

28 February 2018 | 9MFY18 Results Update

## IJM Corporation Berhad

*Dragged by Weak Industry and Plantation Segments*

**Maintain BUY**

Target Price (TP): RM4.00

### INVESTMENT HIGHLIGHTS


- **Results below expectations**
- **Infrastructure results back-paddled**
- **Maintain our estimates for FYE18/FYE19**
- **Altogether, we reiterate our BUY stance with TP of RM4.00 per share**

**Results below expectations.** IJM's 9M18 earnings of RM338.6m (-28%YoY) came in below ours and consensus estimates. Its net profit accounted for 68.5% and 62.7% of ours and consensus' full-year forecasts respectively. The deviations for estimates are influenced by lower contribution from plantation and industry segments

**Plantation and industrial segment's results back-paddled.** The results was due to PBT marginal compression from plantations and industrial segments which decreased from RM131.5m in 9M17 to RM75.4m in 9M18 (-43% YoY) and RM105.7m to RM69.1m (-35.0%YoY) respectively. For plantation, higher plantation maintenance and overhead cost was higher due to the start of the second mill. Furthermore, sluggish orders for building materials for IJM's industrial segment are due to the gap of project commencements.

**Impact on earnings.** Despite the unfavourable milieu, IJM's orderbook stands at RM9.3bn with further ample financial headroom to clinch more projects. Thus, we maintain our forecast on the basis of its sturdy orderbook.

**Positive prospect.** Consequently, in upcoming quarters we are expecting positive newsflows from East Coast Railway Link and High Speed Railway projects which is catalytic to IJM's earnings.

**Maintain BUY.** We reaffirm our **BUY** recommendation with an unchanged SOP-based TP of RM4.00 per share. 

RETURN STATS	
Price (27 Feb 2017)	RM2.90
Target Price	RM4.00
Expected Share Price Return	+37.9%
Expected Dividend Yield	+2.7%
<b>Expected Total Return</b>	<b>+40.6%</b>

STOCK INFO	
KLCI	1871.46
Bursa / Bloomberg	3336/ IJM MK
Board / Sector	Main / Construction
Syariah Compliant	Yes
Issued shares (mil)	3628
Par Value (RM)	1.00
Market cap. (RM'm)	10.552
Price over NA	1.10
52-wk price Range	RM2.66– RM3.61
Beta (against KLCI)	1.15
3-mth Avg Daily Vol	4.58m
3-mth Avg Daily Value	RM13.2m
Major Shareholders (%)	
EPF	14.67
ASB	6.76
KWAP	6.48
LTH	5.21

## INVESTMENT STATISTICS

FYE March	FY16	FY17	FYE18	FYE19	FYE20
Revenue (RM'm)	5,128	6,065	6,146	6,250	6,400
EBIT (RM'm)	1,301	1,081	1,131	1117	1202
Pre-tax Profit (RM'm)	1,155	1,010	988	990	1051
Normalised PATAMI (RM'm)	788	653.7	494	510	550
FD EPS (sen)	22	18	34	29	31
EPS growth (%)	-29	-99	90	-14.7	6.9
PER (x)	13.18	16.20	8.53	10.00	9.35
Net Dividend (sen)	16	18	17	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%	FY18 PER of 14x	2,071.9	0.58
IJM Plantation	55%	MIDFR TP of RM3.53	1,735.0	0.49
<b>Property</b>				
Malaysia	Various	DCF@6.7%	5,252.0	1.47
JVs			899.2	0.25
Overseas			388.0	0.11
<b>Concessions Assets</b>				
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
				5.09
<b>Total value</b>			<b>18,072.0</b>	<b>5.07</b>
(Net debt) / net cash			-3,724.0	-1.04
<b>SOP per share</b>				<b>4.0</b>
No. of shares outstanding (mil)				3,565.6

Source: Bloomberg, MIDFR

## DAILY PRICE CHART



Source: Bloomberg, MIDFR

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## 9MFY18 Results

FYE March (RM'm)	Quarterly Results					Cumulative		
	3Q18	2Q18	3Q17	QoQ	YoY	9MFY18	9MFY17	YoY
<b>Revenue</b>	<b>1,566.1</b>	<b>1,593.0</b>	<b>1,596</b>	-2%	-2%	<b>4,628.3</b>	<b>4,396.0</b>	5%
Other operating income	49.0	49.6	48.6	-1%	1%	151.5	134.3	13%
Foreign exchange differences	-4.5	-0.4	3.8	1116%	-218%	-8.5	14.6	-158%
Tender, sell & distribt expenses	-44.1	-40.7	-50.2	8%	-12%	-126.0	-140.0	-10%
Admin expenses	-84.0	-98.8	-91.1	-15%	-8%	-261.0	-266.9	-2%
Other operating expenses	-13.1	-16.0	-15.6	-18%	-16%	-44.5	-45.5	-2%
<b>EBIT</b>	<b>203.3</b>	<b>232.6</b>	<b>241.7</b>	-13%	-16%	<b>656.2</b>	<b>679.8</b>	-3%
Finance Cost	-43.8	-50.3	-33.9	-13%	29%	-143.7	-95.2	51%
Associates	19.7	-2.9	-6.3	-779%	-413%	34.0	44.4	-23%
JVs Income	-2.2	2.6	-0.5	-185%	340%	5.3	5.6	-5%
<b>PBT</b>	<b>172.4</b>	<b>181.9</b>	<b>200.9</b>	-5%	-14%	<b>551.9</b>	<b>634.7</b>	-13%
Taxation	-62.3	-57.6	-51.8	8%	20%	173.6	165.2	5%
Minority Interest	-8.7	-13.5	-10.7	-36%	-19%	-39.6	-51.7	-23%
<b>PATAMI</b>	<b>101.3</b>	<b>110.8</b>	<b>138.3</b>	-9%	-27%	<b>338.6</b>	<b>470</b>	-28%
FD EPS (sen)	2.76	3.02	3.79	-9%	-27%	9.23	11.46	-19%
	<b>3Q18</b>	<b>2Q18</b>	<b>3Q17</b>	<b>pts</b>	<b>pts</b>	<b>9MFY18</b>	<b>9MFY17</b>	<b>+/- ppts</b>
EBIT margin	13%	15%	15%	-1.6	-2.0	14%	15%	-1
PBT margin	11%	11%	13%	-0.4	-4.0	12%	14%	-3
PATAMI margin	6%	7%	9%	-0.5	-2.0	7%	11%	-3
Effective tax rate	36%	32%	26%	4.5	0.0	-31%	-26%	-5
<b>Segmental Breakdown</b>						-	-	-
	<b>3Q18</b>	<b>2Q18</b>	<b>3Q17</b>	<b>QoQ</b>	<b>YoY</b>	<b>9MFY18</b>	<b>9MFY17</b>	<b>YoY</b>
<b>Revenue (RM'm)</b>								
Construction	572.5	664.3	619.4	-14%	-8%	1769.7	1,670.7	6%
Property	355.0	275.8	311.0	29%	14%	929.5	873.5	6%
Industry	261.4	299.2	293.2	-13%	-11%	835.7	858.0	-3%
Plantation	224.8	196.4	220.3	14%	2%	605.9	561.0	8%
Infrastructure	151.8	157.4	152.2	-4%	0%	486.1	432.2	12%
Investment & others	0.55	0.46	0.06	19%	817%	1.20	0.3	300%
<b>TOTAL</b>	<b>1566.1</b>	<b>1593.8</b>	<b>1596.5</b>	-2%	-2%	<b>4628.3</b>	<b>4,396.0</b>	<b>5%</b>
<b>PBT (RM'm)</b>	<b>3Q18</b>	<b>2Q18</b>	<b>3Q17</b>	<b>QoQ</b>	<b>YoY</b>	<b>9MFY18</b>	<b>9MFY17</b>	<b>YoY</b>
Construction	50.2	62.3	48.7	-19%	3%	170.7	157.4	8%
Property	28.5	34.2	41.9	-17%	-32%	87.3	94.2	-7%
Industry	19.2	27.4	39.6	-30%	-52%	69.1	105.7	-35%
Plantation	32.3	18.2	28.8	77%	12%	75.4	131.5	-43%
Infrastructure	41.9	35.7	-9.7	17%	-532%	142.3	26.7	433%
Investment & others	0.0	3.9	51.3	-100%	-100%	6.9	118.9	-94%
<b>TOTAL</b>	<b>172.4</b>	<b>181.9</b>	<b>200.9</b>	-5%	-14%	<b>551.9</b>	<b>634.7</b>	<b>-13.0%</b>
<b>PBT margin (RM'm)</b>	<b>3Q18</b>	<b>2Q18</b>	<b>3Q17</b>	<b>pts</b>	<b>pts</b>	<b>9MFY18</b>	<b>9MFY17</b>	<b>Ppts</b>
Construction	9%	9%	8%	1	-1	10%	9%	0%
Property	8%	12%	13%	-4	-18	9%	11%	-1%
Industry	7%	9%	14%	-2	-3	8%	12%	-4%
Plantation	14%	9%	13%	5	10	12%	23%	-11%
Infrastructure	28%	23%	-6%	5	2	29%	6%	23%

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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.