

## IJM Corporation Berhad

(3336 | IJM MK) Main | Construction

**Maintain BUY**


### IJM Corp acquires 44.83% stake in Pestech International

**Unchanged Target Price: RM1.93**

#### DEVELOPMENT

- IJM Corp is acquiring 800m shares of Pestech International Bhd for RM124m in a conditional subscription agreement that will see the IJM holding a 44.83% stake of Pestech's enlarged share capital. Pestech is primarily involved in project management, engineering, digitalisation, manufacturing, installation, testing and commissioning of electrical power infrastructures for power grid systems and rail networks.
- The subscription price of 15.5 sen per share reflects a discount of 47.46% from Pestech's last traded price of 29.5 sen yesterday.
- IJM Corp has no intention of taking over Pestech and will be seeking an exemption from the Securities Commission from the obligation of making a mandatory takeover offer.
- IJM Corp will be holding a briefing today on its investment in Pestech.

#### OUR VIEW

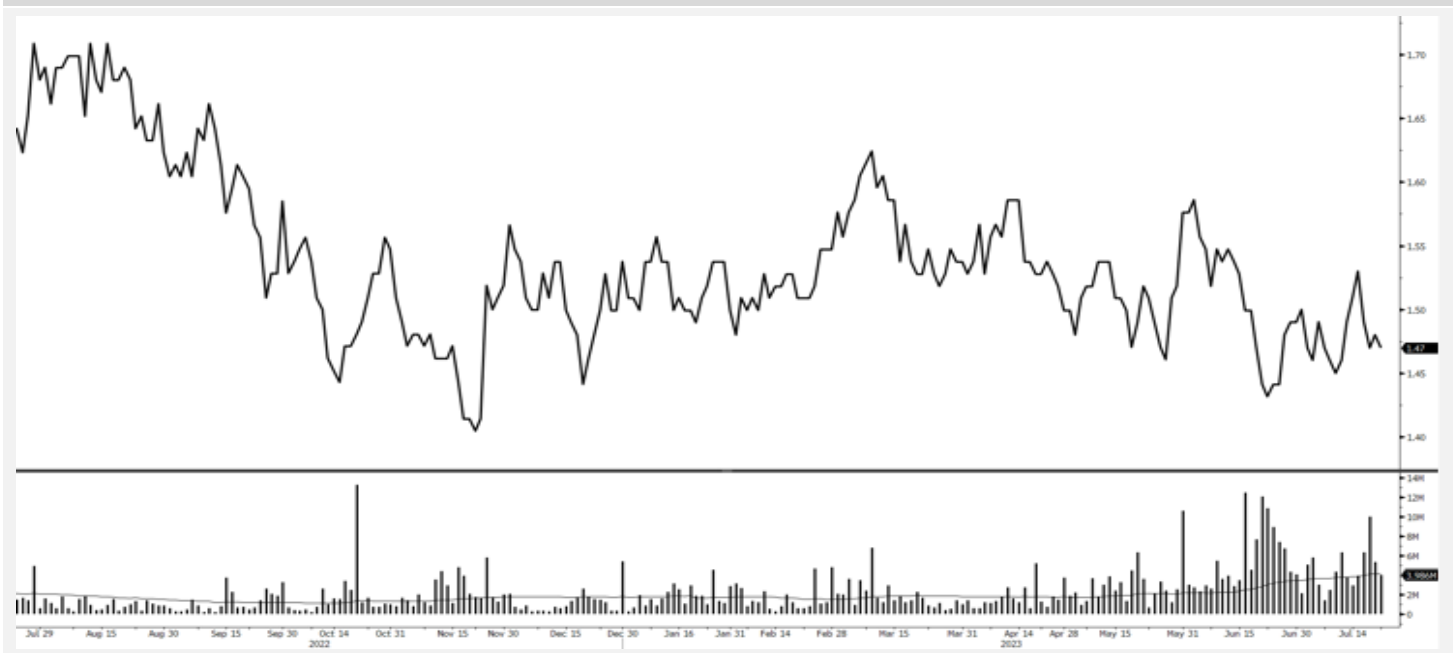
- **Synergy.** The investment will make Pestech an associate company of IJM Corp, and we expect IJM Corp to be able to benefit from the synergy opportunities with Pestech's expertise in electrical power infrastructures for power grid and rail network. Pestech has an outstanding order book of RM1.56b, giving it earnings visibility in the short term.
- **Strengthening overseas expansion.** The investment will also provide IJM Corp with the access to Pestech's transmission line projects in Cambodia and to other developing countries in the region where Pestech has access to, such as the Philippines and Thailand. Pestech also has operations in Papua New Guinea and West Africa, which will further support IJM Corp's expansion strategy out of Malaysia.
- **Earnings estimate and TP.** We are making no changes to our forecasts for now pending management's briefing today. We maintain our **TP** of **RM1.93**, as we peg IJM Corp's FY24E EPS of 9.2 sen to its three-year historical mean PER of 21.0x.
- **Reiterate BUY.** We remain optimistic on IJM Corp's outlook in FY24 on the back of expectations of stronger construction job flows, including opportunities in East Malaysia and Kalimantan that the group plans to tap on. The group is also among the main contenders of the upcoming MRT3, with tenders submitted for all the three main packages. Other positive factors include its strong construction order book of RM4.5b and unbilled property sales of RM3.0b. 

## INVESTMENT STATISTICS

Annual Standardized Year end 31 Dec	2021A	2022A	2023A	2024F	2025F
Revenue	4,893.2	4,409.0	4,572.5	5,213.6	6,868.5
Gross profit	928.5	762.1	1,179.9	964.2	1,254.6
Operating profit	904.0	537.5	740.9	748.4	978.7
Net interest	(203.5)	(188.3)	(255.3)	(212.1)	(269.8)
Profit before tax	626.4	317.9	483.0	536.3	642.4
Tax	(106.3)	(182.9)	(271.4)	(153.5)	(221.7)
PATAMI	397.0	102.1	158.3	323.2	412.1
Core PATAMI	232.7	200.2	294.1	323.2	412.1

Source: Company, MIDFR

### SHARE PRICE CHART



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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.

#### ESG RECOMMENDATIONS\* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

\* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology