

Equity Beat

01 March 2010

3Q10 Results Review

IJM Corporation Berhad

Positive trend in property earnings

Reiterate BUY

Unchanged Target Price (TP): RM5.45

- **IJM 9MFY10 net profit of RM359.8m came in below our expectation. The net profit declined by 18%yoy despite an increase of 27%qoq.**
- **Forecast for FY11 and FY12 are maintained, backed by RM3.6b orderbook and positive exposure to the construction sector in India and potential local projects.**
- **We maintain our BUY recommendation with a target price of RM5.45 per share, based on sum-of-parts valuation. The stock represents a 23% upside from the current level.**

STOCK INFO

Price (25 Feb 10)	RM4.43	KLCI	1,270.78
Issued shares (mil)	1,325.3	Bursa / Bloomberg	3336/IJM MK
Par Value (RM)	1.00	Board / Sector	Main / construction
Market cap. (RM'm)	RM5871.1	Syariah Compliant	Yes
Price over NTA	1.16x		
52-wk price Range	RM2.49–5.04	Major Shareholders	
Beta (against KLCI)	1.59	EPF	22.17%
3-mth Avg Daily Vol	2.45m	Zelan Berhad	8.7%
3-mth Avg Daily Value	RM11.1m	Capital Int Inc	4.02%


Profit below expectation. HSL 9MFY10 net profit came in below our expectation. Year-on year, 9MFY10 net profit and turnover fell by 18% and 8% respectively due to lower revenue from the construction division despite higher contribution from the property division. Also, lower selling prices of building materials couple with lower market demand for the quarrying and ready mix segments contributed to the decline in net profit. Nevertheless, net profit rose by 27%qoq, thanks to higher property contribution.

Segmental breakdown. For 9MFY10, sales contribution from the construction division fell by 4%yoy as its project lifecycle reaching tail-end such as the Grand Hyatt in Kuala Lumpur and new projects in India have just commenced contributions. However, its property division increased by 7%yoy due to improved property sales, particularly its flagship property in Penang. Meanwhile, IJM's plantation division fell by 2.4%yoy due to the drop in prices of CPO to RM2,205 per tonne yoy from an average of RM2,874 per ton in the preceding year and industry division fell by 1.6%.

Outstanding orderbook of RM3.6b. Year to-date, IJM has an outstanding orderbook of RM3.6b, both locally and overseas. The group continued to tender for both local and overseas projects which include the Middle East and India. In Malaysia, the group is tendering for the LCCT and LRT extension plus other in-house projects. There will also be other tenders from the Pahang-Selangor water transfer, the RM1.2b Mengkuang Dam expansion and the RM5b Gemas-Johor Baharu electrified double track (EDT) project.

FYE 31 Mar	FY08	FY09	FY10F	FY11F
Revenue (RM'm)	4636.4	4601.3	5046.9	5220.8
EBIT (RM'm)	834.3	695.6	703.7	780.8
Pretax Profit (RM'm)	-144.8	528.7	574.7	639.9
Net Profit (RM'm)	-420.5	401.9	431.3	480.0
EPS (sen)	-31.8	30.4	32.4	36.0
EPS growth (%)	21.1	>100.0	6.6	11.1
PER(x)	n.m	14.6	13.7	12.3
Net Dividend (sen)	n.a	6.5	6.5	6.5
Net Dividend Yield (%)	n.a	1.5	1.5	1.5

Source: Company, Forecasts by MIDFR

Reiterate BUY call. We are maintaining our profit forecast for FY10 and FY11 with target price at RM5.45. Year to-date, IJM recorded total returns of 2.7% vs 125.9% in 2009, and we expect the share price to remain in the positive trend ahead as IJM is one of the contenders to win big jobs. Also, IJM has a good track record in its bid for large contracts, both public and private sector jobs. 

IJM CORPORATION BERHAD: 3Q10 RESULTS SUMMARY

FYE Mar (RM'm)	Quarterly Results			Cumulative		Comments
	3Q10	%YoY	%QoQ	9M10	%YoY	
Revenue	936.3	-10.3%	-10.8%	3,147.1	-8.1%	Yoy decline by construction, plantation and industries division
Operating costs	-764.6	-14.3%	-15.6%	-2702.0	-8.6%	
EBIT	171.7	12.9%	19.5%	445.1	-4.9%	
Interest cost	-49.7	-1.6%	1.4%	-145.0	5.5%	
Invt income	32.7	31.3%	-8.7%	96.7	-16.6%	
Associate profit	5.9	-646.3%	1866.7%	18.6	33.8%	
Pretax profit	160.6	28.1%	22.8%	415.4	-9.8%	Lower yoy mainly due to lower profits from plantation and industry as well as construction (low-margin legacy projects and higher financing costs in India); Higher qoq mainly due to higher contributions from property
Tax	-46.7	21.3%	15.9%	-124.6	0.9%	
Minority Int	30.3	3.4%	29.5%	69.0	-30.9%	
Net profit	144.2	24.2%	26.6%	359.8	-17.6%	
		+/- ppts	+/- ppts		+/- ppts	
Pretax margin (%)	17.2%	0.4	0.4	13.2%	-0.02	
Tax margin (%)	29.1%	n.a	n.a	30.0%	n.a	

Source: Bursa Website, MIDFR

SUM-OF-PARTS VALUATION

Segment	Details	Valuation basis	Valuation (RMm)	Value per share (RM)
Construction	Net profit of RM157m	PER of 15x	2355.0	1.78
Building materials	Net profit of RM117m	PER of 12x	1404.0	1.06
Plantation	55% stake	RM2.46 per share		1.35
Property	76% stake	RM2.23 per share		1.70
Less: Net debt			(401.6)	(0.43)
Target price				5.45

DAILY PRICE CHART



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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

OVERWEIGHT	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.
UNDERWEIGHT	The sector is expected to underperform the overall market over the next 12 months.