

05 January 2015 | Corporate Update

IJM Corp Berhad

A surprise job win

Reaffirm BUY

Adjusted Target Price (TP): RM7.33
(from RM7.20)

INVESTMENT HIGHLIGHTS


- **IJM Corp has been awarded a contract worth RM538.6m for the construction works of a proposed mixed development known as "Puteri Cove Residences" in Johor.**
- **Including the above jobs, total construction backlog now stands at RM6.1b.**
- **Pursuant to this contract win, we have adjusted upward our earnings forecast. Hence we reaffirm our BUY recommendation on IJM Corp with a slightly higher TP of RM7.33.**

The contract. IJM Construction Sdn Bhd, a wholly-owned subsidiary of the IJM Corp, has today accepted the Letter of Award from Pearl Discovery Development Sdn Bhd for the construction and completion of superstructure works for the proposed mixed development known as "Puteri Cove Residences" on Plot TR-2-2, Mukim Pulai, Johor worth RM538.5m.

The contract jobs involve the building works of three blocks of 32-storey serviced apartments (998 units), one block of 5-storey soho (56 units), serviced apartment facilities, two multi-storey car park podiums, two lobbies and 2-storey retail centre. We understand that the construction period requires 2 years and 9 months to complete.

Our views. We are pleasantly surprised with the above contract win. With this contract, IJM Corp has surpassed our job replenishment assumption of RM4b for FY15. This new contract could enhance its earnings for the next two to three years and raised its construction backlog from RM5.6b to RM6.1b. Thus far this financial year, it has replenished RM4.4b worth of contracts with an earnings visibility of four to five years.

Assuming a PBT margin of 6-7%, we expect this latest project would contribute approximately RM33.8m (based on 97% construction progress) to be spread between FY16 and FY18. Pursuant to this job, we have revised upward our FY16 earnings forecast by 1.4%.

Reaffirm BUY. As such, we reaffirm our **BUY** recommendation on IJM Corp with an adjusted **TP of RM7.33** using FY16 Sum-of-Parts (SOP) analysis. Our new TP implies 10.7% potential share price return. We continue to like IJM Corp due to the following: (1) healthy construction backlog of RM6.1b, (2) strong unbilled property sales of circa RM1.8b which could sustain earnings for the next two years, and (3) solid concession assets which will provide steady recurring income. 

RETURN STATS	
Price (2 January 2015)	RM6.62
Target Price	RM7.33
Expected Share Price Return	+10.7%
Expected Dividend Yield	+2.9%
Expected Total Return	+13.6%

STOCK INFO	
KLCI	1,752.77
Bursa / Bloomberg	3336 / IJM MK
Board / Sector	Main/Construction
Syariah Compliant	Yes
Issued shares (mil)	1,490.3
Par Value (RM)	1.00
Market cap. (RM'm)	9,866.1
Price over NTA	1.39x
52-wk price Range	RM5.57–RM7.03
Beta (against KLCI)	0.85x
3-mth Avg Daily Vol	2.85m
3-mth Avg Daily Value	RM18.84m
Major Shareholders	
EPF	12.93%
JP Morgan Chase Bank	10.33%
ASB	8.39%

INVESTMENT STATISTICS

FYE March	FY12	FY13	FY14	FY15F	FY16F
Revenue (RM'm)	4,517.9	4,663.4	6,006.5	6,195.6	6,901.5
EBIT (RM'm)	972.5	1,019.3	1,787.9	1,350.5	1,493.8
Pre-tax Profit (RM'm)	801.6	835.8	1,416.3	1,151.7	1,293.2
Normalised PATAMI (RM'm)	409.1	420.9	539.0	541.9	655.2
FD EPS (sen)	29.2	29.9	37.5	37.7	45.6
EPS growth (%)	25.0	2.6	25.4	0.4	21.1
PER (x)	18.9	17.9	10.4	17.6	14.5
Net Dividend (sen)	12.0	13.0	25.0	12.5	19.5
Net Dividend Yield (%)	2.1	2.4	2.4	1.9	2.9

Source: Company data, forecasts by MIDFR

FY16 SOP VALUATION

Segments	Basis	Value (RM'm)	Per Share (RM)
Construction	FY16 PER of 17x	2,634.7	1.81
IJM Property	FY16 PER of 14x	3,066.0	2.10
Industrial	FY16 PER of 12x	1,184.3	0.81
IJM Plantation	MIDFR TP of RM3.30	1,500.0	1.03
Concessions Assets	DCF (WACC: 9% - 10%)	6,122.4	4.20
Keuro	Market Cap at RM1.00	257.6	0.18
Scomi Group	Market cap at 28sen	33.3	0.02
Total value		14,798.4	10.15
(Net debt) / net cash		-4,108.1	-2.82
SOP per share			7.33
Enlarged share cap (mil)			1,457.5

Source: Target price and forecasts by MIDFR

DAILY PRICE CHART



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Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected, by -15% or more, over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% 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.