25 March 2014 | Corporate update

IJM Corp Berhad

Well-positioned for the positives

***Maintain* BUY**

***Increased* Target Price (TP): RM6.90**
(*from* RM6.35)

INVESTMENT HIGHLIGHTS

- **The share price of IJM Corp has surged almost 5% since March 14 to RM6.08, apparently on talks of contract awards related to the RM5.9b West Coast Expressway (WCE).**
- **We believe that IJM Corp is in line to be the beneficiary of approximately RM4b worth of WCE jobs.**
- **In 9MFY14, the Group's core earnings grew 20.1%yoy due to the consistently strong contribution from the property (78.9%yoy) and construction (10.1%yoy) segments.**
- **We are making adjustments to our numbers, increasing FY14 and FY15 earnings forecasts by 12.9% and 12.6% respectively, to reflect higher contribution from IJM Land and IJM Plantation's earnings forecasts.**
- **We increase our target price to RM6.90 from RM6.35. Hence, we reaffirm BUY recommendation on IJM Corp**

Strong price action of late may continue. We note that the share price of IJM Corp has surged almost 5.0% since March 14 to RM6.08 yesterday, after consolidating at the RM5.70-level since October last year. We believe the positive price movement of late is related to expectations of job awards for the RM5.9b West Coast Expressway. WCE Sdn Bhd's management has indicated that construction works will start to be awarded from April onwards.

In line for RM4b WCE jobs. There will be 11 packages of which five will be awarded in 2Q14 with the remaining six packages in 3Q14 or 4Q14. This is an earnings re-rating catalyst for IJM Corp, as the Group is anticipated to secure approximately RM4b contracts. We also expect IJM to be awarded RM1.0b construction job for the Kuantan Port expansion in the coming months. This will expand its current outstanding orderbook of more than RM2b and provide earnings visibility for at least the next five years.

Strong 9MFY14 results. In 9MFY14, IJM Corp's core net profit of RM428m grew strongly by 20.1%yoy, due to the consistently strong contributions from the property (78.9%yoy) and construction (10.1%yoy) segments. The Group's plantation division also posted higher revenue growth (59.3%yoy) supported by higher sales volume of FFB production.

RETURN STATS	
Price (24th Feb 2014)	RM6.08
Target Price	RM6.90
Expected Share Price Return	+13.5%
Expected Dividend Yield	+2.1%
Expected Total Return	**+15.6%**

STOCK INFO	
KLCI	1,833.85
Bursa / Bloomberg	3336/ IJM MK
Board / Sector	Main/ Construction
Syariah Compliant	Yes
Issued shares (mil)	1,422.3
Par Value (RM)	1.00
Market cap. (RM'm)	8,647.6
Price over NTA	1.37x
52-wk price Range	RM5.25–RM6.13
Beta (against KLCI)	0.85x
3-mth Avg Daily Vol	2.45m
3-mth Avg Daily Value	RM14.27m
Major Shareholders	
EPF	9.85%
ASB	9.32%
KWAP	8.78%
LTH	5.24%

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

INVESTMENT STATISTICS

FYE March	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)	20.8	20.3	12.0	11.6
Net Dividend (sen)	11.0	13.0	12.0	12.5
Net Dividend Yield (%)	1.8	2.1	2.0	2.1

Source: Company data, forecasts by MIDFR

Revising forecast earnings. We are adjusting our numbers, increasing FY14 and FY15 earnings forecasts by 12.9% and 12.6% respectively. These upward revisions are due to: (i) better performance of the property division. Our property analyst expects strong property sales from the Lights in Penang, and the upcoming launch of Bandar Rimbayu Phase 3 and (ii) stronger FFB production from Indonesian operation, boosted by favorable prices of palm products.

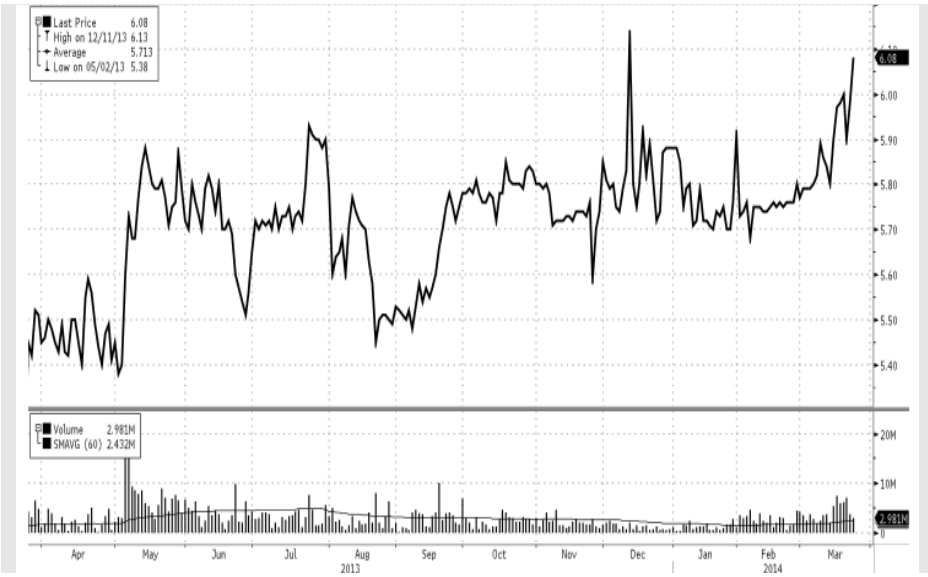
Maintain BUY. We increase our Target Price (TP) to RM6.90. We have imputed a 5% discount to the Sum-of-Parts valuation of RM7.26 per share, to take into the possibility that the job awards may be delayed, as well as the likelihood that the growth in FFB production might be stunted if the current dry spell persists. We reaffirm our BUY recommendation on IJM Corp.

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%		171.2
Scomi Group	8%		53.0
(+ / -) Net debt			(3,620.5)
Total RNAV (RM)			**10,322.5**
No. of shares (m)			1,422.3
RNAV per share (RM)			**7.26**
Discount to RNAV			5%
Target Price (RM)			**6.90**

Source: Forecasts by 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.