

IGB's fair value upgraded to RM4.80 on higher RNAV

PETALING JAYA: PublicInvest Research is of the view that IGB Corp Bhd's revalued net asset value (RNAV) should be worth RM6.90 per share, justifying a higher target price of RM4.80.

The revised target price is 66.67% higher than the RM2.88 offered by IGB's major shareholder, Goldis Bhd.

PublicInvest Research analyst Tan Siang Hing opined that the offer price of RM2.88 is massively undervaluing the embedded assets of IGB and the potential assets such

as MidValley SouthKey (1.8 million square feet of net lettable area (NLA)), Southpoint (900,000 square feet of NLA), IGB International School and a few hotels and development projects that have a potential gross development value (GDV) of RM10 billion.

"With this, we upgraded IGB

from neutral to outperform, at RM4.80, pegged at 30% discount to our RNAV estimate of RM6.90," he said in a research note yesterday.

In addition, he believes many assets in IGB are still not revalued at fair price as yet.

"Case in point is the recent joint venture to develop its 1.48-acre Jalan Stonor land that was valued at RM147.6m or RM2,289 psf compared to RM118 psf at book value," he pointed out.

Despite South Key and South Point are valued at RM208.2 million and RM348.7 million respectively in the independent adviser's report, Tan said he was disappointed that there is no clarity on other assets.

"That said, we've adjusted our RNAV to impute these new assets and others based on the latest revaluation and total capital invested based on public information," he added.

He stressed that IGB's yielding assets does not deserve the steep discounts seen in other developers.

"With the stock currently trading at 59% discount to our RNAV of RM6.90, investors are getting Grade 'A' assets at more than half the discount to market price, with much less switching costs than physical properties," he said.

He added that his earnings estimates have not factored in the contributions from new assets, which are believed to be substantial in the next three to five years.

RHB Investment Bank, the independent adviser of the takeover, and IGB's non-interested directors concurred that the offer from Goldis is "not fair" and "not reasonable".

IGB's share price rose 2 sen to close at RM2.88 yesterday, with some 1.25 million shares traded.