

IJM Corporation Berhad

(3336 | IJM MK) Main | Construction

FY20 performance within expectations

KEY INVESTMENT HIGHLIGHTS

- **Earnings in-line with expectations**
- **Construction segment remains flattish**
- **Vigorous growth in property development segment**
- **Better performance in plantation sector**
- **No changes to our earnings estimates**
- **Maintain BUY with TP of RM1.95**

Earnings in-line with expectations. IJM Corp's PATAMI fell to RM250.6m in FY20 from RM418.9m in previous period. The figure was in-line with expectations at 97.3% and 100% of our and consensus full year estimates respectively.

Construction segment remains flattish. The topline of this segment was up by only +2.8%yoy to RM457.5m in FY20 from RM444.9m in the previous year. As for profit before tax (PBT), it increased by +5.9% to RM65.6m which was attributable to the slight changes in the overall construction margins.

Vigorous growth in property development segment. IJM Corp's property development revenue jumped to RM1,026.1m in 4QFY20 from RM357.1m in the year before. The higher topline was driven by completion of the Royal Mint Gardens, London. Despite higher revenue, the property development segment recorded lower profit before tax of RM56.7m from RM70.0m in 4QFY19. The contraction was underpinned by the recognition of impairment of inventories in the current quarter. As for FY20, pre-tax profit was up +0.6%yoy to RM203.3m which was backed by higher revenue recorded as well as the recognition of a foreign exchange gain of RM7.1 million in the current year as opposed to a foreign exchange loss of RM2.8 million in the preceding year.

Better performance in plantation sector. The segment recorded a +18.6%yoy topline growth in 4QFY20. Moreover, its bottomline was buoyed by improved PBT margins which expanded by +14ppts. The improvement was largely due to higher commodity prices. It is worth noting that overall FFB production for the current quarter and year increased by +2.1% and +8.7% respectively due to the change in cropping pattern both in the Malaysian and Indonesian operations and larger areas attaining maturity in the Indonesian operations.

Maintain BUY

Unchanged Target Price : RM1.95

RETURN STATISTICS

Price @ 26 th June 2020 (RM)	RM 1.80
Expected share price return (%)	+8.33
Expected dividend yield (%)	+2.78
Expected total return (%)	+11.11

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-6.2	-7.2
3 months	13.2	8.3
12 months	-25.0	-15.7


KEY STATISTICS

FBM KLCI	1,488.14
Syariah compliant	Yes
Issue shares (m)	3639.29
Estimated free float (%)	57.42
Market Capitalisation (RM'm)	6,533.01
52-wk price range	RM1.15 - RM2.51
Beta vs FBM KLCI (x)	1.43
Monthly velocity (%)	0.41
Monthly volatility (%)	19.03
3-mth average daily volume (m)	4.30
3-mth average daily value (RM'm)	7.71
Top Shareholders (%)	
Employees Provident Fund Board	16.12
Amanah Saham Nasional Bhd	14.48
Kumpulan Wang Persaraan Diperbadan	8.85

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1.0sen/share dividend declared. IJM Corp has declared a single tier second interim dividend in respect of the financial year ended 31 March 2020 of 1.0 sen per share to be paid on 21 August 2020. In respect of the financial year ended 31 March 2020, a single tier first interim dividend of 2 sen per share was paid on 27 December 2019.

Earnings estimates remain intact. We make no changes to our FY20 and FY21 earnings estimates as the results met expectations.

Maintain BUY. We maintain our **BUY** call with unchanged **TP** of **RM1.95** (pegging the FY21 BVPS to 0.7x PBV). Our TP implies +11.11% upside. 

INVESTMENT STATISTICS

FYE March	FY17	FY18	FY19	FY20	FY21F	FY22F
Revenue (RM'm)	6065.30	6146.04	5655.70	5981.00	6628.00	6666.52
Pre-tax Profit (RM'm)	1010.00	987.75	761.00	621.56	662.80	887.07
Normalised PATAMI (RM'm)	653.70	494.00	531.90	250.60	437.45	480.71
FD EPS (sen)	18.01	13.61	11.60	6.90	12.05	13.24
EPS growth (%)	-17.04	-24.43	-14.78	-40.49	74.56	9.89
PER (x)	11.60	15.35	18.02	26.07	14.94	13.59
Net Dividend (sen)	7.50	6.00	4.00	4.00	5.00	5.00
Net Dividend Yield (%)	3.59	2.87	1.91	2.22	2.78	2.78

Source: Company, MIDFR

4QFY20 RESULTS REVIEW

FYE March (RM'm)	Quarterly Results					Cumulative		
	4QFY20	4QFY19	3QFY20	YoY	QoQ	12MFY20	12MFY19	YoY
Revenue	2,047.0	1,394.93	1,440.4	46.7%	42.1%	6,605.1	5,655.7	16.8%
Cost of sales	-1,678.9	-1,055.89	-1,084.8	59.0%	54.8%	-5,370.1	-4,506.5	19.2%
Gross Profit	368.1	339.0	355.6	8.6%	3.5%	1,235.0	1,149.2	7.5%
Other operating income	196.2	50.267	42.8	290.2%	358.0%	370.0	216.6	70.8%
Foreign exchange differences	-91.0	13.499	33.1	-774.2%	-374.8%	-83.1	-45.7	81.8%
Tender, sell & distribt expenses	-21.5	-32.139	-36.1	-33.1%	-40.5%	-115.7	-123.5	-6.3%
Admin expenses	-79.0	-82.943	-99.1	-4.8%	-20.3%	-311.9	-339.5	-8.1%
Other operating expenses	-149.4	-27.92	-48.6	435.1%	207.4%	-223.9	-111.7	100.5%
EBIT	223.4	259.8	247.7	-14.0%	-9.8%	870.3	745.4	16.8%
Finance Cost	-121.3	-39.78	-54.5	205.0%	122.7%	-290.4	-225.1	29.0%
Associates	-18.6	111.793	-27.2	-116.6%	-31.7%	-92.4	142.6	-164.8%
JVs Income	13.1	-0.191	-2.4	6971.2%	-642.1%	30.3	-14.8	-304.4%
PBT	96.6	331.6	163.6	-70.9%	-41.0%	517.8	648.0	-0.2
Taxation	-18.7	-64.672	-77.9	-71.1%	-76.0%	-189.6	-207.3	-8.5%
Perpetual Sukuk	11.6	0	11.7	#DIV/0!	NA	43.4	0.0	#DIV/0!
Minority Interest	-5.0	267.0	24.2	-102.1%	-120.8%	34.2	21.8	57.0%
PATAMI	71.3	240.8	49.8	-70.4%	43.3%	250.6	418.9	-40.2%
FD EPS (sen)	2.0	6.63	1.4	-70.4%	43.1%	6.9	11.6	-0.4
	4QFY20	4QFY19	3QFY20	+/- ppts	+/- ppts	12MFY20	12MFY19	+/- ppts
EBIT margin	10.9%	18.6%	17.2%	-7.7	-6.3	13.2%	13.2%	0.0
PBT margin	4.7%	23.8%	11.4%	-19.1	-6.6	7.8%	11.5%	-3.6
PATAMI margin	3.5%	17.3%	3.5%	-13.8	0.0	3.8%	7.4%	-3.6
Effective tax rate	-19.4%	-19.5%	-47.6%	0.1	28.2	-36.6%	-32.0%	-4.6

Segmental Breakdown								
Revenue (RM'm)	4QFY20	4QFY19	3QFY20	YoY	QoQ	12MFY20	12MFY19	YoY
Construction	457.5	444.9	482.2	2.8%	-5.1%	2051.8	1,981.2	3.6%
Property	1026.1	357.1	325.1	187.3%	215.7%	2189.5	1,427.3	53.4%
Manufacturing and quarrying	178.0	212.2	192.5	-16.1%	-7.5%	829.5	883.4	-6.1%
Plantation	195.4	164.8	237.8	18.6%	-17.8%	739.1	630.9	17.2%
Infrastructure	189.8	215.7	202.7	-12.0%	-6.4%	794.2	732.2	8.5%
Investment & others	0.2	0.2	0.2	-16.5%	-9.0%	0.9	0.8	14.4%
TOTAL	2,047.0	1,394.9	1,440.4	46.7%	42.1%	6605.1	5,655.7	16.8%
PBT (RM'm)	4QFY20	4QFY19	3QFY20	YoY	QoQ	12MFY20	12MFY19	YoY
Construction	65.6	61.9	28.5	5.9%	130.6%	173.2	174.4	-0.7%
Property	56.7	70.0	63.5	-19.0%	-10.7%	203.3	202.0	0.6%
Manufacturing and quarrying	-1.3	14.8	13.1	-109.0%	110.2%	44.9	59.0	-23.9%
Plantation	-73.4	16.7	33.3	-539.2%	320.5%	-50.5	-43.3	16.5%
Infrastructure	46.1	171.4	27.5	-73.1%	67.4%	153.2	268.3	-42.9%
Investment & others	2.9	-3.3	-2.3	-188.6%	225.7%	-6.4	-12.4	-48.6%
TOTAL	96.6	331.6	163.6	-70.9%	41.0%	517.8	648.0	-20.1%
PBT margin (RM'm)	4QFY20	4QFY19	3QFY20	+/- ppts	+/- ppts	12MFY20	12MFY19	+/- ppts
Construction	14.3%	13.9%	5.9%	0.4	8.4	8.4%	8.8%	-0.4
Property	5.5%	19.6%	19.5%	-14.1	-14.0	9.3%	14.2%	-4.9
Industry	-0.8%	7.0%	6.8%	-7.7	-7.6	5.4%	6.7%	-1.3
Plantation	-37.6%	10.1%	14.0%	-47.7	-51.6	-6.8%	-6.9%	0.0
Infrastructure	24.3%	79.5%	13.6%	-55.2	10.7	19.3%	36.6%	-17.3
Average	1.2%	26.0%	12.0%	-24.9	-10.8	7.1%	11.9%	-4.8

Source: Company, 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.