Corporate Update| Wednesday, 19 October 2022

IJM Corporation Berhad

(3336 | IJM MK) Main | Construction

RM1b of new jobs

Maintain BUY

***Unchanged* Target Price: RM2.18**

KEY INVESTMENT HIGHLIGHTS

- **IJM Construction secures two new jobs in Selangor worth about RM1b**
- **First is a RM831m 312-bedded hospital in Kapar, to be undertaken on a 60:40 JV arrangement**
- **Second job win is for an 18-storey office tower for LHDN worth RM150.8m**
- **Order book receives a boost to RM4.59b**
- **Maintain BUY and unchanged TP of RM2.18**

RM1b of wins. IJM Construction Sdn Bhd, a wholly-owned subsidiary of IJM Corporation Bhd (IJM), has secured two new jobs in Selangor worth close to RM1b, to build a hospital in Kapar and an office tower in Shah Alam for the Inland Revenue Board (LHDN).

Hospital in Kapar. This is a RM831m design-and-build turnkey construction contract for a government hospital in Kapar that will house 312 beds. This will be undertaken via a JV arrangement on a 60:40 basis with Ganda Imbuhan Sdn Bhd, which will commence in Nov-22 and to be completed in four years. IJM's share of the net earnings, assuming a 5% margin, would be RM24.9m, or about RM6.2m a year until its FY27. IJM's job scope comprises earthworks and ground treatment works, piling and foundation, interior design for the main areas in the hospital and the construction of 120 units of staff quarters. Other responsibilities include mechanical and electrical service, information and technology works, external and infrastructure works, environmental and protection enhancement works and maintenance works and construction of 120 units of staff quarters.

LHDN office. IJM construction was also awarded a contract by LHDN worth RM150.8m to erect an 18-storey building in Shah Alam. The project will also commence in Nov-22, to be completed in three years. Again, projecting a 5% net earnings margin, this would bring in about RM2.5m of earnings to IJM annually until FY26.

Healthy order book replenishment. These two new jobs add RM649.4m to IJM's outstanding order book, which now stands at a healthy level of RM4.59b, giving it sound earnings visibility at least until FY24.

Earnings estimates. We are maintaining our earnings estimates for FY23E and FY24F as the new job wins are in line with our expectations.

Target Price. We are retaining our **TP of RM2.18**, which was arrived by pegging the group's FY23 EPS of 10.6sen to its three-year mean PER of 20.6x.

Maintain BUY. We remain sanguine on the group's earnings momentum moving forward and we reiterate that IJM remains one of our top BUY picks for the construction sector. With a net cash position estimated at

RETURN STATISTICS	
Price @ 18th October 2022 (RM)	**1.55**
Expected share price return (%)	**+40.6**
Expected dividend yield (%)	**+2.8**
Expected total return (%)	**+43.4**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-7.7	-4.4
3 months	-7.2	-7.5
12 months	-11.2	1.8

KEY STATISTICS	
FBM KLCI	1,400.36
Syariah compliant	Yes
F4BGM Index	No
ESG Grading Band (Star Rating)	☆☆☆☆
Issue shares (m)	3532.16
Estimated free float (%)	48.25
Market Capitalisation (RM'm)	5,455.09
52-wk price range	RM1.39 - RM1.92
Beta vs FBM KLCI (x)	0.83
3-mth average daily volume (m)	1.20
3-mth average daily value (RM'm)	2.04
Top Shareholders (%)	
Amanah Saham Nasional Bhd	17.08
Employees Provident Fund Board	16.43
KWAP	8.28

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estimated at about RM327m, the group's balance sheet remains strong to take on mega infrastructure projects that may require PFIs or PPPs. The Kapar Hospital projects adds another feather to IJM's cap for healthcare projects, making it a household name in building hospitals. It previously constructed the National Cancer Institute in Putrajaya, Putrajaya Hospital and Institut Jantung Negara (IJN), among others. We also expect IJM to be among the front runners for packages CMC301 or CMC302 of the upcoming MRT3, which could come up to RM2.79b and RM13.94b respectively, given its vast experience in rail projects. Results are expected to be announced by the end of 2022, likely after the 15th General Election.

INVESTMENT STATISTICS

Income Statement	2020A	2021A	2022A	2023E	2024F
Revenue	6,605.1	4,893.2	4,680.7	6,105.1	6,701.1
Gross Profit	1,235.0	928.5	868.5	1,117.5	1,274.1
Net Operating Expenses	(364.7)	(24.6)	(244.9)	(307.7)	(306.9)
Operating Profit	870.3	904.0	623.6	809.8	967.1
Finance Costs	(290.4)	(203.5)	(191.4)	(241.6)	(264.3)
JV and Associates	(62.1)	(74.0)	(31.3)	0.0	0.0
Profit Before Tax	517.8	626.4	401.0	568.3	702.9
Tax Expense	(189.6)	(106.3)	(204.2)	(185.5)	(201.0)
Reported Net Profit	250.2	397.0	794.9	382.8	501.8
Core Net Profit	412.5	232.7	244.3	382.8	501.8
Reported EPS	6.9	8.8	2.9	10.5	13.8
Core EPS	11.0	6.4	6.7	10.5	13.8
Core PER	13.1	24.9	24.0	20.8	20.8
DPS	3.0	6.0	21.0	6.0	6.0
Dividend Yield	2.0%	3.8%	13.1%	2.8%	2.8%

Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% 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.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology