

IJM Corporation Berhad

“Sturdier Growth Ahead”

IJM Corporation Bhd (IJM) long-term outlook remains convincing backed by healthy construction’s order book worth RM7.0 billion. We expect the contribution from construction division will continue to spur the growth in FY16 as the group emerge as potential beneficiary to grab some goodies from the project under 11MP. Hence, IJM Corp is a BUY with target price of RM8.14.

Construction’s orderbook. IJM Corp’s construction orderbook currently stands at approximately RM7.0 billion with 40% coming from the West Coast Expressway’s (WCE) contract worth RM2.8 billion. Moving forward, the group is expected to replenish its order book further by grabbing some potential new projects under the 11MP. Note that IJM is on track to complete the work package of KVMRT1 (Package V5) by end of 2015 and could emerge as one of the potential beneficiaries for new work package under KVMRT2. The group’s also has bidding for the PDP role for LRT3 and Penang Transport Master Plan. Furthermore, we do not rule-out IJM to be a potential candidate to secure the remaining RM2.2 billion WCE contract works which is expected to be awarded in 2016.

‘Puteri Cove Residences’. IJM Construction Sdn Bhd, a wholly-owned subsidiary of IJM Corp, has secured RM538.5 million awards from Pearl Discovery Development Sdn Bhd in CY1Q15 for the proposed mixed development known as “Puteri Cove Residences” on Plot TR-2-2, Mukim Pulau, Daerah Johor Bahru. The project involves the building works of three blocks of 32-storey serviced apartments (998 units), one block of 5-storey SOHO (56 units) and serviced apartment facilities, two multi-storey car park podiums, two lobbies and 2-storey retail centre.

Kuantan Port awards. IJM has been awarded with RM1.2 billion award from its 62% subsidiary, Kuantan Port Consortium Sdn Bhd (KPC), for the proposed design,

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BUY (TP: RM8.14)

Current Price (RM)	RM6.52
New Target Price (RM)	RM8.14
Previous Target Price (RM)	RM7.50
Previous Recommend.	HOLD
Upside To Target Price	25%
Dividend Yield (FY17)	2%

Stock Code

Bloomberg	IJM MK
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Stock & Market Data

Listing	MAIN MARKET
Sector	Construction
Shariah Compliance	Yes
Issued Shares (mn)	1,786
Market Cap (RM mn)	12,057
YTD Chg In Share Price	3%
Beta (x)	0.77
52-week Hi/Lo (RM)	7.50 6.13
3M Average Volume (shrs)	5053mn
Estimated Free Float	74%

Major Shareholders

EPF	13%
JP Morgan	9%
Skim ASB	8%

construction and completion of New Deep Water Terminal at Kuantan Port, Pahang - Phase 1. This project is expected to be completed within 36 months (1Q18). The port expansion is mainly to cater for ships up to 200k deadweight tonne.

Property subdues. IJM has achieved a lower property sales of RM1.8 billion in FY15 (FY14: RM2.2 billion) with unbilled sales stood at RM1.7 billion. The management hinted that property sales will continue to moderate in FY16 due to the cautious property outlook added with the negative sentiment on post-GST implementation. Nonetheless, IJM is planning to launch RM3 billion worth of property project including Pantai Central Park (Kuala Lumpur), Seban Cove (Johor), The Light Phase 2 (Penang) and Bandar Rimbayu (Selangor).

The Light phase 2 development. IJM has acquired 50% stake in Aura Hebat Sdn Bhd (AHSB) in April 2015. Note that AHSB is the JV Company between The Light Waterfront Sdn Bhd (TLW), a wholly-owned subsidiary of IJM and Perennial Penang Pte. Ltd. Consequently, AHSB is acquiring a parcel of land measuring 32.8 acres located within IJM’s existing The Light Waterfront development in Penang for RM402.8 million (RM282.3 psf) from IJM’s 80%-owned subsidiary, Jelutong Development Sdn Bhd (Jelutong). The Land is to be developed into large scale integrated waterfront mixed-use development comprising a shopping mall and thematic shops, residential towers, office tower, two hotels and a convention centre with estimated GDV of RM3.0 billion.

Corporate exercise. The group has proposed to undertake 1-for-1 bonus issue of up to 1.8 billion bonus shares which is expected to enlarge its number of shares from 1,783 million to a maximum of 3,587 million shares. This issuance of bonus issue will further improve IJM’s trading liquidity. The entire proposals are expected to be completed by CY3Q15.

FY15 financial recap. IJM FY15 core net profit of RM531 million came in below ours and consensus estimates respectively, accounting 85% and 90% of both estimates full year net profit forecast. FY15 PBT shed by 28% y-o-y due to one-off gain from the disposal of Kemaman port as well as fair value gains on the acquisition of CIDB Inventures and Swarna Tollway in FY14. Excluding these exceptional items, IJM Corp still posted a significant growth of 27% y-o-y in FY15 PBT in line with higher contribution from construction division (+10% y-o-y) on the back of higher margin from its various projects. Nonetheless, FY15 PBT margin stood at 19%, lower against FY14 margin of 24%.

Valuation & recommendation. We value IJM Corp at RM8.14 as we roll over our valuation into FY17 and the stock is a **BUY** underpinned by strong construction’s orderbook replenishment from major project under 11MP and ii) stable growth prospect from Industrial, plantation and infrastructure division.

Table 1: Peers comparison (Calenderised)

Company	FYE	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
IJM CORP	Mar	6.52	41	47	20.6	15.8	1.5	1.4	6	2	8.14	Buy
GAMUDA	Jul	4.67	32	32	16.0	16.0	2.0	1.9	13	2	5.87	Buy
WCT	Dec	1.42	13	14	14.6	12.9	0.9	0.9	5	1	1.76	Hold
BENALEC	Jun	0.58	3	6	15.2	12.8	1.0	0.9	0	0	NR	NR
CREST BUILDER	Dec	1.14	11	8	10.9	14.2	0.4	0.0	6	3	NR	NR
EVERSENDAI	Dec	0.90	8	10	9.7	7.4	0.6	0.6	4	1	NR	NR
KIMLUN	Dec	1.30	15	16	8.5	7.8	0.9	0.8	13	2	NR	NR
MRCB	Dec	1.18	6	9	23.7	15.7	1.4	1.4	8	2	NR	NR
AZRB	Dec	0.66	5	7	14.1	10.1	0.0	0.0	5	NA	NR	NR
YTL CORP	Jun	1.55	14	13	13.3	12.8	1.2	1.1	9	6	NR	NR
Average					14.7	12.5	1.0	0.9				

Source: Bloomberg, M&A Securities

Table 2: Financial Forecast

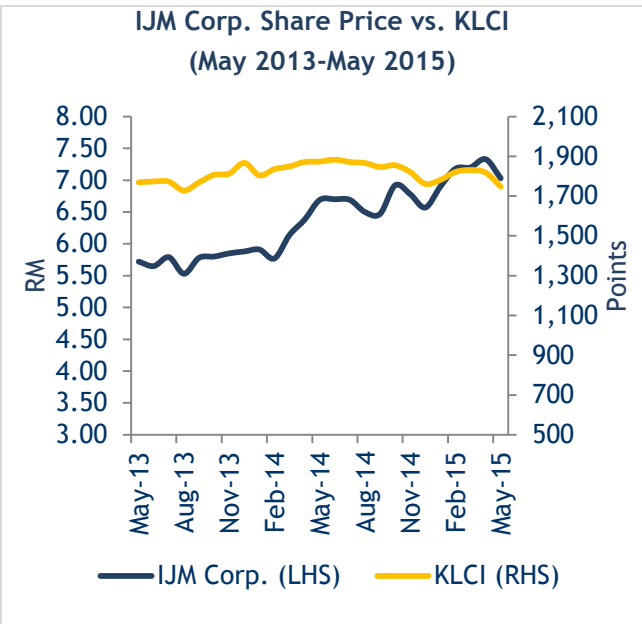
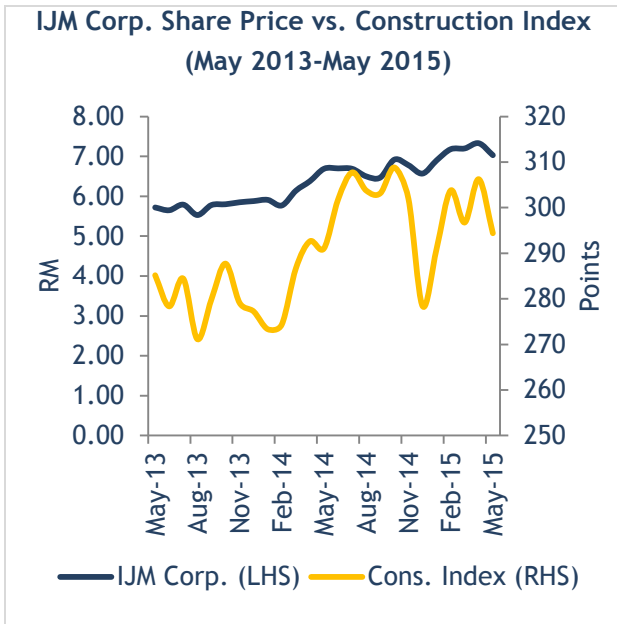
YE: Mar (RM million)	FY13	FY14	FY15	FY16F	FY17F
Revenue	4,518	6,007	5,448	6,549	7,532
EBIT	973	1,788	1,292	1,441	1,657
Finance costs	(173)	(231)	(243)	(196)	(226)
Associates	40	3	(19)	33	38
JCE	(38)	(143)	(11)	(52)	(60)
PBT	802	1,416	1,019	1,225	1,408
Net profit	409	830	481	685	788
EPS (sen)	30	59	33	38	44
PBT margin	18%	24%	19%	19%	19%
Net profit margin	9%	14%	9%	10%	10%
PER (x)	18.9	11.2	21.4	18.1	15.8
P/BV (x)	1.5	1.5	1.6	1.4	1.4
DPS (sen)	13	25	15	16	16
Dividend yield	2%	4%	2%	2%	2%

Source: Bursa Malaysia, M&A Securities

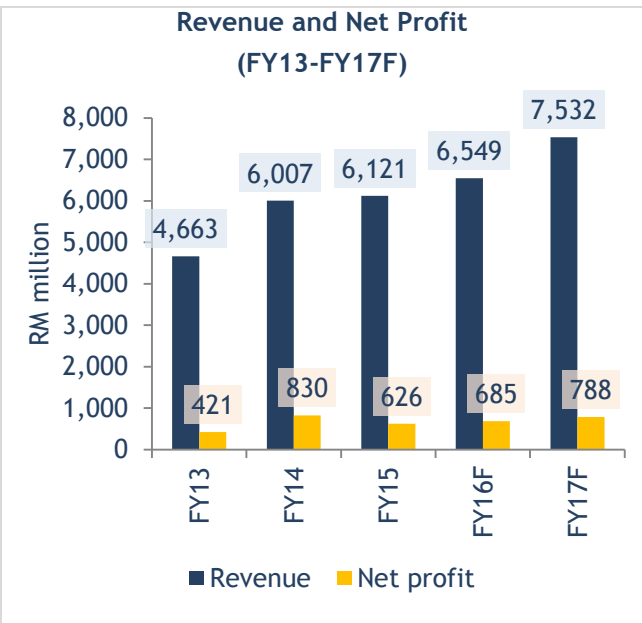
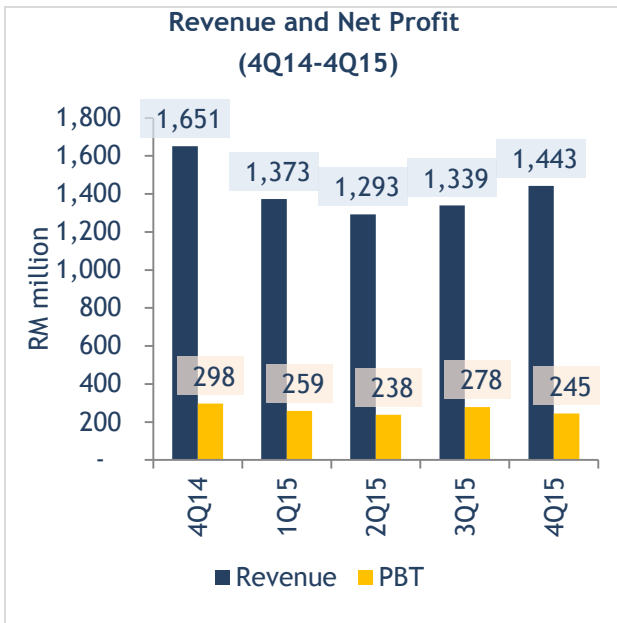
Table 3: Segmental PBT Margin (1Q14-4Q15)

YE: Mar (RM million)	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15
Revenue								
Construction	1%	6%	10%	22%	16%	21%	10%	28%
Property	25%	29%	42%	43%	24%	22%	27%	21%
Industry	18%	17%	16%	16%	14%	15%	12%	13%
Plantation	2%	-3%	18%	42%	17%	20%	21%	-11%
Infrastructure	55%	3%	203%	-115%	22%	-1%	3%	1%

Source: Bursa Malaysia, M&A Securities



Source: Bloomberg, M&A Securities



Source: Bloomberg, M&A Securities

M&A Securities

STOCK RECOMMENDATIONS

- BUY** Share price is expected to be $\geq +10\%$ over the next 12 months.
TRADING BUY Share price is expected to be $\geq +10\%$ within 3-months due to positive newsflow.
HOLD Share price is expected to be between -10% and $+10\%$ over the next 12 months.
SELL Share price is expected to be $\geq -10\%$ over the next 12 months.

SECTOR RECOMMENDATIONS

- OVERWEIGHT** The sector is expected to outperform the FBM KLCI over the next 12 months.
NEUTRAL The sector is expected to perform in line with the FBM KLCI over the next 12 months.
UNDERWEIGHT The sector is expected to underperform the FBM KLCI over the next 12 months.

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