tax	150.1	147.6	148.8	148.2	148.5
Other Liabilities	96.4	74.2	81.4	77.8	79.6
<b>Total Liabilities</b>	<b>4,933.1</b>	<b>4,911.0</b>	<b>4,944.6</b>	<b>4,927.8</b>	<b>4,936.2</b>
Shareholders' Equity	3,711.7	3,673.8	4,064.0	4,141.7	4,271.4
<b>Total Equity and Liabilities</b>	<b>8,644.8</b>	<b>8,584.9</b>	<b>9,008.6</b>	<b>9,069.5</b>	<b>9,207.5</b>

Source: Company, PublicInvest Research estimates

### PER SHARE DATA & RATIOS

FYE Dec	2019A	2020A	2021F	2022F	2023F
Book Value Per Share	4.2	4.2	4.6	4.7	4.8
NTA Per Share	4.2	4.2	4.6	4.7	4.8
EPS (Sen)	23.7	1.0	14.5	11.3	17.2
DPS (Sen)	3.0	2.0	12.0	2.0	2.0
Payout Ratio (%)	12.7	190.6	82.8	17.7	11.6
ROA (%)	2.4	0.1	1.4	1.1	1.6
ROE (%)	5.6	0.3	3.1	2.4	3.6

Source: Company, PublicInvest Research estimates

## **RATING CLASSIFICATION**

### STOCKS

<b>OUTPERFORM</b>	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
<b>NEUTRAL</b>	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
<b>UNDERPERFORM</b>	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
<b>TRADING BUY</b>	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
<b>TRADING SELL</b>	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
<b>NOT RATED</b>	The stock is not within regular research coverage.

### SECTOR

<b>OVERWEIGHT</b>	The sector is expected to outperform a relevant benchmark over the next 12 months.
<b>NEUTRAL</b>	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
<b>UNDERWEIGHT</b>	The sector is expected to underperform a relevant benchmark over the next 12 months.

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