

07:08 23 May 2019

Analysts more upbeat on IG Group after trading update

Liberum Capital has upgraded its rating for IG Group Holdings PLC (LON:IGG) to 'buy' from 'hold' after the online broker unveiled "stunning" new medium-term growth targets.

On Wednesday, the FTSE 250-listed group said it expected to generate an additional £100mIn of revenue by 2022 by upping spending by £30mIn a year to take advantage of opportunities in new products and territories.

READ: IG Group makes long-term dividend commitment as trading activity picks up

This, plus growth of 3-5% in its core business, would see revenue in 2022 around 30% higher and earnings around 50% higher than the past and coming year, the firm added.

In a note to clients, Liberum analyst Ben Williams said that while IG's fourth-quarter update was "weakish", he was very much impressed by IG's willingness to pour investment into achieving the new targets "and by a steadfast holding of a barely covered dividend".

Taking the new targets as the base for its numbers, but acknowledging that the market is expected to see considerable execution risk, Williams trimmed his share price target for IG to 687p from 693p, based on a multiple of 14 times his 2021 forecast earnings.

But, he said: "With an 8% yield on top, and that upside/downside, the stock is already clearly a buy, hence we upgrade our recommendation."

Peel Hunt also ups target

Broker Peel Hunt also upgraded its forecasts for IG by 5% and hiked its target price to 650p from 620p, keeping a 'buy' rating on the stock.

"We take a cautious approach to the targets as we observe the execution, with potential for upside," analyst Anthony Da Costa said.

After jumping around 14% higher after the trading update, IG shares were up another 1% on Thursday to 539.8p.

Price: 583.8p

Market Cap: £21.52M

1 Year Share Price Graph



Share Information

Code: IGG

Listing: LSE

52 week High Low
956.50p 467.40p

Sector: Equity Instruments

Website: www.iggroup.com

Company Synopsis:

IG Group Holdings plc is a United Kingdom-based company, which is principally engaged in running a spread betting market, trading as principal and market maker for foreign exchange, and contracts for difference and acting as a fixed odds bookmaker. During the fiscal year ended May 31, 2008, the Company began trading on a regulated futures and options exchange.

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