

IJM Corporation Berhad

(3336 | IJM MK) Main | Construction

Property and Infrastructure Lifts Quarter

KEY INVESTMENT HIGHLIGHTS

- **2QFY24 revenue +36.1%yoy to RM1.46b; core earnings +98.6%yoy to RM141.3m**
- **Construction PBT declined -37.3%yoy to RM15.3m due to higher material prices and early stages of ongoing projects**
- **Property development PBT rose 2.6x to RM76.2m, infrastructure PBT returned to the black at RM53.7m**
- **Maintain BUY with unchanged TP of RM2.11**

Above expectations. IJM Corporation Berhad (IJM) recorded a stronger revenue in 2QFY24 by +36.1%yoy to RM1.46b, recording a core net profit of RM141.3m, an increase of +98.6%yoy. Despite lower construction profit as most projects were still in the initial stages, this was offset by the stronger performances in the property and infrastructure divisions. For the cumulative 1HFY24, revenue grew +25.2%yoy to RM2.68b while core net profit doubled to RM208.2m, coming in above expectations at 64.4% of house and 57.7% of street's estimates. An interim dividend of 2 sen per share was declared.

Construction. IJM's construction segment achieved a revenue of RM416.1m for the quarter, an increase of +54.9%yoy but its PBT declined -37.3%yoy to RM15.3m, indicating a margin of only 3.7%, as compared to 9.1% in the same quarter last year. Among factors include material and commodity price increases and prolongation cost, on top of new projects being at the initial stages of construction. In earnings call yesterday, management updated that most projects have yet to hit 10% in terms of progress and profit margins will pick up again as works progress further.

Property development. IJM's property development division recorded a +42.0% increase in quarterly revenue to RM463.7m while its PBT jumped 2.6x to RM76.2m. This was attributable to higher work progress at ongoing projects and the completion of the sale of two parcels of industrial land in Bandar Rimbayu. Management's FY24 target is RM2b of new sales and they have achieved RM851m as at 1HFY24. Unbilled sales currently stand at RM2.5b. New properties launch target is RM3b and IJM has launched RM1.5b of new projects thus far.

Manufacturing and quarrying. Revenue from the segment rose +21.9%yoy to RM316.0m due to higher deliveries of piles, quarry products and ready-mixed concrete. There was a decline of -11.6%yoy in PBT to RM44.7m however, due to a one-off gain from disposal of asset of RM7.6m in the previous year's corresponding quarter. Excluding this, PBT represents a +4.0%yoy growth.

Infrastructure. Stronger cargo throughput from IJM's Kuantan Port continued to anchor the growth of the segment which saw an increase of +11.6%yoy in revenue to RM242.4m and a PBT of RM53.7m, an improvement over a loss of -RM16.6m last year.

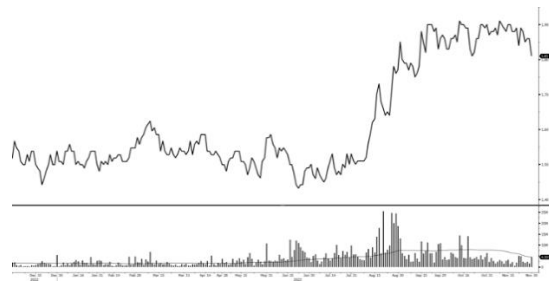
Maintain BUY

Unchanged Target Price: RM2.11

RETURN STATISTICS

Price @ 30 th Nov 2023 (RM)	1.81
Expected share price return (%)	+16.57
Expected dividend yield (%)	3.79
Expected total return (%)	+20.36

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-4.7	-5.9
3 months	-2.7	3.0
12 months	14.7	17.7

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	1,452.74
Issue shares (m)	3512.90
Estimated free float (%)	47.36
Market Capitalisation (RM'm)	6,346.16
52-wk price range	RM1.43-RM1.95
3-mth average daily volume (m)	5.38
3-mth average daily value (RM'm)	9.94
Top Shareholders (%)	
Amanah Saham Nasional Bhd	17.13
Employees Provident Fund Board	16.85
Kumpulan Wang Persaraan	9.38

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


Stellar construction order book. IJM Corp has been on a job winning spree, already securing RM2.80b or 93.2% of its FY24 replenishment target of RM3.0b. Among notable job wins were the Shah Alam International Logistics Hub (RM653.6m), the Johor Immigration Customs and Quarantine Complex for the JB-Singapore RTS (RM1.26b) and the Kuantan Port spurline for the ECRL (RM300.3m). Management is optimistic on at least hitting RM4b in terms of job replenishments in FY24. It has been tendering for quite a number of jobs such as semiconductor and E&E factories and warehouses. Management is also expecting the NPE expansion job, of which the size is expected to be about RM1.0b. Outstanding order book remains strong at RM6.4b, the bulk of it or 89% are building projects. On future tender participation, management indicated that they will be interested in most major infrastructure projects which includes Penang LRT, flood mitigation projects and airport expansion, among others. IJM also intends to participate in the request for information (RFI) for the KL-Singapore HSR via a consortium.

Overseas prospects. The group is also bidding for highway projects in India, with a variety of projects coming up. IJM is no stranger in India, having worked on several road projects and some jobs for the Metro Rail years back. As for the group's entry into Nusantara, it is currently finalising a feasibility study on the construction of 20 blocks of residential towers, estimated to be a RM1.5b project. The study is expected to be submitted to the relevant Indonesia authorities by Jan-24.

Pestech acquisition. IJM's proposed acquisition of Pestech International Bhd has been delayed as two conditions precedent were still pending – the application for exemption from undertaking a mandatory general offer (MGO) and the other on the financial condition of Pestech, where it is now appointing an independent consultant to regularise its financial condition and provide a proposal on all its lenders. These are targeted to be completed by Feb-24. On the KLIA aerotrains project, management said discussion is still ongoing.

Earnings estimates. We are making no changes to our earnings estimates for now as we expect earnings growth to moderate in 2HFY24.

Target price. We are also maintaining our **TP** at **RM2.11**, which was derived by pegging 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 on top of a strong pipeline of industrial jobs such as data centres, warehouses, and semiconductor factories. IJM, being among the more renowned names in the sector, stands to benefit from this, backed by its extensive portfolio and its healthy balance sheet with a net gearing of 18.7%. We also like that it continues to seek opportunities overseas, especially its maiden job in Nusantara, which we believe could pave the way for more jobs there. Meanwhile, the group's other business divisions – property, manufacturing and quarrying and infrastructure are also expected to perform better for the year. All factors considered, we reiterate our **BUY** recommendation on **IJM**. 

IJM CORP: 2QFY24 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
Income Statement	2QFY24	1QFY24	2QFY23	QoQ	YoY	6MFY24	6MFY23	YoY
Revenue	1,458.4	1,225.8	1,071.9	19.0%	36.1%	2,684.2	2,144.6	25.2%
Gross Profit	416.1	279.1	256.9	49.1%	62.0%	695.2	491.8	41.4%
Net Operating Expenses	(146.2)	(32.9)	(100.6)	-344.4%	-45.4%	(179.1)	(187.1)	4.2%
Operating Profit	269.9	246.2	156.4	9.6%	72.6%	516.1	304.7	69.4%
Finance Costs	(77.2)	(69.2)	(58.6)	-11.6%	-31.9%	(146.4)	(109.9)	-33.3%
JV and Associates	(1.6)	3.1	(9.0)	-152.5%	81.8%	1.5	(14.8)	110.0%
Profit Before Tax	191.0	180.1	88.8	6.0%	115.1%	371.1	180.0	106.2%
Tax Expense	(78.6)	(65.3)	(45.7)	-20.4%	-72.0%	(143.9)	(88.0)	-63.5%
Minority Interest	7.0	2.7	4.3	161.3%	61.0%	9.6	8.2	16.6%
Perps.	11.8	11.6	11.8	2.0%	0.0%	23.3	23.3	0.0%
Reported Net Profit	93.7	100.6	27.0	-6.9%	246.6%	194.3	60.4	221.5%
Core Net Profit	141.3	66.9	71.2	111.2%	98.6%	208.2	102.6	103.0%

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