10 December 2014 | Corporate Update

IJM Corp Berhad

Mixed development jobs in the bag

***Reaffirm* NEUTRAL**

***Unchanged* Target Price (TP): RM7.20**

INVESTMENT HIGHLIGHTS

- **IJM Corp has been awarded contracts worth RM435.3m for the construction of proposed mixed developments in Bukit Jelutong.**
- **Including these jobs, effective construction orderbook now stands at approximately RM2.7b.**
- **We make no changes to our earnings forecasts as the new contracts are within our job replenishment assumptions. Hence we reaffirm our NEUTRAL recommendation on IJM Corp with an unchanged TP of RM7.20.**

Two commercial jobs. IJM Construction Sdn Bhd, a wholly-owned subsidiary of the IJM Corp, has today accepted two Letters of Award worth RM435.3m from Sime Darby Sunrise Development Sdn Bhd for the execution and completion works for the proposed mixed development known as RADIA at Persiaran Arked, Seksyen U8 in Bukit Jelutong, Selangor.

Our views. Prior to these jobs, IJM Corp had secured two commercial development contracts worth RM594.1m in FY15. Including these new jobs, the Group construction backlog increases to circa RM2.7b. This could easily provide earnings visibility for at least the next two to three financial years. To-date, it has replenished RM1.03b worth of contracts (or RM3.83b if inclusive of impending RM2.8b West Coast Expressway (WCE) construction works) this year.

Assuming a PBT margin of 6-7%, we expect Phase 1 and 2 would contribute approximately RM15m (based on 95% construction progress) spread over between FY16 and FY17. Meanwhile, we estimate Phase 3 and 4 PBT contribution would be around RM9.7m (based on 94% construction progress) spread over between FY16 and FY17.

Earnings unchanged. These contracts have already been captured in our job replenishment assumption of RM4b for the current financial year. Hence, we make no changes to our earnings forecasts at this juncture.

Reaffirm NEUTRAL. We like IJM Corp due to its decent earnings potential from the following: (1) its healthy outstanding order book of RM2.7b with impending award of RM2.8b worth of WCE construction works, (2) strong unbilled property sales of approximately RM1.8b which could sustain earnings for the next two years, and (3) solid concession assets which will provide steady recurring income. As such, we reaffirm our **NEUTRAL** recommendation on IJM with an unchanged **TP of RM7.20**, based on Sum-of-Parts (SOP) analysis.

RETURN STATS	
Price (9 December 2014)	RM6.58
Target Price	RM7.20
Expected Share Price Return	+9.4%
Expected Dividend Yield	+2.9%
Expected Total Return	**+12.3%**

STOCK INFO	
KLCI	1,738.10
Bursa / Bloomberg	3336 / IJM MK
Board / Sector	Main/Construction
Syariah Compliant	Yes
Issued shares (mil)	1,489.3
Par Value (RM)	1.00
Market cap. (RM'm)	9,799.7
Price over NTA	1.38x
52-wk price Range	RM5.57–RM7.03
Beta (against KLCI)	0.92x
3-mth Avg Daily Vol	2.90m
3-mth Avg Daily Value	RM19.17m
Major Shareholders	
EPF	12.48%
JP Morgan Chase Bank	10.34%
ASB	8.39%

KINDLY REFER TO THE LAST PAGE OF THIS PUBLICATION FOR IMPORTANT DISCLOSURES

INVESTMENT STATISTICS

FYE March	FY12	FY13	FY14	FY15F	FY16F
Revenue (RM'm)	4,517.9	4,663.4	6,006.5	6,182.2	6,686.1
EBIT (RM'm)	972.5	1,019.3	1,787.9	1,349.7	1,479.8
Pre-tax Profit (RM'm)	801.6	835.8	1,416.3	1,147.3	1,279.2
Normalised PATAMI (RM'm)	409.1	420.9	539.0	541.0	646.0
FD EPS (sen)	29.2	29.9	37.5	37.7	45.0
EPS growth (%)	25.0	2.6	25.4	0.4	19.4
PER (x)	18.9	17.9	10.4	17.5	14.6
Net Dividend (sen)	12.0	13.0	25.0	12.5	19.2
Net Dividend Yield (%)	2.1	2.4	2.4	1.9	2.9

Source: Company data, forecasts by MIDFR

LETTER OF AWARDS

Job scope	Contract value	Commencement	Completion period
Phase 1 and 2 comprising: • 2 blocks of 3-storey commercial complex (shop); • 1 block of 10-storey commercial complex (office); • 3 blocks of 13 to 14-storey service apartment; • Service apartment facilities; • 4-storey podium car park; and • 1-storey basement car park	RM263m	15 Dec 2014	26 months
Phase 3 and Phase 4 comprising:- • 2 blocks of 3-storey commercial complex (shop); • 1 block of 10-storey commercial complex (office); • 2 blocks of 14-storey service apartment; • Service apartment facilities; • 4-storey podium car park; and • 1-storey basement car park	RM172.4m	15 June 2015	26 months

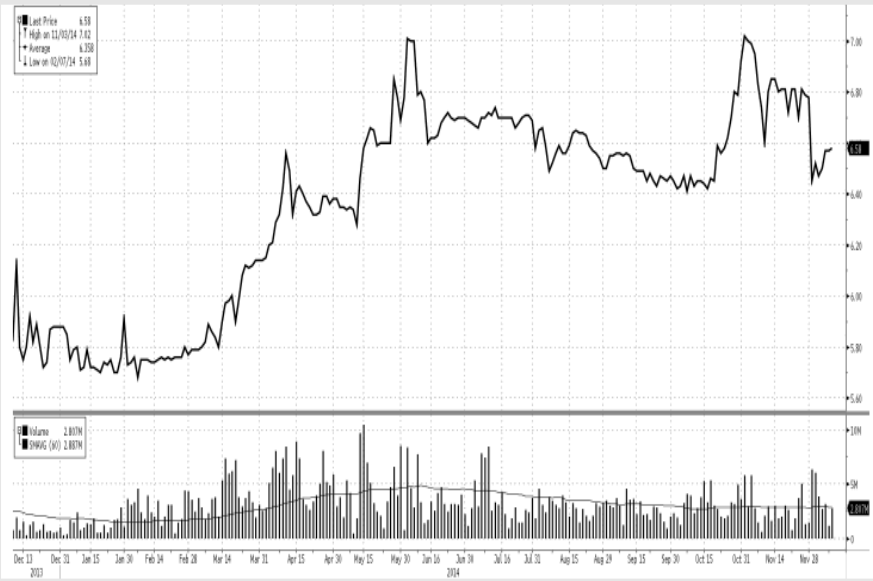
Source: Company data, MIDFR

FY16 SOP VALUATION

Segments	Basis	Value (RM'm)	Per Share (RM)
Construction	FY16 PER of 17x	2,393.9	1.64
IJM Property	FY16 PER of 14x	3,062.4	2.10
Industrial	FY16 PER of 12x	1,182.9	0.81
IJM Plantation	Target Price of RM3.30	1,500.0	1.03
Concessions Assets	DCF (WACC: 9% - 10%)	6,122.4	4.20
Keuro	Market cap at RM1.18	304.0	0.21
Scomi Group	Market cap at 28sen	33.3	0.02
Total value		**14,598.9**	**10.02**
(Net debt) / net cash		-4,108.1	-2.82
SOP per share			**7.20**
Enlarged share cap (mil)			1,457.5

Source: Target price and forecasts by MIDFR

DAILY PRICE CHART



Source: Bloomberg, MIDFR

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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.