22 April 2014 | Corporate update

IJM Corp Berhad

Secured commercial development job

***Maintain* BUY**

***Unchanged* Target Price (TP): RM6.90**

INVESTMENT HIGHLIGHTS

- **IJM Corp has been awarded a contract worth RM396m for the construction of commercial development in Damansara Utama.**
- **Outstanding order book will rise to an estimated of RM2.9b**
- **We maintain our earnings forecast.**
- **Reaffirm BUY with an unchanged target price of RM6.90.**

Awarded first job in FY15. IJM Construction Sdn Bhd, a wholly-owned subsidiary of the IJM Corp, has accepted letter of acceptance from DES Architect on behalf of Damansara Uptown Retail Centre Sdn Bhd for the proposed commercial development in Damansara Utama worth RM396m. The works scope involve the building works of a 5-storey shopping mall with 1 block of 2-storey office, 3 blocks of 1 or 2-storey commercial pods and a 21-storey hotel block on top of the shopping mall. We expect the construction job to start end of this month with a duration of 25 months to complete. Assuming a PBT margin of 7% with a completion period of 2 years and 1 month, we expect this project to contribute RM27.7m (approximately RM9.7m in FY15) to IJM Corp's PBT.

Outstanding order book increases to RM2.9b. Prior to this job, IJM Corp had secured a contract worth RM238.4m in October last year. This is its first contract in its CY14 and FY15, lifting its outstanding order book to an estimated of RM2.9b. With IJM Corp is in the best position to undertake RM4b West Coast Expressway (WCE) construction works. We believe this mega project would double its outstanding order book and provide earnings visibility for at least the next five years.

Forecast unchanged. We maintain our earnings' numbers as we have already imputed the job win in our forecast.

Maintain BUY. We reiterate our BUY recommendation on IJM Corp with an unchanged target price of RM6.90 based on FY15 Sum-of-Parts (SOP) valuation. Although its price has risen recently and the potential upside is <15%, we continue to like IJM Corp due to the following: (i) its stable outstanding order book of RM2.9b, (ii) potential higher order book replenishment from WCE projects and external construction job of New Deep Water Terminal in Kuantan as well as higher capacity utilization prospect, and (iii) strong unbilled property sales of approximately RM1.9b.

RETURN STATS	
Price (21st April 2014)	RM6.35
Target Price	RM6.90
Expected Share Price Return	+8.7%
Expected Dividend Yield	+2.0%
Expected Total Return	**+10.7% ***

* We are maintaining a BUY and making an exception to our recommendation rule.

STOCK INFO	
KLCI	1,862.93
Bursa / Bloomberg	3336 / IJM MK
Board / Sector	Main/Construction
Syariah Compliant	Yes
Issued shares (mil)	1,432.2
Par Value (RM)	1.00
Market cap. (RM'm)	9,094.4
Price over NTA	1.43x
52-wk price Range	RM5.36–RM6.56
Beta (against KLCI)	0.85x
3-mth Avg Daily Vol	3.61m
3-mth Avg Daily Value	RM21.78m
Major Shareholders:	
EPF	9.20%
ASB	9.08%
KWAP	8.13%
LTH	5.21%

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

INVESTMENT STATISTICS

FYE March (RM'm)	FY12	FY13	FY14F	FY15F
Revenue (RM'm)	4,517.9	4,663.4	5,788.5	6,173.2
Pretax Profit (RM'm)	801.6	835.8	1,137.9	1,177.6
Net Profit (RM'm)	409.1	420.9	717.1	745.1
Net Profit Margin (%)	9.1	9.0	12.4	12.1
FD EPS (sen)	29.2	29.9	50.5	52.5
EPS growth	25.0	2.5	24.0	3.9
PER (x)	18.9	17.9	12.6	12.1
Net Dividend (sen)	11.0	13.0	12.0	12.5
Net Dividend Yield (%)	2.1	2.4	1.9	2.0

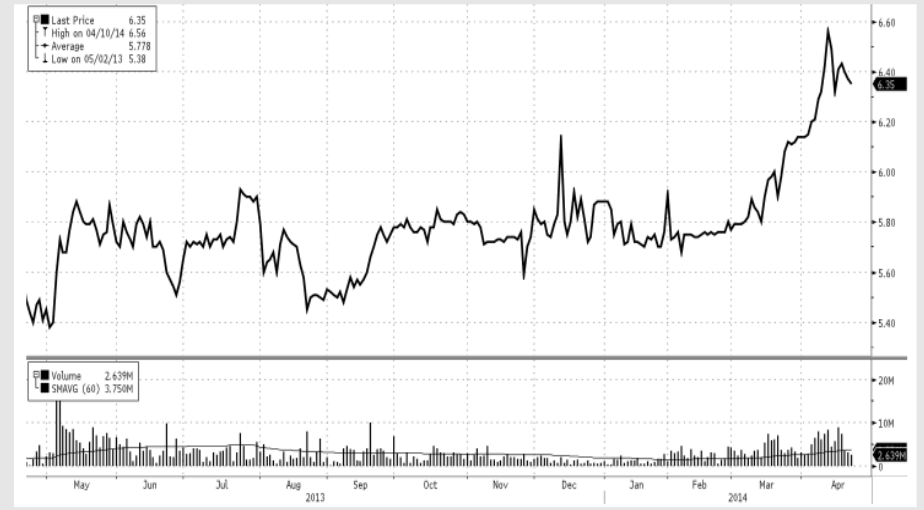
Source: Company, MIDFR

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 RM3.12	1,380.3
IJM Property	66%	MIDFR Fair Value of RM3.56	3,686.4
Concessions Assets	Various	DCF (WACC: 9% - 10%)	5,018.4
Keuro	25%	Market cap at RM1.22	175.5
Scomi Group	8%	Market cap at 44.5sen	53.0
(+ / -) Net debt			(3,620.5)
Total value (RM)			**10,326.7**
No. of shares (m)			1,422.3
SOP per share (RM)			**7.26**
Discount to SOP			5%
Target Price (RM)			**6.90**

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.