10 January 2014 | Corporate Update

IJM Corp Berhad

Funding for WCE

***Maintain* BUY**

***Unhanged* Target Price (TP): RM6.35**

INVESTMENT HIGHLIGHTS

- **IJM to issue 20-year RM3b sukuk to finance WCE construction works**
- **Expect tender to be out by March, and construction to commence in 2H14.**
- **Reaffirm BUY with an unchanged target price of RM6.35.**

Fund raising plan to go ahead. IJM Corp yesterday announced that it will be issuing a 20-year Sukuk Murabahah Programme (Sukuk) of up to RM3.0b. This Sukuk has been approved by the Securities Commission Malaysia via its letter dated 9 January 2014, subject to compliance as stipulated in the Guidelines on Sukuk.

To finance WCE construction works. We believe that the proceeds raised from the Sukuk would be utilized to finance the West Coast Expressway (WCE) construction works. We also expect the sukuk to partially refinance its existing borrowing as this issuance will raise its net debt to RM6.3b with net gearing to rise to 1.5x from 1.1x. As of 2QFY14, IJM Corp has a cash position (including short-term investment) of RM2.1b. We expect tenders for construction works to be called in coming months, probably March. The tender process stage is expected to take between two to six months.

Earnings unchanged. We maintain our earnings forecasts pending the details of the Sukuk.

VALUATION AND RECOMMENDATION

Maintain BUY. Although its price has risen recently and the potential upside is <15%, we still like IJM Corp due to the following: (1) outstanding order book of more than RM2b which will provide earnings visibility for more than one year, (2) potential order book replenishment from WCE projects worth RM4b and construction of NDWT in Kuantan worth RM1.5b for phase 1, and (3) strong unbilled property sales of approximately RM2b (including JVs). We reaffirm our BUY recommendation on IJM Corp at an unchanged Target Price of RM6.35.

RETURN STATS	
Price (9th Jan 2014)	RM5.71
Target Price	RM6.35
Expected Share Price Return	+11.2%
Expected Dividend Yield	+2.2%
Expected Total Return	**+13.2**

STOCK INFO	
KLCI	1,828.2
Bursa / Bloomberg	3336/ IJM MK
Board / Sector	Main/ Construction
Syariah Compliant	Yes
Issued shares (mil)	1,415.3
Par Value (RM)	1.00
Market cap. (RM'm)	8,081.2
Price over NTA	1.40x
52-wk price Range	RM4.78–RM6.13
Beta (against KLCI)	0.92
3-mth Avg Daily Vol	1.81m
3-mth Avg Daily Value	RM10.5m
Major Shareholders	
EPF	10.56%
ASB	10.25%
KWAP	9.07%
LTH	5.27%

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INVESTMENT STATISTICS

FYE March	FY12	FY13	FY14F	FY15F
Revenue (RM'm)	4,517.9	4,663.4	5,580.7	6,069.2
Pretax Profit (RM'm)	801.6	835.8	1,074.3	1,111.7
Net Profit (RM'm)	409.1	420.9	635.0	661.5
Net Profit Margin (%)	9.1	9.0	11.4	10.9
FD EPS (sen)	29.2	29.9	46.0	48.3
EPS growth	25.0	2.5	24.0	5.0
PER (x)	19.6	19.1	12.3	11.8
Net Dividend (sen)	11.0	13.0	12.0	12.6
Net Dividend Yield (%)	1.9	2.3	2.1	2.2

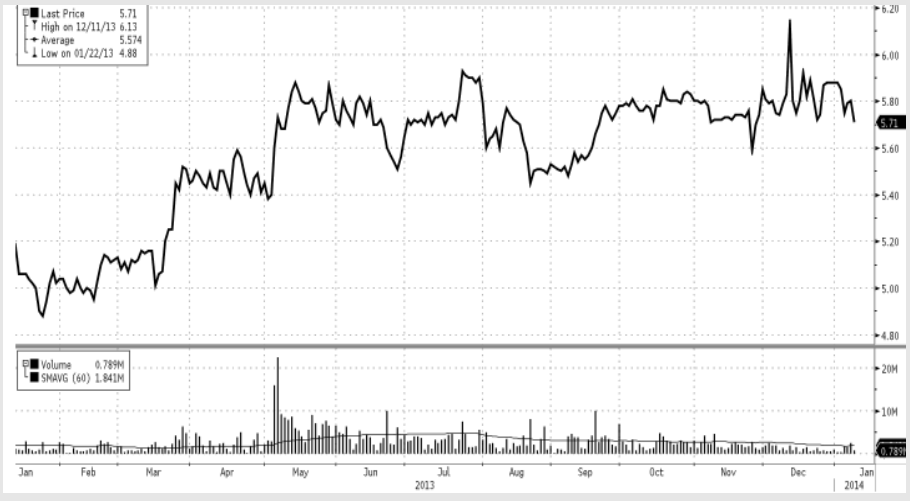
Source: Company data, forecasts by MIDFR

SUM-OF-PARTS VALUATION

	Stake	Method	Value (RM'm)
Construction	100%	PER of 15x	2,246.3
Manufacturing & quarrying	100%	PER of 10x	1,377.4
IJM Plantation	55%	MIDFR Fair Value of RM2.90	1,281.3
IJM Property	66%	MIDFR Fair Value of RM3.32	3,437.9
Concessions Assets	Various	DCF (WACC: 9% - 10%)	5,018.4
Keuro	25%		171.2
Scomi Group	8%		44.6
(+ / -) Net debt			(3,620.5)
Total RNAV (RM)			**9,966.6**
No. of shares (m)			1,410.3
RNAV per share (RM)			**7.07**
Discount to RNAV			10%
Target Price (RM)			**6.35**

Source: Company, MIDFR

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 *rise* 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, by -15% or more, over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >15% 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.