

IJM Corporation Berhad

(3336 | IJM MK) Main | Construction

Secures Two ICQC Packages for RTS Link

KEY INVESTMENT HIGHLIGHTS

- **Bagged two packages worth RM1.1b for the ICQC for JB-Singapore's RTS Link**
- **Project size of RM1.1b in total, to be completed by 30 December 2026**
- **To contribute RM77m to RM88m of gross profit, assuming 7%-8% of margins**
- **Maintain BUY with an unchanged TP of RM2.11**

RM1.1b of RTS jobs. IJM Corporation Berhad (IJM) has bagged two new jobs worth RM1.1b in total, for the Immigration Customs and Quarantine Complex (ICQC) for the Rapid Transit System (RTS) Link from Johor Bahru to Singapore. The projects were awarded to the group's wholly-owned subsidiary IJM Construction Sdn Bhd by Malaysia Rapid Transit System Sdn Bhd.

Project details. The jobs include Package 2A for design, construction and completion of the ICQC and Package 2B for external works. There is also a provisional sum of RM155m for the two jobs. While the starting date of the project is still unclear at this moment, it is expected to be completed by 30 December 2026. As previously reported in the news, the RTS is expected to begin operations in Jan-27.

Financial impact. Assuming a gross profit margin of 7%-8%, the two packages are expected to contribute a total of RM77m-RM88m of gross profit, most of which will be recognised in FY26 and FY27.

Order book. With these latest wins, IJM's outstanding orderbook is approximately RM6b, giving it strong earnings visibility over the next few financial years. Recall that the group's construction segment generated a revenue of RM307.2m in 1QFY24 ending Jun-23 but its PBT slid -42.6%yoy to RM11.2m, where among the reasons was its ongoing projects were still at initial stages. Profit recognition will only kick in once a certain completion milestone is achieved.

Earnings estimates. We are making no changes to our earnings estimates as the new wins are within replenishment expectations.

Target price. Hence, we are also maintaining our **TP of RM2.11** 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. Prospects for the construction sector are positive, with the expectations of large-scale infrastructure projects that will be rolled out by the government. IJM, being among the bigger names in the sector, stands to benefit from this, backed by its extensive portfolio and its healthy balance sheet. IJM is also among the main contenders of the upcoming MRT3, with tenders submitted for all three main packages. All factors considered; we reiterate our **BUY** recommendation on **IJM**.

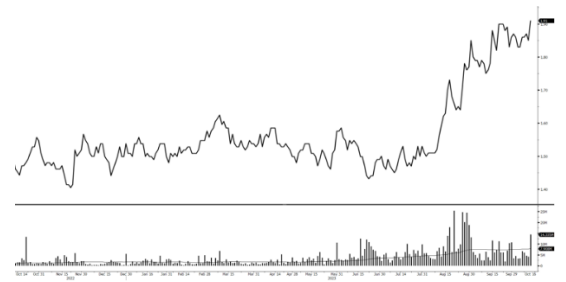
Maintain BUY

Unchanged Target Price: RM2.11

RETURN STATISTICS

| | |
|--|---------------|
| Price @ 12 th Oct 2023 (RM) | 1.91 |
| Expected share price return (%) | +10.47 |
| Expected dividend yield (%) | 3.79 |
| Expected total return (%) | +14.26 |

SHARE PRICE CHART



| Price performance (%) | Absolute | Relative |
|-----------------------|----------|----------|
| 1 month | 8.5 | 9.3 |
| 3 months | 2.7 | 24.0 |
| 12 months | 25.7 | 19.6 |

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 | 1,443.82 |
| Issue shares (m) | 3512.90 |
| Estimated free float (%) | 47.64 |
| Market Capitalisation (RM'm) | 6,696.78 |
| 52-wk price range | RM1.43-RM1.93 |
| 3-mth average daily volume (m) | 7.68 |
| 3-mth average daily value (RM'm) | 13.09 |
| Top Shareholders (%) | |
| Amanah Saham Nasional Bhd | 17.13 |
| Employees Provident Fund Board | 16.78 |
| Kumpulan Wang Persaraan | 9.22 |

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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

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|----------|--|
| 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