15 December 2014 | Corporate Update

IJM Corp Berhad

Official appointment as WCE main contractor

***Upgrade to* BUY**

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

INVESTMENT HIGHLIGHTS

- **Official appointment of IJMC-KEB JV as the EPC contractor for the construction of the WCE worth RM2.8b.**
- **We do not rule out the possibility IJM Corp to participate in the open tender stage for the remaining RM2.2b packages.**
- **We make no changes to our earnings forecasts at this juncture.**
- **Pursuant to its recent share price weakness, we upgrade IJM Corp to BUY recommendation with an unchanged TP of RM7.20.**

Appointment of main contractor for WCE. IJM Construction Sdn Bhd (IJMC)-Kumpulan Europlus Bhd (KEB) joint venture (JV) has recently accepted the letter of award (LOA) from West Coast Expressway Sdn Bhd (WCESB) to appoint the JV as the engineering, procurement and construction (EPC) contractor to undertake and complete the construction works for the West Coast Expressway (WCE) from Taiping to Banting for a fixed sum cost not exceeding RM5.0b. Pursuant to the LOA, the JV shall award to IJMC the WCE construction works for packages of 3,4,5,8 and 9 at a cost not exceeding RM2.83b. The construction period of the project is five years. We are not surprised with the JV appointment as a main contractor as it was announced by KEB that the Government of Malaysia (GOM) has given the nod for the appointment in May this year.

Other work packages. We opine the above appointment could lead to an open tender stage for the remaining RM2.2b packages of the WCE project in the coming weeks and, subsequently, contracts award stage in the following months. We do not rule out the possibility IJM Corp to participate in the other work packages. Winning the other work packages could provide earnings surprise for IJM Corp in terms of higher construction jobs replenishment and more demand for its industry products.

Earnings unchanged. At this juncture, we make no changes to our earnings forecasts. Going forward, we expect to hear more positive newsflow on the WCE development.

Upgrade to BUY. Pursuant to its recent share price weakness, we upgrade IJM Corp to BUY recommendation with an unchanged TP of RM7.20. We advocate investors to take opportunity to accumulate this stock. We continue to like the Group due to the following: (1) healthy construction backlog of RM2.7b (or RM5.6b, inclusive of RM2.8b worth of WCE construction packages), (2) strong unbilled property sales of circa RM1.8b which could sustain earnings for the next two years, and (3) solid concession assets which will provide steady recurring income.

RETURN STATS	
Price (12 Dec 2014)	RM6.43
Target Price	RM7.20
Expected Share Price Return	+12.0%
Expected Dividend Yield	+3.0%
Expected Total Return	**+15.0%**

STOCK INFO	
KLCI	1,732.99
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)	9,576.3
Price over NTA	1.35x
52-wk price Range	RM5.57–RM7.03
Beta (against KLCI)	0.93x
3-mth Avg Daily Vol	2.92m
3-mth Avg Daily Value	RM19.31m
Major Shareholders	
EPF	12.58%
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	17.1	14.3
Net Dividend (sen)	12.0	13.0	25.0	12.5	19.2
Net Dividend Yield (%)	2.1	2.4	2.4	1.9	3.0

Source: Company data, forecasts by 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



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Source: Bloomberg, MIDFR

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.