Corporate Update

IJM Corporation Berhad

(3336 | IJM MK) Main | Construction

3 Stars | SHARIAH Compliant | FTSE4Good

Maintain **BUY**

Unchanged Target Price **RM3.89**

3QFY25 Results Review

Building Momentum: IJM's Growth Engine Accelerates

Maintain BUY. We are maintaining our earnings estimates on the back of expectations of a strong 4QFY25, supported by improving construction margins and better progress billings from ongoing projects. The group has continued to secure new contracts, with a robust replenishment pipeline that includes major infrastructure developments both locally and abroad. Construction activity is expected to accelerate further, benefiting from the broader recovery in the sector and a healthy order book. As such, we are also maintaining our target price at RM3.89, derived by pegging its FY26F EPS of 17.7 sen to a forward PER of 22x, which is +1SD above its seven-year mean. The property segment, while facing some delays in new launches due to regulatory approvals, is still supported by steady unbilled sales, ensuring earnings visibility. Meanwhile, the manufacturing and quarrying segment continues to benefit from improved operating efficiencies, while weaker performances in the ports and toll divisions are expected to stabilize in the coming quarters. With its diversified business segments, strong order book, and the potential for additional project wins, we expect IJM to remain a key beneficiary of the improving construction outlook. Despite near-term challenges in certain segments, the company's long-term fundamentals remain intact. Given these factors and a YTD share price decline of -28.1%, we see potential upside with IJM and reiterate our **BUY** recommendation.

Within expectations. IJM Corporation Berhad (IJM) recorded an increase of +28.6%yoy in its 3QFY25 core earnings to RM118.7m, while revenue came in marginally higher by +4.4%yoy to RM1.54b. The cumulative 9MFY25 core earnings recorded a growth of +17.6%yoy to RM353.4m which came in at 60.5% of ours and 67.6% of consensus' full year estimates. Although below our forecasts, we deem this as within estimates on the back of expectations of stronger construction progress in 4QFY25.

Construction margins to pick up. Construction revenue jumped +31.5%yoy to RM562.1m while PBT soared +64.6%yoy to RM19.4m, attributable to higher construction activities. PBT margin grew to 3.5% from 2.8% in the same quarter last year. 9MFY25 revenue also shot up by +50%yoy to RM1.73b while PBT increased massively by +87.3%yoy to RM71.7m. This is expected to pick up further in 4QFY25 upon stronger progress of the group's newer construction projects. Four of these projects, namely the Maple Tree Logistic hub, a semiconductor project in Penang, the Iskandar Puteri data centre and a data centre project in Johor, have been secured in YTD FY25, providing strong earnings visibility going forward.

RETURN STATISTICS	
Price @ 27 February 2025 (RM)	2.23
Expected share price return (%)	+74.4
Expected dividend yield (%)	+2.6
Expected total return (%)	+77.0

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-7.5	-9.1
3months	-26.6	-20.0
12 months	2.2	0.4

INVESTMENT STATISTICS

FYE Mar	2024A	2025E	2026F
Revenue	5,918.8	6,868.5	7,212.0
Operating Profit	1,272.8	1,476.7	1,565.0
Profit Before Tax	964.2	1,133.3	1,190.0
Core PATAMI	505.2	583.8	620.2
Core EPS	14.4	16.7	17.7
DPS	8.0	8.0	8.0
Dividend Yield	2.6%	2.6%	2.6%

KEY STATISTICS	
FBM KLCI	1,586.60
Issued shares (m)	3506.17
Estimated free float (%)	80.65
Market Capitalisation (RM'm)	7,818.75
52-wk price range	RM2.05 - RM3.76
3-mth average daily volume (m)	10.25
3-mth average daily value (RM'm)	27.16
Top Shareholders (%)	
Employees Provident Fund Board	14.46
Amanah Saham Nasional Bhd	12.92
Kumpulan Wang Persaraan Diperbadan	9.49

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RM5.0b replenishment target intact. YTD FY25, IJM has secured RM2.7b of new projects, making up 54.0% of its FY25 target of RM5.0b. Management in their 2QFY25 results briefing were aiming to secure several projects before the FYE in Mar-25 which include the extension of the New Pantai Expressway (NPE) of about RM1.4-1.5b and a civil housing project in Nusantara with a size of over RM1.0b, which is currently under evaluation by Indonesia's Finance Ministry. IJM's outstanding order book currently stands at RM11.5b, with works in the UK (JRL) and Singapore (Hexacon) totaling RM3.5b and RM2.0b respectively.

Property development. Revenue from the division increased +7.8%yoy to RM540.6m, delivering a PBT of RM170.6m (+39.2%yoy), mainly due to a sale of parcel land in Penang. However, the 9MFY25 revenue declined by -3.5%yoy to RM1.29b while the 9MFY25 PBT also decreased by -14.0%yoy to RM240.7m, attributed to higher unrealised foreign exchange losses of RM38.6m; excluding the effects of this, IJM's PBT would have increased by +14. %yoy. Management previous guidance for its FY25 sales target sits at RM1.6b-1.7b due to a pushback of new property launches as approvals by authorities have been held back. This is due to stringent requirements for more in-depth geotechnical studies/reports to be submitted following the fatal sinkhole incident in Aug-24. Property sales at 9MFY25 stood at RM907m. Unbilled sales stand at RM1.6b.

Manufacturing and quarrying. Despite a lower revenue of RM242.2m (-17.5%yoy), the segment remained amongst the top earnings contributors during the quarter, recording an increase of +2.7%yoy to RM43.7m. The lower revenue was due to lower tonnage of piles delivered and ready mixed concrete products while the stronger PBT is attributable to higher operating efficiency, leading to a growth in margin from 15.3% to 18.0%. 9MFY25 PBT also increased by +1.1% to RM35.6m.

Kuantan Port. The ports subdivision saw revenue declining -21.8%yoy to RM89.3m during the quarter while PBT slid -52.2%yoy to RM17.0m, mainly due to lower cargo throughput, which declined to 5.1m tonnes from 6.4m tonnes in the same period last year. Weaker steel exports were a primary reason for the challenging quarter in this division.

Tolls division. The toll division also saw a decline in revenue, down by -22.0%yoy to RM98.2m, with a loss before tax of -RM12.7m during the quarter (-180.8%yoy). This was due to lower traffic volumes in IJM's overseas tollways where one of the concessions in India has ended. On top of that, there is an absence of compensation income post restructuring of local toll roads.

IJM CORPORATION BERHAD : 3QFY25 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
Income Statement	**Q325**	**Q225**	**Q324**	**QoQ**	**YoY**	**9MFY25**	**9MFY24**	**YoY**
Revenue	1,539.8	1,516.3	1,475.4	**1.6%**	**4.4%**	4,460.5	4,159.6	**7.2%**
Gross Profit	406.4	386.8	374.7	**5.1%**	**8.5%**	1,109.5	1,069.9	**3.7%**
Net Operating Expenses	(98.4)	(148.6)	(64.4)	**33.8%**	**-52.8%**	(329.5)	(243.5)	**-35.3%**
Operating Profit	308.0	238.2	310.3	**29.3%**	**-0.7%**	780.0	826.3	**-5.6%**
Finance Costs	(64.3)	(72.1)	(85.9)	**10.9%**	**25.2%**	(213.0)	(232.3)	**8.3%**
JV and Associates	(15.4)	(13.9)	1.9	**-11.0%**	**>-100%**	(33.3)	3.4	**>-100%**
Profit Before Tax	228.3	152.2	226.2	**50.0%**	**0.9%**	533.7	597.4	**-10.7%**
Tax Expense	(87.5)	(64.4)	(117.6)	**-35.8%**	**25.6%**	(198.4)	(261.4)	**24.1%**
Minority Interest	15.8	1.8	(3.5)	**>100%**	**>100%**	25.7	6.1	**>100%**
Perps.	11.7	11.7	11.7	**0.0%**	**0.0%**	35.1	35.1	**0.0%**
Reported Net Profit	113.3	74.2	100.4	**52.7%**	**12.9%**	274.4	294.8	**-6.9%**
Core Net Profit	118.7	135.6	92.3	**-12.4%**	**28.6%**	353.4	300.5	**17.6%**

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2022A	2023A	2024A	2025E	2026F
Revenue	4,409.0	4,572.5	5,918.8	6,868.5	7,074.6
Gross profit	762.1	1,179.9	1,550.2	1,820.2	1,911.2
Operating profit	537.5	740.9	1,272.8	1,476.7	1,565.0
Net interest	(188.3)	(255.3)	(307.1)	(295.5)	(288.5)
Profit before tax	317.9	483.0	964.2	1,133.3	1,190.0
Tax	(182.9)	(271.4)	(299.0)	(343.4)	(360.6)
PATAMI	102.1	158.3	600.3	583.8	620.2
Core PATAMI	200.2	294.1	505.2	583.8	620.2

Balance Sheet (RM'm)	2022A	2023A	2024A	2025E	2026F
Fixed assets	5,682.0	5,207.2	5,861.7	5,095.2	5,350.0
Intangible assets	93.6	125.4	111.8	101.6	101.6
Non-current assets	**8,653.1**	**8,676.1**	**9,212.2**	**8,435.5**	**8,690.3**
Cash	2,908.7	2,825.2	2,870.4	2,769.3	2,407.9
Trade debtors	1,301.9	1,261.8	1,752.3	2,060.6	2,122.4
Current assets	**12,358.9**	**11,834.5**	**12,103.1**	**12,624.2**	**12,579.4**
Trade creditors	2,676.1	2,679.8	2,758.3	2,494.9	2,483.2
Short-term debt	1,609.6	1,696.6	1,723.9	1,600.0	1,600.0
Current liabilities	**4,562.5**	**4,800.8**	**5,014.8**	**4,733.3**	**4,721.6**
Long-term debt	3,904.6	3,650.8	3,800.4	3,821.2	3,897.6
Non-current liabilities	**4,716.3**	**4,490.0**	**4,724.2**	**4,745.0**	**4,821.4**
Share capital	6,127.7	6,132.4	6,132.4	6,132.4	6,132.4
Retained earnings	4,000.1	4,024.6	4,342.2	4,645.0	4,984.2
Equity	**11,460.7**	**10,961.0**	**11,278.6**	**11,581.4**	**11,920.6**

Cash Flow (RM'm)	2022A	2023A	2024A	2025E	2026F
PBT	317.9	483.0	964.2	1,133.3	1,190.0
Operating cash flow	**1,217.4**	**1,276.0**	**1,000.0**	**1,169.1**	**1,225.8**
Capital expenditure	(414.7)	(195.7)	70.0	(200.0)	(250.0)
Investing cash flow	**1,202.4**	**(159.0)**	**(135.2)**	**(405.2)**	**(486.2)**
Debt raised/(repaid)	(417.9)	(156.3)	(112.4)	(155.0)	(62.0)
Dividends paid	(750.6)	(211.4)	(280.7)	(280.7)	(280.7)
Financing cash flow	**(1,909.4)**	**(1,199.0)**	**(835.5)**	**(878.1)**	**(785.1)**
Net cash flow	**510.3**	**(82.0)**	**29.3**	**(114.2)**	**219.3**
Beginning cash flow	**2,381.0**	**2,887.5**	**2,807.8**	**2,845.7**	**2,731.5**
Ending cash flow	**2,887.5**	**2,807.8**	**2,845.7**	**2,731.5**	**2,950.8**

Profitability Ratios (%)	2022A	2023A	2024A	2025F	2026F
Gross profit margin	17.3%	25.8%	26.2%	26.5%	27.0%
Operating profit margin	12.2%	16.2%	21.5%	16.6%	17.0%
PBT margin	7.2%	10.6%	16.3%	16.5%	16.5%
PAT margin	2.3%	6.0%	8.5%	8.5%	8.6%
Core PAT margin	4.5%	6.0%	8.5%	8.5%	8.6%

Source: Bloomberg, 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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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