

## IJM Corporation Berhad

(3336 | IJM MK) Main | Construction

### Maiden Entry into DC Space

#### KEY INVESTMENT HIGHLIGHTS

- **RM331.7m contract to build Block 2 of Iskandar Puteri DC**
- **Construction to take at least 12 months, completion by 3QCY25**
- **IJM to benefit from own concrete spun piles and IBS capabilities**
- **Outstanding order book of RM7.3b; 26.8% of FY25 replenishment target achieved**
- **Maintain BUY with an unchanged TP of RM3.89**

**RM332m DC job.** IJM Corporation Berhad (IJM) marks its entry into the data centre construction space after its wholly owned subsidiary IJM Construction Sdn Bhd secured a RM331.7m contract to construction Block 2 of the Iskandar Puteri Data Centre for TM Technology Services Sdn Bhd. The construction will begin next month (Jul-24) and is expected to be completed by 3QCY25 or at least 12 months.

**To benefit from internal supply chain ability.** While this is IJM's first official data centre project, it has been involved in the space with the supply of its concrete spun piles. For FY24, 25% of the spun piles from its industry division were supplied to projects including data centres, logistics warehouses and E&E facilities. We view that such capabilities, including its Smart IBS solution, will benefit IJM in accelerating construction progress.

**Stellar order book of RM7.3b.** The latest data centre win now lifts IJM's outstanding order book to RM7.29b. The group has achieved 26.8% of its RM5.0b replenishment target for FY25. Other jobs on the group's radar include the Penang LRT, the Sarawak Autonomous Rapid Transit (ART) Blue Line, the Sabah-Sarawak Link Road (SSLR) and Pan Borneo and other industrial buildings.

**Earnings estimates.** We are maintaining our earnings estimates as the project win is within replenishment estimates.

**Target price.** We maintain our **TP** at **RM3.89**, derived by pegging its FY26F EPS of 17.7 sen to a forward PER of 22x, which is +1SD above its seven-year mean.

**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. All factors considered; we reiterate our **BUY** recommendation on **IJM**.

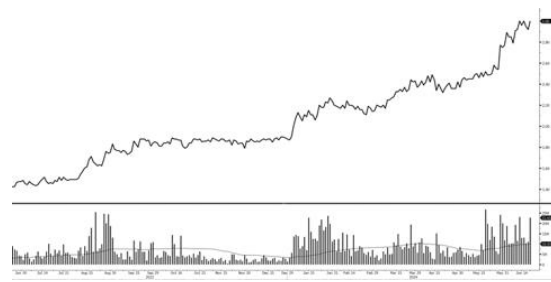
**Maintain BUY**

**Unchanged Target Price: RM3.89**

#### RETURN STATISTICS

Price @ 26 <sup>th</sup> Jun 2024 (RM)	3.03
Expected share price return (%)	+28.4
Expected dividend yield (%)	+2.1
Expected total return (%)	+30.4

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	20.5	22.7
3 months	23.5	24.9
12 months	104.1	78.5

#### INVESTMENT STATISTICS

FYE Mar	2024A	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	2.1%	2.1%	2.1%

#### KEY STATISTICS

FBM KLCI	1,590.95
Issue shares (m)	
Estimated free float (%)	47.96
Market Capitalisation (RM'm)	10,518.50
52-wk price range	RM1.43-RM3.06
3-mth average daily volume (m)	10.03
3-mth average daily value (RM'm)	26.15
Top Shareholders (%)	
Employees Provident Fund Board	16.75
Amanah Saham Nasional Bhd	16.34
Kumpulan Wang Persaraan	9.79

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## 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>

Cash Flow (RM'm)	2022A	2023A	2024F	2025F	2026F
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>

Profitability Margins	2022A	2023A	2024F	2025F	2026F
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