

IJM Corporation Berhad

(3336 | IJM MK) Main | Construction

Off to A Good Start

KEY INVESTMENT HIGHLIGHTS

- **1QFY25 core net profit grew +48.1%yoy to RM99.1m, on the back of stronger revenue of RM1.40b**
- **Improvement in construction revenue and PBT but margin was low due to early stages of projects; to pick up in coming quarters**
- **RM7.0b of outstanding order book; achieved 37.1% of RM5.0b FY25 replenishment target**
- **Maintain BUY with an unchanged TP of RM3.89**

Within expectations. IJM Corporation Berhad (IJM) recorded a stronger core net profit of RM99.1m (+48.1%yoy) in 1QFY25 on the back of a stronger revenue of RM1.40b (+14.6%yoy). The group's construction and port business came in stronger during the quarter. The result was 17.0% and 18.5% of our and consensus' full-year estimates and we deem it within projections as we expect construction to contribute to stronger profits in coming quarters.

Construction margins to pick up. Construction revenue soared +76.0%yoy to RM540.5m while PBT doubled to RM23.6m. While this was an improvement over a -RM1.5m loss before tax in 4QFY24, the PBT margin seemed weak at 4.4%. This was due to the status of IJM's newer construction projects, most of which were still below the 10% threshold. We expect a sequential improvement in margins in upcoming quarters as the construction progress improves.

Stellar order book of RM7.0b. Since Apr-24, IJM has secured RM1.86b of new projects, making up 37.1% of its FY25 target of RM5.0b. Among jobs it secured recently are the RM331.7m Iskandar Puteri Data Centre and a RM508m data centre in Gelang Patah awarded to a JV between IJM and Woh Hup (IJM's share RM254.0m). Among jobs on the replenishment radar are the Penang LRT, Penang International Airport expansion, industrial building project and the project to build 20 blocks of public housing in Nusantara.

Property development. Revenue from the division declined -7.3%yoy to RM342.6m, delivering a PBT of RM40.0m (-50.8%yoy). The core PBT would have improved +4.6%yoy to RM40.9m after stripping off the unrealised foreign exchange movements in the comparable quarters. RM256m of property sales were achieved during the quarter and IJM targets RM2.2b of sales for FY25. About RM4.0b of new launches are expected.

Manufacturing and quarrying. Despite the lower revenue and PBT for the quarter, the segment was the best performer. Revenue for the declined -12.7%yoy to RM268.5m due to lower deliveries of piles, quarry and ready mixed concrete products while PBT declined -1.1%yoy to RM43.9m. We expect the division to rebound stronger in upcoming quarters in line with strong job flows for industrial buildings. The division has an outstanding order book of around 900K tonnes.

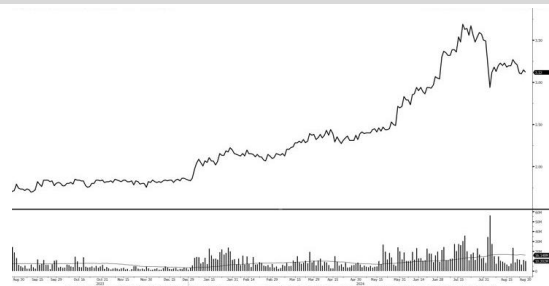
Maintain BUY

Unchanged Target Price: RM3.89

RETURN STATISTICS

Price @ 28 th Aug 2024 (RM)	3.12
Expected share price return (%)	+24.7
Expected dividend yield (%)	+2.6
Expected total return (%)	+27.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-11.9	-15.1
3 months	2.3	18.4
12 months	75.9	51.6

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	2.6%	2.6%	2.6%

KEY STATISTICS

FBM KLCI	1,675.24
Issue shares (m)	3506.17
Estimated free float (%)	80.36
Market Capitalisation (RM'm)	10,939.24
52-wk price range	RM1.67-RM3.76
3-mth average daily volume (m)	16.06
3-mth average daily value (RM'm)	51.58
Top Shareholders (%)	
Employees Provident Fund Board	13.50
Amanah Saham Nasional Bhd	12.92
Kumpulan Wang Persaraan	9.30


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Kuantan Port. The ports subdivision was the other strong performer during the quarter, achieving a revenue of RM125.3m (+23.0%yoy) and a PBT of RM43.2m (+73.5%yoy), attributable to a stronger throughput of 7.1 million tonnes as compared to 6.0 million tonnes in the same quarter last year. Management expects Kuantan Port to continue performing, with the expected improvement in bulk cargo volume such as bauxite and silica sand, on top of improved handling capacity and efficiency.

Tolls division. The division disappointed during the quarter, with a lower revenue of RM120.5m (-13.8%yoy) and a weaker PBT of RM14.5m (-38.1%yoy) due to lower traffic volumes in its overseas tollways and the absence of compensation income post restructuring of local toll roads.

Earnings estimates. We are maintaining our earnings estimates on the back of expectations of better quarters ahead.

Target price. As such, we are also maintaining 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 continue being 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. This is also expected to drive down the demand for its piles and concrete products. On top of that, we expect the strong target of new launches by the group's property division and the improving cargo volume at the Kuantan Port to further boost IJM's performance for FY25. All factors considered; we reiterate our **BUY** recommendation on **IJM**. 

IJM CORP: 1QFY25 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results				
	1QFY25	4QFY24	1QFY24	QoQ	YoY
Income Statement					
Revenue	1,404.3	1,759.2	1,225.8	-20.2%	14.6%
Gross Profit	316.3	480.4	279.1	-34.2%	13.3%
Net Operating Expenses	(82.5)	(33.6)	(32.9)	-145.9%	-150.7%
Operating Profit	233.8	446.4	246.2	-47.6%	-5.0%
Finance Costs	(76.6)	(74.8)	(69.2)	-2.5%	-10.8%
JV and Associates	(4.0)	(4.8)	3.1	17.6%	-227.7%
Profit Before Tax	153.1	366.8	180.1	-58.3%	-15.0%
Tax Expense	(46.5)	(37.6)	(65.3)	-23.9%	28.7%
Minority Interest	8.1	12.1	2.7	-33.0%	204.9%
Perps.	11.6	11.6	11.6	0.0%	0.5%
Reported Net Profit	86.9	305.5	100.6	-71.6%	-13.7%
Core Net Profit	99.1	204.6	66.9	-51.6%	48.1%

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
Non-current assets	8,653.1	8,676.1	9,212.2	8,435.5	8,690.3
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
Current assets	12,358.9	11,834.5	12,103.1	12,624.2	12,579.4
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
Current liabilities	4,562.5	4,800.8	5,014.8	4,733.3	4,721.6
Long-term debt	3,904.6	3,650.8	3,800.4	3,821.2	3,897.6
Non-current liabilities	4,716.3	4,490.0	4,724.2	4,745.0	4,821.4
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
Equity	11,460.7	10,961.0	11,278.6	11,581.4	11,920.6

Cash Flow (RM'm)	2022A	2023A	2024F	2025F	2026F
PBT	317.9	483.0	964.2	1,133.3	1,190.0
Operating cash flow	1,217.4	1,276.0	1,000.0	1,169.1	1,225.8
Capital expenditure	(414.7)	(195.7)	70.0	(200.0)	(250.0)
Investing cash flow	1,202.4	(159.0)	(135.2)	(405.2)	(486.2)
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)
Financing cash flow	(1,909.4)	(1,199.0)	(835.5)	(878.1)	(785.1)
Net cash flow	510.3	(82.0)	29.3	(114.2)	219.3
Beginning cash flow	2,381.0	2,887.5	2,807.8	2,845.7	2,731.5
Ending cash flow	2,887.5	2,807.8	2,845.7	2,731.5	2,950.8

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