27 May 2016 | FY16 Results Update

IJM Corporation Berhad

A fairly good FY16

***Maintain* BUY**

***Maintain* Target Price (TP): RM4.00**

INVESTMENT HIGHLIGHTS

- **FY16 results above expectations**
- **Driven by construction and industrial segments**
- **Earnings estimates intact for FYE17/FYE18**
- **We maintain our BUY with an unchanged TP of RM4.00 per share**

FY16 results above expectations. IJM's FY16 PATAMI of RM788m (-6%YoY) came in above expectations amounting to 127.7% of our and 127.1% of consensus estimates respectively. The favourable earnings resulted from higher construction projects being recognized and bottom line margin improvements from construction segments.

Results are driven by 2 key segments. The 2 key pillars of growth for the company are construction and industrial (building materials) segments. Its construction segment recorded an 8-ppts sequential improvement in its PBT margin to 15% in 4QFY16. Meanwhile, the margin from industrial segments for the supply of building materials in 4QFY16 remained stable at 11% level. We believe that the trend will persist due to its interconnectedness in which the industrial segment will supply pre-casted building products such as spun piles and pre-casted elevated viaducts from the construction segment.

Earnings growth trajectory still intact. We reaffirm our earnings forecasts due the sturdy orderbook level which is at an all-time high of RM8.5bn from the recently clinched MRT Package V203 worth RM.147bn. The orderbook is surmised to provide earnings visibility for the next 36 months

Key Risk Factors. Having said that, the key risk factors are execution risk due to its large orderbook and debt level which could limit IJM's ability to clinch other large scale projects. Despite recurring cash flows from its concession assets, we reckon that IJM's financial headroom is limited as its net debt level is relatively high at 0.5x or amounting to RM4.2bn.

Recommendation. We reaffirm our BUY recommendation with an unchanged SOP-based TP of RM4.00 per share with an undemanding implied PER of 11x which equates to the lower end of its peers' in KL Construction Index.

RETURN STATS	
Price (26 May 2016)	RM3.44
Target Price	RM4.00
Expected Share Price Return	+15.7%
Expected Dividend Yield	+2.2%
Expected Total Return	**+17.9%**

STOCK INFO	
KLCI	1,631.09
Bursa / Bloomberg	3336/ IJM MK
Board / Sector	Main / Construction
Syariah Compliant	Yes
Issued shares (mil)	3588.95
Par Value (RM)	1.00
Market cap. (RM'm)	12,344
Price over NA	1.37
52-wk price Range	RM2.87– RM3.64
Beta (against KLCI)	0.949
3-mth Avg Daily Vol	5.93m
3-mth Avg Daily Value	RM20.6m
Major Shareholders (%)	
EPF	13.44
ASB	8.03
LTH	5.27
ASW	5.2

SOP VALUATION

Segments	Stake	Basis	Value (RM'm)	Per Share (RM)
Construction	100%	DCF@6.7%	3,888.0	1.09
Industrial	100%	FY16 PER of 14x	2,417.3	0.68
IJM Plantation	55%	MIDFR TP of RM3.57	1,735.0	0.49
Property				
Malaysia	Various	DCF@6.7%	5,252.0	1.47
JVs			899.2	0.25
Overseas			486.5	0.14
Concessions Assets				
Kuantan Port	60%	DCF@6.7%	1,200.2	0.34
Highways	Various	DCF@6.7%	1,638.2	0.46
GVK Gautami Power Limited	20%	Book value	336.0	0.09
Hexacon Construction	46%	Book value	305.8	0.09
Keuro	26%	Market Cap at RM0.98	253.6	0.07
Scomi Group	24%	Market cap at 22sen	79.6	0.02
Total value			**18,491.5**	**5.19**
(Net debt) / net cash			-4,366.1	-1.22
SOP per share				**3.962**
No. of shares outstanding (mil)				3,565.6

Source: Bloomberg, MIDFR

INVESTMENT STATISTICS

FYE March	FY14	FY15	FY16	FY17F	FY18F
Revenue (RM'm)	6,006	5,448	5128	6,962	6,146
EBIT (RM'm)	1,849	1,292	1,301	1,293	1,131
Pre-tax Profit (RM'm)	1,477	1,019	1155	1,174	988
Normalised PATAMI (RM'm)	600	489	788	698	494
FD EPS (sen)	42	31	22	36	34
EPS growth (%)	40	-27	-29	13	-4
PER (x)	10	11	15.6	20	11
Net Dividend (sen)	25	15	16	18	17
Net Dividend Yield (%)	2.4	2.5	2.2	2.5	2.7

Source: Bloomberg, MIDFR

12FY16 RESULTS

FYE March (RM'm)	Quarterly Results					Cumulative		
	4Q16	4Q15	3Q16	YoY	QoQ	12M16	12M15	YoY
Revenue	**1,167**	**1,442.8**	**1,440**	-19%	-19%	**5,128**	**5,448.3**	-6%
Other operating income	66	91.9	170	-28%	-61%	508	265.1	92%
Foreign exchange differences	-65	1.1	37	-6307%	-276%	-8	-7.6	9%
Tender, sell & distribt expenses	43	-55.7	-54	-177%	-180%	-183	-192.1	-5%
Admin expenses	-93	-109.8	-91	-15%	2%	-353	-359.4	-2%
Other operating expenses	34	-45.5	-16	-174%	-312%	-97	-94.4	2%
EBIT	**124**	**319.9**	**414**	-61%	-70%	**1,301**	**1,292.4**	1%
Finance Cost	-14	-53.1	-41	-74%	-66%	-169	-242.7	-30%
Associates	17	-13.7	1	-222%	1298%	14	-19.4	-171%
JVs Income	-8	-8.4	-2	-7%	290%	10	-10.9	-190%
PBT	**119**	**244.7**	**373**	-51%	-68%	**1,155**	**1,019.4**	13%
Taxation	-93	-93.4	-78	-1%	19%	-274	-306.3	-10%
Minority Interest	-2	52.9	38	-104%	-106%	88	-232.1	-138%
PATAMI	**24**	**204.2**	**256**	-88%	-91%	**788**	**480.9**	64%
Normalised PATAMI	**24**	**204.2**	**256**	-88%	-91%	**788**	**480.9**	64%
FD EPS (sen)	1	6.5	2.97	-81%	-59%	22	14.8	51%
	4Q16	**4Q15**	**3Q16**	**pts**	**pts**	**12M16**	**12M15**	**+/- ppts**
EBIT margin	11%	22%	29%	-11.5	10.6	25%	24%	2
PBT margin	10%	17%	26%	-6.7	10.2	23%	19%	4
PATAMI margin	2%	14%	18%	-12.1	2.1	15%	9%	7
Effective tax rate	78%	38%	21%	39.7	77.9	24%	30%	-6
	Segmental Breakdown						-	
Revenue (RM'm)	**4Q16**	**4Q15**	**3Q16**	**pts**	**pts**	**12M16**	**12M15**	**YoY**
Construction	356	249.6	485	42%	-27%	1,414	949.9	49%
Property	301	606.1	306	-50%	-2%	1,184	2,116.2	-44%
Industry	215	228.0	232	-6%	-7%	980	922.3	6%
Plantation	115	132.8	156	-13%	-26%	558	667.7	-16%
Infrastructure	180	225.7	261	-20%	-31%	991	791.2	25%
Investment & others	0.02	0.7	0.1	-97%	-60%	0.1	1.0	-95%
TOTAL	**1,167**	**1,442.8**	**1,440**	-19%	-19%	**5,128**	**5,448.3**	**-6%**
PBT (RM'm)				**pts**	**pts**	**12M16**	**12M15**	**YoY**
Construction	53	71.1	35	-25%	53%	171	184.8	-8%
Property	4	128.3	21	-97%	-79%	159	494.7	-68%
Industry	23	29.6	23	-22%	2%	124	125.6	-1%
Plantation	3	-14.8	54	-122%	-94%	50	89.4	-44%
Infrastructure	89	2.9	261	2983%	-66%	556	42.3	1214%
Investment & others	-38	27.5	-20	-240%	92%	96	82.6	16%
TOTAL	**135**	**244.6**	**373**	-45%	-64%	**1,156**	**1,019.4**	**13.4%**
PBT margin (RM'm)				**pts**	**pts**	**12M16**	**12M15**	**+/- ppts**
Construction	15%	28%	7%	-13	15	12%	19%	-740%
Property	1%	21%	7%	-20	1	13%	23%	-993%
Industry	11%	13%	10%	-2	11	13%	14%	-96%
Plantation	3%	-11%	34%	14	3	9%	13%	-435%
Infrastructure	49%	1%	100%	48	49	56%	5%	5073%

Source: Bloomberg, 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 to be <-15% 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.