

**AmResearch****Company Report**

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PROPERTY

IGB CORPORATION

(IGB MK, IGBS.KL)

26 June 2008

Extrapolating sale of Sungei Wang Plaza BUY

RM1.46

Target Price: RM3.62

Rationale for report : Company update

YE to December	FY07	FY08F	FY09F	FY10F
EPS (sen)	8.0	10.0	12.8	16.2
PE (x)	18.4	14.6	11.4	9.0

Source : AmResearch

- According to media reports, CapitaLand has purchased 62% of the total NLA or 510,418 sf of Sungei Wang Plaza for RM595m. On a RM psf basis, this translates into RM1,165 psf.
- In our NAV estimate, we have valued IGB's 75% stake in MidValley Megamall at RM1.8bn based on a cap rate of 6.5%. This is equivalent to RM1,435 psf. While this may appear higher than CapitaLand's RM1,165 psf purchase of Sungei Wang Plaza, we think the premium is justified given MidValley Megamall's strong entrenched position as a super regional mall where spending is non-discretionary.
- In our recent report in June 2008, we highlighted that concerns on retail spending slowing down post the 40% fuel price hike is minimal given the majority of spending in MidValley Megamall is non-discretionary. Looking at historical trends for 2001-2007, MidValley Megamall has not been impacted by any major negative events such as SARS in 2003 and the two rounds of fuel price hike in 2005. Turnover and gross profit for MVM have shown a 7-year CAGR of 15% per annum. The only possible downside is revenue from turnover rent where in a worst case scenario will just shave 5% of our FY08F net profit.
- In any case, at current depressed share price levels of RM1.46/share for IGB, the implied value of its 2.5m sf of NLA of retail assets (MidValley Megamall and the Gardens retail mall) is just RM42 psf. The last valuation done for MidValley Megamall is RM1,000 psf which is carried in KrisAssets books. CapitaLand purchased Gurney Plaza for RM1,100 psf while we understand KLCC Properties recently revalued Suria KLCC at RM2,500 psf.
- We reaffirm our BUY rating with an unchanged target price of RM3.62, based on a 15% discount to our NAV of RM4.26 per share. Trading at such a deep 66% discount to NAV, we think the market has priced in any potential slowdown in consumption from the recent fuel price hike. Also, at 0.9x its historical book value where its investment properties are carried at cost, the stock looks grossly oversold

QuickTake

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For AmResearch Sdn Bhd

Azharuddin Nordin
Executive Director

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