

Selling UK asset seen positive for IGB

IGB Bhd (Dec 4, RM3.92)

Maintain outperform with a target price (TP) of RM4.70:

Hot on the heels of IGB Bhd's plan to list its commercial assets via a real estate investment trust (REIT), IGB announced that it is disposing of its 50% stake in Black Pearl Ltd, a company which owns land such as 18 Blackfriars Road in London for £235 million (around RM1.28 billion). The said land was purchased for about £122 million back in 2014. It was earmarked for a mixed development earlier.

Our earnings estimates are kept unchanged for now pending more clarity from management. Maintain "outperform" with a TP of RM4.70, pegged at around 50% discount to our revalued net asset valuation estimates.

Verokey Sdn Bhd (wholly-owned subsidiary of IGB) and Tower Ray Ltd, each holds

a 50% stake in Black Pearl Ltd, which owns the freehold title to 18 Blackfriars Road, SE1, London. It has signed a non-binding heads of terms agreement to dispose of the 100% equity interest in Black Pearl for £235 million. The heads of terms provide for exclusivity for the purchasers until Feb 7, 2020. Full announcement of the proposed transaction will be made after the sale and purchase agreement is executed.

To recap, the said land was planned for a mixed development which was originally slated to be launched in the first half of 2018 but deferred due to change of design to meet authorities' requirements. With current Brexit-related uncertainties, we believe that the outright land disposal is positive to monetise the asset (50% stake worth some RM635 million) immediately and minimise development risks.

— *PublicInvest Research, Dec 4*

IGB Bhd

FYE DEC (RM MIL)	2017A	2018A	2019F	2020F	2021F	CAGR (%)
Revenue	1,201.5	1,302.0	1,348.1	1,358.9	1,395.8	3.8
Operating profit	515.8	559.9	560.2	578.9	609.0	4.2
Pre-tax profit	491.3	480.6	433.0	450.9	478.8	-0.6
Net profit	215.0	235.5	198.4	205.4	212.9	-0.2
EPS (sen)	31.6	34.6	29.1	30.2	31.3	-0.2
PER (x)	10.8	9.8	11.7	11.3	10.9	
DPS (sen)	2.0	2.0	2.0	2.0	2.0	
Dividend yield (%)	0.6	0.6	0.6	0.6	0.6	

Sources: Company, PublicInvest Research estimates