

IJM Corporation Berhad

(3336 | IJM MK) Main | Construction

In Line with Expectations

KEY INVESTMENT HIGHLIGHTS

- **1QFY24 core earnings slightly more than doubled to RM66.9m**
- **Construction PBT declined -42.6%yoy to RM11.2 due to higher material prices and early stages of ongoing projects**
- **Infrastructure segment led earnings with 17.6x growth in PBT to RM48.4m, mainly from stronger Kuantan Port cargo throughput**
- **Maintain BUY with a higher TP of RM2.11**

Within estimates. IJM Corporation Berhad (IJM) recorded a stronger revenue in 1QFY24 by +14.3%yoy to RM1.23b while its core net profit rose slightly more than double to RM66.9m from RM31.4m a year ago, driven by stronger earnings from property development, manufacturing and quarrying and infrastructure. The results came within our expectations at 20.7% of full year estimates, but missed consensus expectations at 17.9% of FY24 projections.

Construction. IJM's construction segment achieved a revenue of RM307.2m for the quarter, an increase of +14.5%yoy but its PBT slipped -42.6%yoy to RM11.2m as some ongoing projects were affected by higher material and commodity prices, affecting margins. Meanwhile, some of the newer projects being worked on were still at initial stages and profit recognition will only kick in once a certain completion milestone is achieved. The group's priority for FY24 will be on the timely execution and completion of ongoing projects and to scout for opportunities of order book replenishment with the expectations of large-scale infrastructure projects rollout by the government. IJM's outstanding order book stands at RM4.9b, with earnings visibility over the next few financial years.

Property development. IJM's property development division recorded a quarterly revenue of RM369.5m an increase of +7.1%yoy on the back of higher work progress while its PBT jumped 2.4x to RM81.2m, mainly from an unrealised foreign exchange gain of RM42.2m. Excluding this, property development PBT for the quarter would be RM39.0m, a +15.0%yoy increase. The group has RM2.5b worth of unbilled sales.

Manufacturing and quarrying. Revenue from the segment climbed +23.3%yoy to RM307.4m and a +41.7%yoy higher PBT of RM44.4m, attributable to stronger deliveries and margins of piles, quarry and ready-mixed concrete.

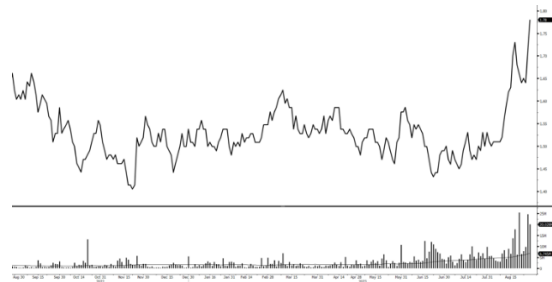
Infrastructure. Stronger cargo throughput from IJM's Kuantan Port anchored the growth in the segment's revenue by +15.0%yoy to RM241.7m, generating a 17.6x growth in PBT to RM48.4m, which was also attributable to lower unrealised foreign exchange losses of -RM1.9m in 1QFY24 as compared to -RM33.0m in 1QFY23.

Maintain BUY
Revised Target Price: RM2.11
 (previously RM1.93)

RETURN STATISTICS

Price @ 28 th Aug 2023 (RM)	1.78
Expected share price return (%)	+18.54
Expected dividend yield (%)	3.79
Expected total return (%)	+22.33

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	18.7	19.2
3 months	19.5	15.3
12 months	4.9	9.0

INVESTMENT STATISTICS

FYE Mar	2024E	2025F	2026F
Revenue	5,213.6	6,868.5	7,074.6
Operating Profit	748.4	978.7	1,202.7
Profit Before Tax	536.3	642.4	848.9
Core PATAMI	323.2	412.1	424.5
Core EPS	9.2	11.7	12.1
DPS	8.0	8.0	8.0
Dividend Yield	3.8%	3.8%	3.8%


KEY STATISTICS

FBM KLCI	1,444.06
Issue shares (m)	3512.90
Estimated free float (%)	47.58
Market Capitalisation (RM'm)	6,240.98
52-wk price range	RM1.43-RM1.78
3-mth average daily volume (m)	6.32
3-mth average daily value (RM'm)	9.92
Top Shareholders (%)	
Amanah Saham Nasional Bhd	17.16
Employees Provident Fund Board	16.63
Kumpulan Wang Persaraan	8.56

Analyst
Royce Tan Seng Hooi
 royce.tan@midf.com.my
 03-2173 8461

Earnings estimates. We are making no changes to our earnings estimates for FY24E and FY25F and we introduce FY26F.

Target price. We are revising our **TP** upwards to **RM2.11** from RM1.93 as we peg its FY25F EPS of 11.7 sen to a PER of 18x, which is +1SD above its two-year mean to reflect the better prospects from the expected improvement of the construction sector.

Maintain BUY. We remain optimistic on IJM's outlook in FY24 onwards, on the back of expectations of stronger construction job flows, including opportunities in East Malaysia and Kalimantan. Recall that the group has already made inroads in Kalimantan as it has received a letter to proceed from the Indonesian government where it has to submit a proposal for the construction of government housing for civil servants in the new capital, Nusantara. The contract is worth more than RM1b, which will mark IJM's maiden job in Nusantara and could pave the way for more jobs there. In Malaysia, IJM is among the main contenders of the upcoming MRT3, with tenders submitted for all three main packages. Meanwhile, balance sheet also remains healthy with a net gearing of 19.5%. All factors considered, we reiterate our **BUY** recommendation on **IJM**. 

IJM CORP: 1QFY24 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results				
	1QFY24	4QFY23	1QFY23	QoQ	YoY
Income Statement					
Revenue	1,225.8	1,326.8	1,072.7	-7.6%	14.3%
Gross Profit	279.1	405.6	234.8	-31.2%	18.8%
Net Operating Expenses	(32.9)	(194.5)	(86.5)	83.1%	62.0%
Operating Profit	246.2	211.2	148.3	16.6%	66.0%
Finance Costs	(69.2)	(83.8)	(51.3)	17.4%	-34.9%
JV and Associates	3.1	27.8	(5.8)	-88.8%	153.7%
Profit Before Tax	180.1	155.3	91.2	16.0%	97.5%
Tax Expense	(65.3)	(124.7)	(42.3)	47.7%	-54.2%
Minority Interest	2.7	(22.6)	3.9	111.7%	-32.2%
Perps.	11.6	11.5	11.6	0.7%	0.0%
Reported Net Profit	100.6	23.1	33.4	336.6%	201.3%
Core Net Profit	66.9	112.9	31.4	-40.7%	113.1%

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024F	2025F	2026F
Revenue	4,409.0	4,572.5	5,213.6	6,868.5	7,074.6
Gross profit	762.1	1,179.9	1,199.1	1,254.6	1,556.4
Operating profit	537.5	740.9	748.4	978.7	1,202.7
Net interest	(188.3)	(255.3)	(212.1)	(269.8)	(283.0)
Profit before tax	317.9	483.0	536.3	642.4	848.9
Tax	(182.9)	(271.4)	(153.5)	(221.7)	(212.2)
PATAMI	102.1	158.3	323.2	412.1	424.5
Core PATAMI	200.2	294.1	323.2	412.1	424.5

Balance Sheet (RM'm)	2022A	2023A	2024F	2025F	2026F
Fixed assets	5,682.0	5,207.2	4,946.8	5,095.2	5,350.0
Intangible assets	93.6	125.4	112.9	101.6	101.6
Non-current assets	8,653.1	8,676.1	8,403.2	8,540.3	8,795.1
Cash	2,908.7	2,825.2	2,713.4	2,769.3	2,407.9
Trade debtors	1,301.9	1,261.8	1,564.1	2,060.6	2,122.4
Current assets	12,358.9	11,834.5	12,746.5	12,634.3	12,589.5
Trade creditors	2,676.1	2,679.8	2,545.8	2,494.9	2,483.2
Short-term debt	1,609.6	1,696.6	1,600.0	1,600.0	1,600.0
Current liabilities	4,562.5	4,800.8	4,836.7	4,733.3	4,721.6
Long-term debt	3,904.6	3,650.8	4,189.6	3,905.8	3,983.9
Non-current liabilities	4,716.3	4,490.0	5,028.8	4,745.0	4,823.1
Share capital	6,127.7	6,132.4	6,132.4	6,132.4	6,132.4
Retained earnings	4,000.1	4,024.6	4,347.8	4,759.9	4,903.4
Equity	11,460.7	10,961.0	11,284.2	11,696.3	11,839.8
Cash Flow (RM'm)	2022A	2023A	2024F	2025F	2026F
PBT	317.9	483.0	536.3	642.4	848.9
Operating cash flow	1,217.4	1,276.0	1,277.0	1,383.1	1,589.6
Capital expenditure	(414.7)	(195.7)	(200.0)	(200.0)	(250.0)
Investing cash flow	1,202.4	(159.0)	(163.3)	(163.3)	(196.0)
Debt raised/(repaid)	(417.9)	(156.3)	(155.0)	(155.0)	(62.0)
Dividends paid	(750.6)	(211.4)	(281.0)	(281.0)	(281.0)
Financing cash flow	(1,909.4)	(1,199.0)	(1,267.3)	(1,267.3)	(1,174.3)
Net cash flow	510.3	(82.0)	(153.6)	(47.5)	219.3
Beginning cash flow	2,381.0	2,887.5	2,807.8	2,654.2	2,606.7
Ending cash flow	2,887.5	2,807.8	2,654.2	2,606.7	2,826.0
Profitability Margins	2022A	2023A	2024F	2025F	2026F
Gross profit margin	17.3%	25.8%	23.0%	19.0%	22.0%
Operating profit margin	12.2%	16.2%	14.4%	14.2%	17.0%
PBT margin	7.2%	10.6%	10.3%	9.4%	12.0%
PAT margin	2.3%	6.0%	6.2%	6.0%	6.0%
Core PAT margin	4.5%	6.0%	6.2%	6.0%	6.0%

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.

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