IJM Corporation Berhad

(3336 | IJM MK) Main | Construction

3 Stars | SHARIAH Compliant | FTSE4Good

Corporate Update

Maintain **BUY**

Unchanged Target Price **RM3.89**

Strong Foundations, Compelling Prospects

Maintain BUY. We reiterate our **BUY** recommendation with a TP of 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 group continues to exhibit strong growth prospects, supported by a healthy outstanding order book of approximately RM6.0b. We maintain our earnings estimates as IJM remains poised to capitalise on strategic opportunities, particularly driven by its UK property expansion strategy, resilient data centre segment, and positive momentum from the Nusantara initiative. Furthermore, proactive governance and transparent management responses reinforce our confidence in IJM's medium- to long-term outlook, underpinning potential upside from current price levels while remaining well-positioned to capitalise on strategic opportunities through the company's diversified business model.

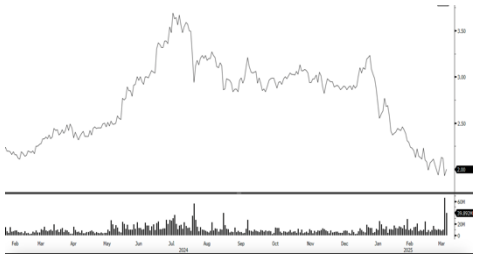
False allegations. In a call with fund managers and analysts yesterday, management strongly refuted allegations circulated online recently, while also reinforcing their commitment to stringent corporate governance and transparency. Management categorically denied any improper practices and highlighted the transparency and competitiveness of its tender processes, specifically noting the MRT3 project's transparent tendering, which was subsequently cancelled by the government. IJM has lodged a formal complaint with the Malaysian Communications and Multimedia Commission (MCMC) and is prepared to take further legal actions if required. The company emphasised it will fully cooperate with any official inquiries and assured that substantive developments will be communicated promptly to the market.

UK expansion on track. Management also provided an upbeat update on IJM's UK expansion strategy following the recent acquisition of the Finsbury property, highlighting a clear strategic shift towards faster turnaround projects and investment properties to generate recurring income. IJM is actively de-risking the development by securing tenancy commitments with high-profile prospective clients before construction commences, ensuring strong occupancy upon completion. Management intends to monetise part of this investment property in line with its clear five-year plan to refurbish, fill, partially monetise, and retain selected assets for recurring income. The group's property division, which contributes >30% to the bottom line, is pivoting from large-scale township developments domestically due to rising land costs and maturity in the property market. The group reiterated its strategic focus on building and holding quality assets rather than short-term buying and selling. Overseas expansion, particularly in the UK, is seen as crucial to scale earnings growth significantly. The group has a medium-term target of expanding its investment property portfolio to approximately RM2.0b within five years.

Strong momentum in DC segment. Management also reiterated its optimism on the data centre segment, driven by resilient demand despite Stargate and chip export restrictions. IJM currently has three DC projects secured in Johor. These contracts were predominantly secured through open tender processes. IJM does

RETURN STATISTICS	
Price @ 20 March 2025 (RM)	2.00
Expected share price return (%)	+94.5
Expected dividend yield (%)	+2.6
Expected total return (%)	+97.1

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-6.1	-1.5
3months	-34.2	-26.0
12 months	-13.9	-12.1

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	1,504.16
Issued shares (m)	3506.17
Estimated free float (%)	80.64
Market Capitalisation (RM'm)	7,010.33
52-wk price range	RM1.86 - RM3.76
3-mth average daily volume (m)	12.30
3-mth average daily value (RM'm)	29.92
Top Shareholders (%)	
Employees Provident Fund Board	14.69
Amanah Saham Nasional Bhd	12.93
Kumpulan Wang Persaraan Diperbadan	9.59

Analyst
MIDF Research
research@midf.com.my

not compromise on margins to win contracts, relying instead on proven execution capabilities such as leveraging its advanced Industrialised Building Systems (IBS) facilities in Selangor as well as their factory in Johor. Management disclosed ongoing participation in two hyperscale DC tenders and active engagement on four additional potential contracts, aiming to secure at least one to two new projects in the near-term.

Nusantara and NPE projects. The tender process for the RM1.0b civil housing project in Nusantara is taking slightly longer than anticipated due to ongoing design refinements and financial feasibility evaluations. The award process is expected to conclude within the next three to six months, depending on final evaluations. Domestically, negotiations for the NPE highway extension project have largely concluded, awaiting final government approval. The project addresses the government's objective of reducing traffic congestion, particularly in the Bangsar area, aligning with the DBKL masterplan. Under this proposal, IJM shoulders the capital expenditure, adhering to the government's public-private partnership (PPP) model and user-pay principle. Additionally, the proposed restructuring allows the government to cease compensation payments related to toll rate adjustments, enhancing connectivity through highway-to-highway integration. Management anticipates receiving government approval soon.

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