

14 March 2018 | FY18 Corporate Update

IJM Corp Bhd

Bagged the Coveted LRT3's Underground Segment

Maintain BUY

Target Price (TP): RM4.00

INVESTMENT HIGHLIGHTS

- Accepted the award of LRT3's underground segment
- Scope includes tunnelling and construction of stations
- Orderbook increased to RM10.45b
- Reaffirm our BUY recommendation with a target price of RM4.00 per share


Secured RM1.15bn job. IJM Construction Sdn Bhd, a wholly-owned subsidiary of the Company, has accepted the Letter of Award issued by Prasarana Malaysia Bhd and for the construction of the underground segment of LRT3 in Persiaran Hisammuddin, Section 13 Shah Alam for a sum of RM1.15bn.

Scope. The job scope includes the construction of underground tunnel stations, ancillary buildings and other related works. The construction process applies the tunnelling method using boring machines instead of the conventional cut and paste method. Key risks include execution from tunnelling as it involves steep learning curve for the project team as tunnelling know-how is relatively new to IJM and underground cavities due to soil factor.

Duration. The duration of the job is 31 months from 2019-2021 and slated to commence no later than 4Q18.

Orderbook swells over RM10.45bn. With this new contract, the orderbook increased accordingly to RM10.45bn (+12.3% from its previous RM9.3bn orderbook level)

Impact on Earnings. Nevertheless, the impact is positive and falls within our job replenishment assumptions hence we make no changes to our earnings forecast at this juncture. In our view, IJM needs at least RM2.8bn worth of orderbook replenishment for FYE19 to prompt a re-rating on the basis of earnings upside.

Recommendation. Due to the recent market sell-off the share price remains at an attractive price. Hence, we maintain our **BUY** with a TP of **RM4.00** per share based on FYE18 sum-of-parts valuation. IJM remains as our one of top-pick for big-cap construction sector due to formidable execution track record and order book replenishment capabilities. 

RETURN STATS

Price (13 March 2018)	RM2.76
Target Price	RM4.00
Expected Share Price Return	+45.0%
Expected Dividend Yield	+2.7%
Expected Total Return	+47.7%

STOCK INFO

KLCI	1864.03
Bursa / Bloomberg	3336 / IJM MK
Board / Sector	Main / Construction
Syariah Compliant	Yes
Issued shares (mil)	3627.88
Par Value (RM)	1.00
Market cap. (RM'b)	10.0
Price over NA	1.05x
52-wk price Range	RM2.55 – RM3.61
Beta (against KLCI)	1.2x
3-mth Avg Daily Vol	4.47m
3-mth Avg Daily Value	RM12.7m
Major Shareholders (%)	
EPF	14.69
ASB	6.76
LTH	6.48

INVESTMENT STATISTICS

FYE March	FY15	FY16	FY17	FYE18	FYE19	FYE20
Revenue (RM'm)	5,448	5,128	6,065	6,146	6,250	6,400
EBIT (RM'm)	1,292	1,301	1,081	1,131	1117	1202
Pre-tax Profit (RM'm)	1,019	1,155	1,010	988	990	1051
Normalised PATAMI (RM'm)	489	788	653.7	494	510	550
FD EPS (sen)	31	22	18	34	29	31
EPS growth (%)	-27	-29	-99	90	-14.7	6.9
PER (x)	9.03	12.55	15.42	8.12	9.52	8.90
Net Dividend (sen)	15	16	18	17	20	20
Net Dividend Yield (%)	2.5	2.2	2.5	2.7	2.5	2.5

Source: 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
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
				5.09
Total value			18,072.0	5.07
(Net debt) / net cash			-3,724.0	-1.04
SOP per share				4.0
No. of shares outstanding (mil)				3,565.6

Source: MIDFR

DAILY PRICE CHART



Source: Bloomberg, 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.