

31 May 2018 | 12MFY18 Results Review

IJM Corporation Berhad

Towed by Higher Expenses and Forex Rate

Maintain BUY

Adjusted Target Price (TP): RM3.90
(From RM4.00)


INVESTMENT HIGHLIGHTS

- **12MFY18 results lower than expected**
- **Margins from key segments eroded**
- **Reiterate earnings estimates on the back of sturdy orderbook of RM9.0bn**
- **Altogether, we maintain our BUY recommendation with TP of RM3.90 per share**

12MFY18 results lower. IJM's 12MFY18 earnings of RM349.8m (-46.0%YoY) came in lower with ours and consensus' estimates. Its net profit accounted for 70.0% and 66.9% of ours and consensus' full-year forecasts respectively. The weak result is in tandem with its FY18's revenue which decreased from RM6026.0m to RM6065.3bn (-1.0%YoY) scuppered by higher expenses of; (i) forex differences; RM3.7m (-112%YoY), (ii) tender expenses; RM185.6m (-26.0%YoY) and (iii) other operating expenses RM75.3m (-14.0%YoY). We attribute the negative results to the unexpected reversal in the plantation segments i.e. volatile commodities coupled with reversal of gains due to higher USD rate.

Margins from key segments eroded. As a results of higher expenses, overall PATAMI margin was eroded registering only 6.0% (-5 ppts). Despite that we are sanguine on the prospect of marginal improvement for the next quarter which we reckon that USD rate vs. Indonesian Rupiah will stabilize for the plantation segment.

Reiterate earnings estimates on the back of sturdy orderbook. We maintain our earnings estimates; IJM's total outstanding orderbook is currently RM9.0bn (which is approximately 48 months or FYE19 1.44x revenue cover). The key risk facing IJM are; (i) abolishment of tolls and (ii) lower orderbook replenishment rate. Apart from that, we surmise that its business model its ring fenced by its quality assets such as Kuantan Port and India's Solapur-Bijapur tollway

Maintain BUY. We reiterate our **BUY** recommendation with an adjusted SOP-based TP of RM3.90 per share. 

RETURN STATS	
Price (30 May 2018)	RM1.84
Target Price	RM3.90
Expected Share Price Return	+52.8%
Expected Dividend Yield	+2.5%
Expected Total Return	+55.3%

STOCK INFO	
KLCI	1719.28
Bursa / Bloomberg	3336/ IJM MK
Board / Sector	Main / Construction
Syariah Compliant	Yes
Issued shares (mil)	3628.48
Market cap. (RM'm)	6,670
Price over NA	0.7
52-wk price Range	RM1.84– RM3.61
Beta (against KLCI)	1.15
3-mth Avg Daily Vol	5.02m
3-mth Avg Daily Value	RM12.4m
Major Shareholders (%)	
EPF	14.51
LTH	6.84
ASB	6.48
KWAP	5.32

INVESTMENT STATISTICS

FYE March	FY16	FY17	FY18	FYE19	FYE20
Revenue (RM'm)	5,128	6,065	6,026	6,250	6,400
EBIT (RM'm)	1,301	1,081	1,239	1117	1202
Pre-tax Profit (RM'm)	1,155	1,010	630	990	1051
Normalised PATAMI (RM'm)	788	653.7	350	510	550
FD EPS (sen)	22	18	9.7	29	31
EPS growth (%)	-29	-99	-46	200.5	6.9
PER (x)	8.36	10.28	19.07	6.34	5.94
Net Dividend (sen)	16	18	11.5	20	20
Net Dividend Yield (%)	2.2	2.5	2.7	2.5	2.5

Source: Bloomberg, MIDFR

SOP VALUATION

Segments	Stake	Basis	Value (RM'm)	Per Share (RM)
Construction	100%	DCF@6.7%	3,413.3	0.96
Industrial	100%	FYE19 PER of 11x	1,554.0	0.44
IJM Plantation	55%	MIDFR TP of RM3.53	1,735.0	0.49
Property				
Malaysia	Various	DCF@6.7%	5,252.0	1.47
JVs			899.2	0.25
Overseas			388.0	0.11
Concessions Assets				
Kuantan Port	60%	DCF@6.7%	1,200.2	0.34
Highways	Various	DCF@7.5%	1,310.5	0.40
GVK Gautami Power Limited	20%	Book Value	336.0	0.09
Hexacon Construction	46%	Book Value	305.8	0.09
Keuro	26%	Enterprise Value	802.2	0.11
Scomi Group	24%	Enterprise Value	357.8	0.20
			4.94	
Total value			17,554.0	4.92
(Net debt) / net cash			-3,724.0	-1.04
SOP per share				3.9
No. of shares outstanding (mil)				3,565.6

Source: Bloomberg, MIDFR

DAILY PRICE CHART



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Source: Bloomberg, MIDFR

12MFY18 RESULTS

FYE March (RM'm)	Quarterly Results					Cumulative		
	4Q18	3Q18	4Q17	QoQ	YoY	12MFY18	12MFY17	YoY
Revenue	1,398.6	1,566.1	1,669.3	-11%	-16%	6,026.9	6,065.3	-1%
Other operating income	293.8	49.0	95.2	500%	209%	208.5	229.6	-9%
Foreign exchange differences	4.8	-4.5	-15.4	-207%	-131%	-3.7	30.1	112%
Tender, sell & distribt expenses	-56.8	-44.1	-60.0	29%	-5%	-182.8	-200.1	-9%
Admin expenses	-104.5	-84.0	-72.1	24%	45%	-365.6	-339.0	8%
Other operating expenses	-30.7	-13.1	-20.1	134%	53%	-75.3	-66.0	-14%
EBIT	163.5	203.3	401.7	-20%	-59%	819.6	1,081.6	-24%
Finance Cost	-41.8	-43.8	-49.4	-5%	-15%	-185.6	-144.6	28%
Associates	-28.5	19.7	11.9	-245%	-339%	5.5	56.4	-90%
JVs Income	-15.3	-2.2	10.9	595%	-240%	-10.0	16.6	-160%
PBT	77.6	172.4	375.8	-55%	-79%	629.5	1,010.0	-38%
Taxation	-65.2	-62.3	-77.9	5%	-16%	-238.8	-234.2	2%
Minority Interest	1.2	-8.7	-61.2	-114%	-102%	40.8	113.0	-64%
PATAMI	11.1	101.3	317.5	-89%	-97%	349.8	653.7	-46%
FD EPS (sen)	0.31	2.76	6.46	-89%	-95%	9.62	17.9	-46%
	4Q18	3Q18	4Q17	pts	pts	12MFY18	12MFY17	+/- ppts
EBIT margin	12%	13%	24%	-1.3	-2.0	14%	18%	-4
PBT margin	6%	11%	23%	-5.5	-4.0	10%	17%	-6
PATAMI margin	1%	6%	19%	-5.7	-2.0	6%	11%	-5
Effective tax rate	84%	36%	21%	47.9	0.0	38%	23%	15
Segmental Breakdown								
Revenue (RM'm)	4Q18	3Q18	4Q17	QoQ	YoY	12MFY18	12MFY17	YoY
Construction	556.1	572.5	480.7	-3%	16%	2325.8	2,151.4	8%
Property	315.3	355.0	564.1	-11%	-44%	1244.8	1,437.7	-13%
Industry	218.2	261.4	275.4	-17%	-21%	1054.0	1,133.4	-7%
Plantation	141.3	224.8	192.6	-37%	-27%	747.2	753.7	-1%
Infrastructure	165.9	151.8	156.1	9%	6%	652.0	588.3	11%
Investment & others	1.50	0.55	0.20	173%	650%	2.80	0.6	367%
TOTAL	1398.6	1566.1	1669.3	-11%	-16%	6026.0	6,065.3	-1%
PBT (RM'm)	4Q18	3Q18	4Q17	QoQ	YoY	12MFY18	12MFY17	YoY
Construction	55.2	50.2	59.2	10%	-7%	226.0	216.7	4%

Property	23.1	28.5	208.9	-19%	-89%	110.5	303.2	-64%
Industry	13.3	19.2	36.6	-31%	-64%	82.4	142.4	-42%
Plantation	1.8	32.3	36.9	-94%	-95%	77.3	168.5	-54%
Infrastructure	-22.2	41.9	35.2	-153%	-163%	120.1	62.3	93%
Investment & others	6.2	0.0	-2.2	-	-382%	13.0	116.7	-89%
TOTAL	77.6	172.4	375.2	-55%	-79%	629.5	1,010.0	-37.7%
PBT margin (RM'm)	4Q18	3Q18	4Q17	pts	pts	12MFY18	12MFY17	Ppts
Construction	10%	9%	12%	1	-1	10%	10%	0%
Property	7%	8%	37%	-1	-18	9%	21%	-12%
Industry	6%	7%	13%	-1	-3	8%	13%	-5%
Plantation	1%	14%	19%	-13	10	10%	22%	-12%
Infrastructure	-13%	28%	23%	-41	2	18%	11%	8%

Source: Bursa, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.