

IGB 3Q net profit above expectations

IGB Bhd (Nov 15, RM2.60)

Maintain neutral with a lower target price (TP) of RM2.80: IGB Bhd registered a third quarter ended Sept 30, 2018 (3QFY18) net profit of RM68.3 million, which was above our expectations.

Year to date, the group's net profit of RM143.6 million constituted 85% of our full-year estimates, primarily due to the higher-than-expected contribution from its property development division with an operating profit rising substantially due to higher billings from its Stonor 3 project in Kuala Lumpur.

As such, we adjust our FY18 upwards by 13% after imputing higher property billings. We maintain

our "neutral" recommendation but cut our TP to RM2.80 from RM3.20, pegged at a higher discount of about 65% to our revised net asset value estimates in view of the derating of the property sector.

Group revenue rose 24% year-on-year mainly due to higher contribution from property development and investment divisions. Correspondingly, group profit before tax rose 18%. For its retail business which is mainly from Mid Valley Megamall and The Gardens Mall, revenue and net property income rose marginally by 3% and 2% to RM134 million and RM97 million respectively.

As for offices, the average occupancy is said to be above 80% with

IGB Bhd

FYE DEC (RM MIL)	2016A	2017A	2018F	2019F	2020F	CAGR (%)
Revenue	1,150.3	1,201.5	1,345.2	1,283.6	1,323.6	3.6
Operating profit	558.3	515.8	534.7	537.7	561.9	0.2
Pre-tax profit	482.9	491.3	445.1	443.7	470.3	-0.7
Net profit	164.9	215.0	190.6	190.9	204.3	5.5
EPS (sen)	24.0	31.3	27.8	27.8	29.7	5.5
PER (x)	10.9	8.3	9.4	9.4	8.8	
DPS (sen)	2.0	2.0	2.0	2.0	2.0	
Dividend yield (%)	0.8	0.8	0.8	0.8	0.8	

Sources: Company, PublicInvestResearch estimates

average rent steady at RM6 per sq ft.

We understand that IGB's new mall in Johor, that is Mid Valley Southkey, is expected to be ready by end-2018. To recap, the project

has a combined gross development value of RM6 billion, and is to be developed in a few phases.

For the first phase, IGB will build a mall which is said to be an im-

proved version of the existing mall in Mid Valley Kuala Lumpur.

Other phases will encompass three hotels (870 rooms), four offices and one service apartment (290 units) with an estimated development period of 12 years.

We understand pre-leasing has started with the group confident of opening the mall with most of the available rental space taken. Rental is also expected to be at least 80% of current rental enjoyed by Mid Valley City.

Elsewhere, there is no new development for its other projects such as 18 Blackfriars mixed project in the UK, and the joint venture to develop a project in Bangkok. — *PublicInvest Research, Nov 15*