IJM Corporation Berhad

(3336 | IJM MK) Main | Construction

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Corporate Update

A Quarter Dragged by Property

Accept offer. We are maintaining our SOTP-derived fair value for IJM Corp at RM3.29, with no changes to our earnings expectations. We remain positive on IJM's outlook, with legacy low-margin projects nearing completion, on top of a consistent performance by the industry segment. While the offer price of RM3.15 from Sunway for the proposed takeover is not generous, we believe it is fair. Therefore, we maintain our stance for investors to accept the offer.

Below expectations. IJM Corp's core earnings came in at RM70.5m (-40.6%yoy) in 3QFY26, after stripping off unrealised foreign exchange losses. This was despite a stronger revenue of RM1.61b (+4.2%yoy). The drag came from the property division which slipped into the red. For the cumulative period of 9MFY26, the group's core earnings declined -24.2%yoy to RM268.0m. This is slightly below our expectations, making up 67.8% of our full year estimates and 55.8% of consensus.

Uplift in construction activities. The construction segment came in strong during the quarter, with a revenue of RM859.4m (+52.9%yoy) due to higher construction work activities. PBT improved 2.6x to RM50.0m, with a notable improvement in margins to 5.8% from 3.5% a year ago. For the cumulative nine-month period, construction revenue was RM2.65b (+53.7%yoy), with a PBT of RM128.7m (+79.4%yoy). Outstanding orderbook remains strong at RM8.4b (RM15.3b including Singapore and UK associates), with strong earnings visibility up to FY27. Management is actively tendering for jobs comprising data centres, buildings and industrial projects. With RM6.5b of new jobs secured in YTD FY26, IJM has achieved the lower end of its replenishment target of RM6b-8b.

Property segment. After adjusting for unrealised forex losses of RM41.4m, the property development segment was still in the red at -RM0.9m, mainly due to lower sales. This was compounded by additional costs nurturing long-term investment assets such as the Penang Waterfront Convention Centre and assets in the UK. Other factors include development expenses incurred related to the Network Rail development JV in the UK. As at 9MFY26, the division recorded RM1.2b of new sales, and we expect it to be able to meet its RM1.8b-2.0b target for the year.

Manufacturing and quarrying. The industry segment continued to deliver commendable performance, with a growth in revenue to RM47.2m (+25.2%yoy) while PBT rose to RM47.2m (+7.9%yoy). This was attributable to the higher deliveries of piles, quarry and ready-mixed concrete.

Infrastructure. The toll segment rebounded into the black at RM26.8m (3QFY25: -RM12.7m) due to higher profit from local tollways and lower losses from its WCE associate, on top of higher share of profit from its Argentinian associate. Kuantan Port, however, saw a decline in PBT to RM13.3m (-22.1%yoy) due to lower cargo throughput as a key client undertook major maintenance.

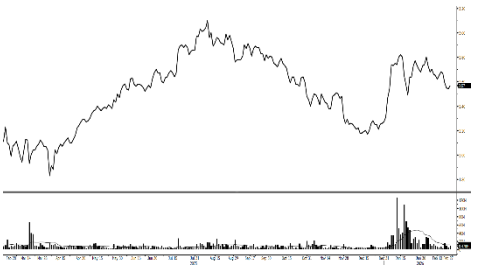
Accept Offer

Offer Price **RM3.15**

(Unchanged Fair Value: RM3.29)

RETURN STATISTICS	
Price @ 26th Feb 2026 (RM)	2.57
Expected share price return (%)	+22.6
Expected dividend yield (%)	+3.1
Expected total return (%)	+25.7

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-5.9	-5.7
3months	13.2	-2.5
12 months	22.3	11.6

INVESTMENT STATISTICS			
FYE Dec	2025A	2026F	2027F
Revenue	6,252.0	5,001.6	5,251.7
Operating Profit	1,093.7	1,085.3	1,129.1
Profit Before Tax	791.1	825.3	866.5
Core PATAMI	523.0	395.1	435.9
Core EPS	14.9	11.3	14.9
DPS	8.0	8.0	8.0
Dividend Yield	2.90%	3.1%	3.1%

KEY STATISTICS	
FBM KLCI	1,740.94
Issue shares (m)	3506.13
Estimated free float (%)	80.38
Market Capitalisation (RM'm)	9,008.28
52-wk price range	RM1.79 - RM3.13
3-mth average daily volume (m)	17.38
3-mth average daily value (RM'm)	45.92
Top Shareholders (%)	
Employees Provident Fund Board	20.12
Amanah Saham Nasional Bhd	12.93
Kumpulan Wang Persaraan Diperbadankan	9.63

Analyst

Royce Tan Seng Hooi

royce.tan@mbsb.com

Update on Sunway's proposed takeover. Recall that on 12th Jan-26, IJM received a conditional voluntary take-over (VTO) offer from Sunway Bhd for its entire shares in issue at RM3.15 per share, or a total of RM11.04b. This was to be satisfied via a combination
of cash (10%) and the issuance of new Sunway shares at RM5.65, meaning that each IJM share would be exchanged for 31.5 sen in cash and 0.501 unit of Sunway share. Sunway had on Wednesday, revised the cash portion to 32.5 sen following the declaration of a 2 sen dividend for Sunway shareholders. The offer price of RM3.15 remains unchanged. IJM has appointed an independent adviser on 29th Jan with regards to the offer, which will issue an independent advice circular to the IJM's board and shareholders by 16th March. Sunway has until 23rd March to revise its offer. We view that the RM3.15 offer price which values the counter at a forward PE multiple of 21.1x, based on our FY27F estimates. This is in line with its five-year mean at 21.4x. This offer price is also close to the NTA per share of IJM of RM3.17. While the offer price of RM3.15 is not generous and a slight -4.3% discount to our fair value, we believe it is fair, based on the above comparisons.

IJM: 3QFY26 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results				Cumulative			
Income Statement	**Q326**	**Q226**	**Q325**	**QoQ**	**YoY**	**9MFY26**	**9MFY25**	**YoY**
Revenue	1,605.1	1,674.2	1,539.8	**-4.1%**	**4.2%**	5,012.7	4,460.5	**12.4%**
Gross Profit	309.9	335.5	406.4	**-7.6%**	**-23.7%**	970.3	1,109.5	**-12.5%**
Net Operating Expenses	(170.4)	(166.2)	(98.4)	**-2.5%**	**-73.2%**	(434.2)	(329.5)	**-31.8%**
Operating Profit	139.5	169.3	308.0	**-17.6%**	**-54.7%**	536.1	780.0	**-31.3%**
Finance Costs	(64.9)	(62.3)	(64.3)	**-4.1%**	**-1.0%**	(199.9)	(213.0)	**6.1%**
JV and Associates	6.1	13.8	(15.4)	**-56.2%**	**139.3%**	18.1	(33.3)	**154.3%**
Profit Before Tax	80.7	120.8	228.3	**-33.2%**	**-64.7%**	354.2	533.7	**-33.6%**
Tax Expense	(65.3)	(56.6)	(87.5)	**-15.5%**	**25.3%**	(167.0)	(198.4)	**15.9%**
Minority Interest	(12.9)	(13.4)	15.8	**3.2%**	**-182.0%**	(25.9)	25.7	**-200.5%**
Perps.	12.6	11.8	11.7	**6.4%**	**6.9%**	36.0	35.1	**2.5%**
Reported Net Profit	15.8	65.8	113.3	**-76.0%**	**-86.1%**	177.1	274.4	**-35.5%**
Core Net Profit	70.5	122.4	118.7	**-42.4%**	**-40.6%**	268.0	353.4	**-24.2%**

Table 1: Sum of the parts valuation

Segments	**Stake**	**Methodology**	**Valuation**
Construction	100%	23x FY27 PER	4,693.87
Manufacturing	100%	15x FY27 PER	2,375.50
Property	100%	50% discount to RNAV	4,059.00
Toll concession	Various	DCF	2,155.00
Port	60%	DCF	926.40
WCE Holdings	28.16%	Market value	645.80
(-) Net debt			(3,320.20)
Total sum of the parts			11,535.37
Diluted number of shares ('m)			3506.13
Target price (RM)			**3.29**

Source: MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	4,572.5	5,918.8	6,252.0	5,001.6	5,251.7
Gross Profit	1,179.9	1,550.2	1,585.2	1,325.4	1,391.7
Net Operating Expenses	(439.1)	(277.5)	(491.6)	(240.1)	(262.6)
Operating Profit	740.9	1,272.8	1,093.7	1,085.3	1,129.1
Finance Cost	(255.3)	(307.1)	(283.2)	(200.1)	(240.1)
PBT	483.0	964.2	791.1	825.3	866.5
Tax	(271.4)	(299.0)	(323.8)	(250.1)	(262.6)
PAT	158.3	600.3	403.4	395.1	435.9
Net Profit	294.1	505.2	523.0	395.1	435.9
Balance Sheet (RM'm)	**2023A**	**2024A**	**2025E**	**2026F**	**2027F**
Fixed assets	5,207.2	5,861.7	5,564.4	5,842.6	6,134.7
Intangible assets	125.4	111.8	112.4	101.6	101.6
Non-current assets	**8,676.1**	**9,212.2**	**9,382.1**	**9,649.5**	**9,941.7**
Cash	2,825.2	2,870.4	2,494.0	2,407.9	2590.7
Trade debtors	1,261.8	1,752.3	2,264.6	2,163.6	2,271.8
Current assets	**11,834.5**	**12,103.1**	**12,387.2**	**12,467.6**	**13,050.7**
Trade creditors	2,679.8	2,758.3	3,130.5	2,488.5	2483.2
Short-term debt	1,696.6	1,701.3	1,832.4	1,790.0	1,790.0
Current liabilities	**4,800.8**	**5,014.8**	**5,523.9**	**4,881.9**	**4,876.6**
Long-term debt	3,651.0	3,800.4	3,960.9	4,040.1	4,120.9
Non-current liabilities	**4,490.0**	**4,724.2**	**4,914.5**	**4,993.8**	**5,074.6**
Share capital	6,132.4	6,132.4	6,132.4	6,132.4	6,132.4
Retained earnings	4,024.6	4,342.2	4,465.2	4,804.4	5,143.6
Equity	**10,961.1**	**11,318.9**	**11,330.8**	**11,670.0**	**12,009.2**

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
PBT	483.0	964.2	791.1	825.3	866.5
Operating cash flow	**1,078.4**	**1,159.5**	**695.8**	**730.0**	**771.3**
Capital expenditure	(195.7)	(257.8)	(396.5)	(250.0)	(250.0)
Investing cash flow	**(159.0)**	**(294.7)**	**(765.8)**	**(918.9)**	**(1,102.7)**
Debt raised/(repaid)	(220.5)	(36.8)	366.6	146.7	58.7
Dividends paid	(211.4)	(280.7)	(280.5)	(280.7)	(280.7)
Financing cash flow	**(1,001.4)**	**(835.5)**	**(314.0)**	**(534.2)**	**(622.2)**
Net cash flow	**(82.0)**	**29.3**	**(383.9)**	**(723.1)**	**(953.6)**
Beginning cash flow	**2,887.5**	**2,807.8**	**2,845.7**	**2,449.8**	**1,726.7**
Ending cash flow	**2,807.8**	**2,845.7**	**2,449.8**	**1,726.7**	**773.1**

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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