

IJM Corporation Berhad

(3336 | IJM MK) Main | Construction

9MFY24 Surpasses FY23 Performance

KEY INVESTMENT HIGHLIGHTS

- **9MFY24 core net profit grew +65.8%yoy to RM300.5m, surpassing FY23 performance**
- **3QFY24 saw construction, property development and industrials achieving stronger top and bottom lines**
- **Secured 90.6% of FY24 order book replenishment of RM4.0b; outstanding order book is now at RM6.6b**
- **Maintain BUY with a revised TP of RM2.57**

Above expectation. IJM Corporation Berhad (IJM) has posted a stronger revenue in 3QFY24 by +34.0%yoy to RM1.48b while its core net profit grew +17.3%yoy to RM92.3m, driven by improved activities in construction, property development and manufacturing and quarrying. For the cumulative 9MFY24, the group's revenue saw a +28.2%yoy improvement to RM4.16b while its core net profit surged +65.8%yoy to RM300.5m. This has surpassed the FY23 core earnings of RM294.1m. The results came in above ours but within consensus estimates, making up 93.0% and 79.7% of full-year projections respectively.

Higher construction activities. Construction revenue jumped +60.3%yoy to RM427.6m during the quarter, delivering a PBT of RM11.8m (+42.2%yoy). The PBT margin however, declined to 2.8% from 3.1% in the same quarter last year. This is more apparent in the cumulative 9MFY24 PBT at RM38.3m (-26.6%yoy), where margins declined from 6.5% to 3.3%. This was due to the impact of higher material and commodity prices and prolongation costs while newer projects undertaken were still at initial stages which did not allow for profit recognition yet.

Property development. The segment's revenue for the quarter rose +33.7%yoy to RM501.4m, delivering a PBT of RM122.5m (+55.9%yoy). Margins saw an improvement from 21.0% to 24.4%. This is attributable to higher level of work achieved from ongoing developments and the completion of two parcels of land sales in Kuala Lumpur and IJM Rimba. It currently has unbilled sales of RM2.5b.

Manufacturing and quarrying. Topline for the segment grew +22.3%yoy during the quarter to RM293.6m on the back of higher delivery volumes for piles, quarry and ready-mixed concrete products, on top of higher selling prices. PBT grew +35.2% to RM44.9m, which saw an improvement in margins from 13.8% to 15.3%.

Infrastructure. As a whole, the group's revenue for toll and port businesses grew +9.6%yoy in 3QFY24 while the PBT surged 2.4x to RM51.3m. This is attributable mainly due to recovery in cargo throughput, higher ship revenue and implementation of new tariff rates from Mar-23. For the toll operations, the absence of higher maintenance costs and lower unrealised foreign exchange losses from its India operations lifted the bottom line.

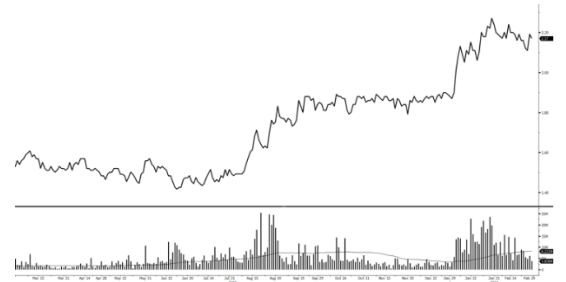
Maintain BUY

Revised Target Price: RM2.57
(Previously RM2.11)

RETURN STATISTICS

Price @ 28 th Feb 2024 (RM)	2.17
Expected share price return (%)	+18.43
Expected dividend yield (%)	3.11
Expected total return (%)	+21.54

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-2.7	-5.2
3 months	15.4	9.3
12 months	36.6	28.5

INVESTMENT STATISTICS

FYE Mar	2024E	2025F	2026F
Revenue	5,487.0	6,868.5	7,074.6
Operating Profit	1,015.1	1,236.3	1,273.4
Profit Before Tax	712.8	892.9	919.7
Core PATAMI	389.6	501.4	530.6
Core EPS	11.1	14.3	15.1
DPS	8.0	8.0	8.0
Dividend Yield	3.1%	3.1%	3.1%

KEY STATISTICS


FBM KLCI	1,545.59
Issue shares (m)	3512.90
Estimated free float (%)	47.44
Market Capitalisation (RM'm)	7,608.38
52-wk price range	RM1.43-RM2.30
3-mth average daily volume (m)	7.99
3-mth average daily value (RM'm)	17.00
Top Shareholders (%)	
Employees Provident Fund Board	17.73
Amanah Saham Nasional Bhd	16.34
Kumpulan Wang Persaraan	9.18

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Order book. IJM's current outstanding order book stands at RM6.6b, comprising 83% of building projects, 10% infrastructure and 7% roads. It has secured RM3.62b of new jobs for FY24, or 90.6% of its RM4b. Among projects secured recently are the Kuching Urban Transportation Rembus Depot (RM260.8m), KLIA Aerotrain (RM105.4m) and infrastructure works for the Malaysia-China Kuantan International Logistics Park (RM147.4m). Management is also targetting the NPE expansion job, which may add about RM1.0b to its order book. Other jobs on the group's radar include semiconductor and E&E factories and warehouses, Penang LRT, flood mitigation projects and airport expansion, among others. IJM is also part of a consortium together with Berjaya Rail Sdn Bhd, MRCB and KTMB that submitted a request for information (RFI) proposal for the KL-Singapore High Speed Rail last month.

Earnings estimates. We are revising our core earnings estimates for FY24E/FY25F/FY26F by +20.5%/+21.7%/+25.0% to RM389.6m/RM501.4m/RM530.6m to account for the stronger performance and the expectations of improving margins as projects pick up pace

Target price. We are also upgrading our **TP** to **RM2.57** from **RM2.11** previously, which was derived by pegging its FY25F EPS of 14.3 sen to its three-year mean PER of 18x.

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, based on development initiatives lined out in the Budget 2024 and the Mid-Term Review of the 12th Malaysia Plan. We expect IJM, being among the more renowned names in the sector to benefit from this, backed by its extensive portfolio and its healthy balance sheet with a net gearing of 16.0%. Recall that management is also seeking opportunities overseas, such as its potential maiden job in Nusantara and also in India. 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: 3QFY24 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
	Q324	Q224	Q323	QoQ	YoY	9MFY24	9MFY23	YoY
Income Statement								
Revenue	1,475.4	1,458.4	1,101.1	1.2%	34.0%	4,159.6	3,245.7	28.2%
Gross Profit	374.7	416.1	282.5	-10.0%	32.6%	1,069.9	774.3	38.2%
Net Operating Expenses	(64.4)	(146.2)	(57.5)	56.0%	-11.9%	(243.5)	(244.6)	0.4%
Operating Profit	310.3	269.9	225.0	15.0%	37.9%	826.3	529.7	56.0%
Finance Costs	(85.9)	(77.2)	(61.7)	-11.2%	-39.3%	(232.3)	(171.5)	-35.4%
JV and Associates	1.9	(1.6)	(15.3)	215.1%	112.3%	3.4	(30.1)	111.2%
Profit Before Tax	226.2	191.0	147.8	18.4%	53.1%	597.4	327.8	82.2%
Tax Expense	(117.6)	(78.6)	(58.8)	-49.6%	-100.1%	(261.4)	(146.8)	-78.1%
Minority Interest	(3.5)	7.0	2.5	-150.5%	-241.9%	6.1	10.7	-43.0%
Perps.	11.7	11.8	11.7	-0.4%	0.0%	35.1	35.1	0.0%
Reported Net Profit	100.4	93.7	74.8	7.2%	34.3%	294.8	135.2	118.0%
Core Net Profit	92.3	141.3	78.7	-34.7%	17.3%	300.5	181.2	65.8%

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024F	2025F	2026F
Revenue	4,409.0	4,572.5	5,487.0	6,868.5	7,074.6
Gross profit	762.1	1,179.9	1,371.8	1,717.1	1,768.6
Operating profit	537.5	740.9	1,015.1	1,236.3	1,273.4
Net interest	(188.3)	(255.3)	(307.3)	(343.4)	(353.7)
Profit before tax	317.9	483.0	712.8	892.9	919.7
Tax	(182.9)	(271.4)	(301.8)	(343.4)	(353.7)
PATAMI	102.1	158.3	389.6	501.4	530.6
Core PATAMI	200.2	294.1	389.6	501.4	530.6

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	712.8	892.9	919.7
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%	25.0%	25.0%	25.0%
Operating profit margin	12.2%	16.2%	18.5%	18.0%	18.0%
PBT margin	7.2%	10.6%	13.0%	13.0%	13.0%
PAT margin	2.3%	6.0%	7.1%	7.3%	7.5%
Core PAT margin	4.5%	6.0%	7.1%	7.3%	7.5%

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