

## IJM Corporation Berhad

(3336 | IJM MK) Main | Construction

### Strong Finish for FY24

#### KEY INVESTMENT HIGHLIGHTS

- **FY24 core net profit grew +71.8% to RM505.2m, lifted by all other divisions except construction**
- **Construction PBT declined -59.5% to RM36.8m, dragged by losses on 3 projects; significant recovery expected for FY25**
- **RM6.0b of outstanding order book; management sets higher RM5.0b replenishment target**
- **Maintain BUY with a revised TP of RM3.01**

**Above expectations.** IJM Corporation Berhad (IJM) came in above expectations in FY24, recording a core net profit of RM505.2m (+71.8%) on the back of a stronger revenue of RM5.92b (+29.4%). This came in above ours and consensus expectations, surpassing estimates by 29.7% and 30.5% respectively. The stronger results were lifted by the group's property development, manufacturing and quarrying and infrastructure divisions. It declared a second interim dividend of 5 sen per share and a special dividend of 1 sen per share.

**Construction division disappoints.** Despite a strong +56.6% growth in revenue to RM1.68b for FY24, the divisions PBT came in -59.5% lower at RM36.8m, dragged by a -RM1.5m loss before tax in 4QFY24. This was mainly due to losses recognised for three ongoing projects that were impacted by work scope changes, an increase in building material prices and prolongation costs whilst potential claims are being pursued. In particular, the losses in 4QFY24 were from its WCE project and two other residential building jobs. IJM is pursuing the claims with WCE and expects to recover some of the losses once WCE resolves its ongoing restructuring process with the government. For FY25, management is expecting a significant recovery.

**Stellar order book of RM6.0b.** IJM secured RM3.73b of new jobs in FY24, slightly short of its RM4.0b replenishment target. The outstanding order book now stands at RM6.0b and management has set an optimistic target to win RM5.0b of new jobs in FY25. Among jobs on group's radar include the Penang LRT, the Sarawak Autonomous Rapid Transit (ART) Blue Line, the Sabah-Sarawak Link Road (SSLR) and Pan Borneo, industrial buildings and potentially its first data centre project. For jobs overseas, management said some of its tenders in India have been delayed but they expect these to move forward possibly in Jun-24 after its election concludes. IJM also expects the rollout of the job for 20 blocks of public housing in Nusantara in FY25, which may add some RM1.0b to its order book. The feasibility study has been submitted and IJM has a team in Nusantara to finalise the designs.

**Property development.** Revenue from the division grew +25.6%yoy to RM2.03b in FY24, delivering a PBT of RM391.0m (+6.6%yoy), attributable to strong sales of RM2.37b for the year and higher work progress on ongoing developments. The total unbilled sales of RM2.6b underpins near term performance and management is targeting at least

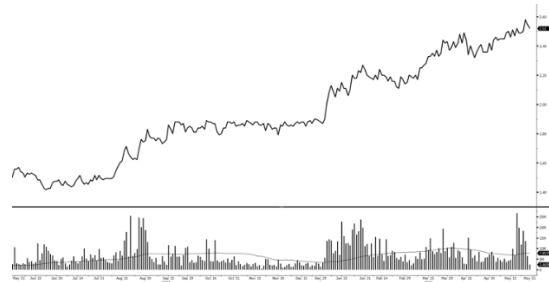
**Maintain BUY**

**Revised Target Price: RM3.01**  
(Previously RM2.57)

#### RETURN STATISTICS

Price @ 29 <sup>th</sup> May 2024 (RM)	2.54
Expected share price return (%)	+17.1
Expected dividend yield (%)	+2.7
<b>Expected total return (%)</b>	<b>+19.8</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	6.8	5.0
3 months	3.7	13.5
12 months	62.7	42.0

#### INVESTMENT STATISTICS

FYE Mar	2024E	2025F	2026F
Revenue	5,918.8	6,868.5	7,212.0
Operating Profit	1,272.8	1,476.7	1,565.0
Profit Before Tax	964.2	1,133.3	1,190.0
Core PATAMI	505.2	583.8	620.2
Core EPS	14.4	16.7	17.7
DPS	8.0	8.0	8.0
Dividend Yield	2.7%	2.7%	2.7%

#### KEY STATISTICS

FBM KLCI	1,605.35
Issue shares (m)	3512.90
Estimated free float (%)	47.07
Market Capitalisation (RM'm)	8,835.54
52-wk price range	RM1.43-RM2.62
3-mth average daily volume (m)	7.88
3-mth average daily value (RM'm)	18.88
Top Shareholders (%)	
Employees Provident Fund Board	17.55
Amanah Saham Nasional Bhd	16.34
Kumpulan Wang Persaraan	9.89

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RM2.2b of sales for FY25, on the back of about RM4.0b of new launches. Management expects the growth momentum to be primarily anchored by its overseas portfolio, namely the Royal Mint Gardens Phase 2, The Wheat Quarter and its partnership with Network Rail, all in London.


**Manufacturing and quarrying.** Revenue for the segment grew +19.0%yoy in FY24 to RM1.19b led by higher selling prices and sales volume for the piles business. PBT rose +19.5%yoy to RM181.8m on the back of sustained margins. While IJM has yet to be directly involved in the construction of data centres, the division has been benefiting from the growth in industrial buildings including data centres, which led to the growth of piles supplied. Management guided that about 25% of division's sales were related to industrial buildings and that it is expected to maintain its stellar performance with the continuous flow of jobs for industrial buildings. The division has an outstanding order book of around 900K tonnes.

**Infrastructure.** Collectively, the division's revenue grew +11.5%yoy to RM986.6m while its PBT saw a rebound into the black at RM279.7m as compared to a loss of -RM142.8m last year. PBT from tolls improved to RM128.3 from -RM177.0 due to the absence of higher maintenance costs and RM133m of expected credit losses related to the WCE in FY23 while PBT for ports surged 4.4x to RM151.4m, driven by the recovery in cargo throughput, additional cargo from industries near Kemaman and higher ship revenue and tariff rates. Management expects improvement in bulk cargo volume such as bauxite and silica sand to underpin the growth for the port division in FY25.

**Monetisation of tolls.** Management will be exploring the monetisation of its mature highways once it completes the restructuring of its NPE concession, which is now in the advanced stages of negotiation with the government and involves major upgrading works. Its two other concessions BESRAYA and LEKAS were restructured effective 1<sup>st</sup> Jan 2023. Management reiterated that their intention was never for total disposal but to pare down their stake to lighten the balance sheet. Post monetisation, management's target is to expand overseas.

**Earnings estimates.** We are revising our core earnings estimates for FY25F/FY26F by +16.4%/+17.0% to account for the stronger than expected performance and management's expectations of a significant improvement in construction in FY25.

**Target price.** We are also upgrading our **TP** to **RM3.01** from RM2.57 previously, which was derived by pegging its FY25F EPS of 16.7 sen to its five-year mean PER of 18x.

**Maintain BUY.** We expect IJM to be among the key beneficiaries of the positive prospects for the construction sector, on the back of a strong pipeline of jobs that can be expected in 2HCY24 onwards with more civil job flows, on top of private jobs and industrial building projects. The mushrooming of data centres is also a boon for IJM, who has been supplying piles to such projects and is now looking to secure its maiden data centre construction job. We can also expect strong overseas job flows from Nusantara and India, barring any unforeseen circumstances. All factors considered; we reiterate our **BUY** recommendation on **IJM**. 

**IJM CORP: 4QFY24 RESULTS SUMMARY**

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
	4QFY24	3QFY24	4QFY23	QoQ	YoY	FY24	FY23	YoY
<b>Income Statement</b>								
Revenue	1,759.2	1,475.4	1,326.8	19.2%	32.6%	5,918.8	4,572.5	29.4%
Gross Profit	480.4	374.7	405.6	28.2%	18.4%	1,550.2	1,179.9	31.4%
Net Operating Expenses	(33.6)	(64.4)	(194.5)	47.9%	82.7%	(277.1)	(439.1)	36.9%
Operating Profit	446.4	310.3	211.2	43.9%	111.4%	1,272.8	740.9	71.8%
Finance Costs	(74.8)	(85.9)	(83.8)	12.9%	10.7%	(307.1)	(255.3)	-20.3%
JV and Associates	(4.8)	1.9	27.8	-356.9%	-117.4%	(1.5)	(2.3)	34.9%
Profit Before Tax	366.8	226.2	155.3	62.1%	136.3%	964.2	483.0	99.6%
Tax Expense	(37.6)	(117.6)	(124.7)	68.1%	69.9%	(299.0)	(271.4)	-10.1%
Minority Interest	12.1	(3.5)	(22.6)	445.5%	153.5%	18.2	(11.9)	252.7%
Perps.	11.6	11.7	11.5	-1.1%	1.2%	46.7	46.6	0.3%
Reported Net Profit	305.5	100.4	23.1	204.2%	1225.5%	600.3	158.3	279.3%
Core Net Profit	204.6	92.3	112.9	121.7%	81.3%	505.2	294.1	71.8%

**FINANCIAL SUMMARY**

Income Statement (RM'm)	2022A	2023A	2024F	2025F	2026F
Revenue	4,409.0	4,572.5	5,918.8	6,868.5	7,074.6
Gross profit	762.1	1,179.9	1,550.2	1,820.2	1,911.2
Operating profit	537.5	740.9	1,272.8	1,476.7	1,565.0
Net interest	(188.3)	(255.3)	(307.1)	(295.5)	(288.5)
Profit before tax	317.9	483.0	964.2	1,133.3	1,190.0
Tax	(182.9)	(271.4)	(299.0)	(343.4)	(360.6)
PATAMI	102.1	158.3	600.3	583.8	620.2
Core PATAMI	200.2	294.1	505.2	583.8	620.2

Balance Sheet (RM'm)	2022A	2023A	2024F	2025F	2026F
Fixed assets	5,682.0	5,207.2	5,861.7	5,095.2	5,350.0
Intangible assets	93.6	125.4	111.8	101.6	101.6
<b>Non-current assets</b>	<b>8,653.1</b>	<b>8,676.1</b>	<b>9,212.2</b>	<b>8,435.5</b>	<b>8,690.3</b>
Cash	2,908.7	2,825.2	2,870.4	2,769.3	2,407.9
Trade debtors	1,301.9	1,261.8	1,752.3	2,060.6	2,122.4
<b>Current assets</b>	<b>12,358.9</b>	<b>11,834.5</b>	<b>12,103.1</b>	<b>12,624.2</b>	<b>12,579.4</b>
Trade creditors	2,676.1	2,679.8	2,758.3	2,494.9	2,483.2
Short-term debt	1,609.6	1,696.6	1,723.9	1,600.0	1,600.0
<b>Current liabilities</b>	<b>4,562.5</b>	<b>4,800.8</b>	<b>5,014.8</b>	<b>4,733.3</b>	<b>4,721.6</b>
Long-term debt	3,904.6	3,650.8	3,800.4	3,821.2	3,897.6
<b>Non-current liabilities</b>	<b>4,716.3</b>	<b>4,490.0</b>	<b>4,724.2</b>	<b>4,745.0</b>	<b>4,821.4</b>
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	4,342.2	4,645.0	4,984.2
<b>Equity</b>	<b>11,460.7</b>	<b>10,961.0</b>	<b>11,278.6</b>	<b>11,581.4</b>	<b>11,920.6</b>

<b>Cash Flow (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
PBT	317.9	483.0	964.2	1,133.3	1,190.0
<b>Operating cash flow</b>	<b>1,217.4</b>	<b>1,276.0</b>	<b>1,000.0</b>	<b>1,169.1</b>	<b>1,225.8</b>
Capital expenditure	(414.7)	(195.7)	70.0	(200.0)	(250.0)
<b>Investing cash flow</b>	<b>1,202.4</b>	<b>(159.0)</b>	<b>(135.2)</b>	<b>(405.2)</b>	<b>(486.2)</b>
Debt raised/(repaid)	(417.9)	(156.3)	(112.4)	(155.0)	(62.0)
Dividends paid	(750.6)	(211.4)	(280.7)	(280.7)	(280.7)
<b>Financing cash flow</b>	<b>(1,909.4)</b>	<b>(1,199.0)</b>	<b>(835.5)</b>	<b>(878.1)</b>	<b>(785.1)</b>
<b>Net cash flow</b>	<b>510.3</b>	<b>(82.0)</b>	<b>29.3</b>	<b>(114.2)</b>	<b>219.3</b>
<b>Beginning cash flow</b>	<b>2,381.0</b>	<b>2,887.5</b>	<b>2,807.8</b>	<b>2,845.7</b>	<b>2,731.5</b>
<b>Ending cash flow</b>	<b>2,887.5</b>	<b>2,807.8</b>	<b>2,845.7</b>	<b>2,731.5</b>	<b>2,950.8</b>

<b>Profitability Margins</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Gross profit margin	17.3%	25.8%	26.2%	26.5%	27.0%
Operating profit margin	12.2%	16.2%	21.5%	16.6%	17.0%
PBT margin	7.2%	10.6%	16.3%	16.5%	16.5%
PAT margin	2.3%	6.0%	8.5%	8.5%	8.6%
Core PAT margin	4.5%	6.0%	8.5%	8.5%	8.6%

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