

IJM Corporation (IJM MK)

Sizeable contract wins

Maintain BUY

IJM's recent job wins have lifted its outstanding construction order book by 16% to MYR4.6b, providing visibility beyond FY24. We maintain our earnings forecasts, having already imputed job wins in our model. No change too, to our MYR2.14 RNAV-TP and BUY call. IJM's strong balance sheet (0.26x net gearing) puts it in a position of strength for major orderbook replenishment and in driving long-term growth.

Hospital Kapar on design-and-build turnkey

The contract (MYR831m), on design-and-build turnkey construction, is for a 312-bed specialist hospital (for infectious disease) in Klang, Selangor, secured from the Ministry of Works in a 60:40 JV (IJM 60%) with Ganda Imbuan S/B. Works are scheduled to start in Nov 2022, over 48 months. IJM's scope of works include earth & ground treatment works, piling & foundation works, interior design, mechanical & electrical, external & infrastructure works, and construction of 120 units of staff quarters.

LHDNM office tower, also in Selangor

The contract (MYR150.8m), for an 18-storey office tower, was secured from the Inland Revenue Board (LHDNM). Works are scheduled to start in Nov 2022, over 36 months. The building is located in Shah Alam.

Lifts outstanding order book by 16% to MYR4.6b

These two contracts are IJM's first construction job wins for FY23, lifting its outstanding order book to MYR4.6b (after considering its 60% share in the Hospital Kapar contract) vs. MYR3.9b as at end-1QFY22 (Jun 2022). Assuming 8% pre-tax margin for these two jobs, we estimate MYR39m net profit (or 1.1sen EPS) contribution into FY27. We maintain our earnings forecasts which have imputed MYR2b job wins in FY23.

FYE Mar (MYR m)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	4,687	4,409	5,840	6,574	6,300
EBITDA	922	801	987	1,081	1,147
Core net profit	406	260	309	360	389
Core EPS (sen)	11.2	7.3	8.7	10.1	11.0
Core EPS growth (%)	(1.7)	(35.2)	19.8	16.3	8.2
Net DPS (sen)	6.0	21.0	4.3	5.0	5.5
Core P/E (x)	15.1	23.0	17.8	15.3	14.2
P/BV (x)	0.6	0.6	0.5	0.5	0.5
Net dividend yield (%)	3.6	12.6	2.8	3.2	3.5
ROAE (%)	2.2	0.4	2.7	3.5	3.8
ROAA (%)	1.7	1.2	1.5	1.7	1.9
EV/EBITDA (x)	12.9	11.6	7.9	7.4	6.2
Net gearing (%) (incl perps)	35.9	22.8	13.9	14.9	7.2
Consensus net profit	-	-	309	394	413
MKE vs. Consensus (%)	-	-	(13.7)	(8.7)	(5.8)

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BUY

Share Price	MYR 1.55
12m Price Target	MYR 2.14 (+41%)
Previous Price Target	MYR 2.14

Company Description

IJM Corp. is a conglomerate with operations in construction, property development, manufacturing and quarrying, plantation, and infrastructure.

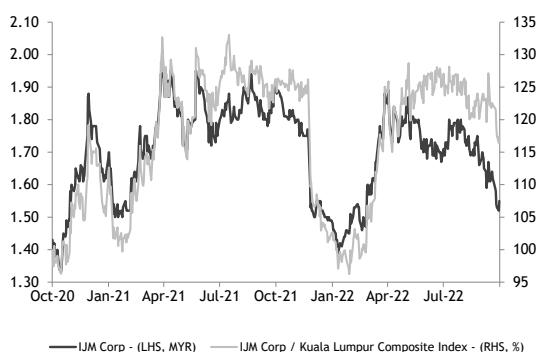
Statistics

52w high/low (MYR)	1.89/1.39
3m avg turnover (USDm)	0.4
Free float (%)	61.0
Issued shares (m)	3,648
Market capitalisation	MYR5.7B
	USD1.2B

Major shareholders:

Employees Provident Fund	16.5%
Kumpulan Wang Persaraan	8.0%
Kuala Lumpur Kepong Bhd.	8.0%

Price Performance



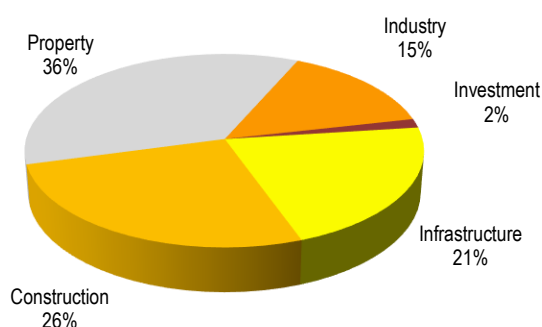
	-1M	-3M	-12M
Absolute (%)	(7)	(9)	(19)
Relative to index (%)	(1)	(6)	(6)

Source: FactSet

Value Proposition

- Leads in construction & civil engineering having built >2,500km of roads, >165km of railways, >MYR10b of commercial & cultural buildings, >MYR1.8b of hospitals & medical centres, >MYR3.6b high-rise residential, amongst others.
- Sizeable property development landbank (3,703 acres net attributable, undeveloped; MYR36b GDV at end-FY22).
- Industry ops is a key supplier of spun piles (largest in SEA), quarry, ready-mixed concrete, scaffolding products.
- Infrastructure holds strategic concessions - Kuantan Port, BESRAYA, NPE. Other assets: LEKAS and WCE in Malaysia; 3 toll roads + 1 powerplant in India; 1 toll road in Argentina.

Pretax profit breakdown in FY22



Note: Pretax profit excluding (i) discontinued ops (plantation); and before (ii) impairment of property inventory (MYR66m at MCKIP); (iii) impairment of tolled road assets (Vijayawada & LEKAS of MYR77m). Source: Company

Price Drivers

Historical share price trend



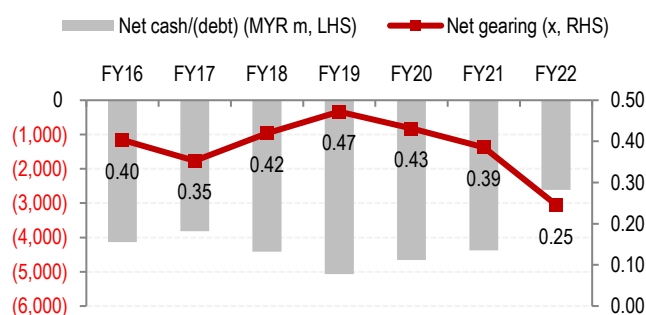
Source: Company, Maybank IBG Research

- Post GE14 (5 May 2018) overhang stemming from (i) review and cancellation of major infrastructure projects and (ii) potential abolition of toll highways.
- Revival of the ECRL project (Apr 2019) lifted sentiment as IJM is a contender to construct one of the packages.
- MRCB George Kent terminates IJM's KVLRT3 underground work package worth MYR1.12b (8 Jul 2019).
- Start of Movement Control Order (MCO) (18 Mar 2020).
- Announcement (on 12 Aug 2020) of IJM's exclusion from MSCI Global Standard Indexes.
- KL Kepong offers to acquire IJM's entire 56.2% stake in IJM Plantation for MYR1.53b cash (9 Jun 2021); deal completed on 6 Sep 2021.

Financial Metrics

- Medium-term earnings to be supported by its outstanding construction orderbook of MYR3.9b and unbilled property sales of MYR2.2b as of end-Jun 2022.
- Targets MYR3b construction job replenishment in FY23 (FY22: MYR1.7b), and at least MYR1.8b property sales in FY23 (FY22: MYR2.5b).
- Traffic at its tolled highways, which had been impacted by various phases of movement control orders, have bounced back as all economic sectors have reopened.
- Kuantan Port's throughput growth rides on new industries and expansion of existing industries operating in MCKIP.
- Net gearing stood at 0.26x as of end-Jun 2022.

Net debt and gearing



Source: Company

Swing Factors

Upside

- Sizeable job wins from the ECRL, and upcoming major infrastructure project roll-outs, such as the KVMRT3.
- Sale of its Malaysian highway concessions at fair value.
- Value unlocking asset monetisation, and/or M&As.

Downside

- Delay in implementation of key infrastructure projects.
- High material, labour and fuel costs impacting its existing construction and property projects.

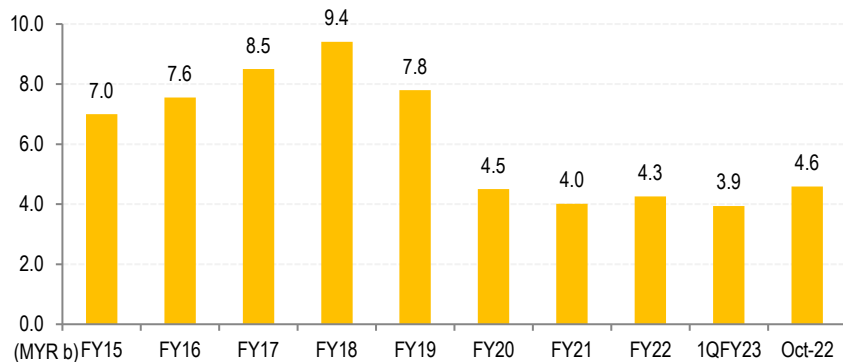
Construction orderbook

Fig 1: Hospital Kapar will serve as a dedicated centre with its infectious disease facility for the Klang community



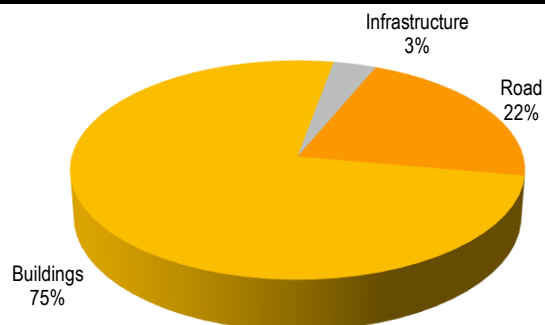
Source: Company

Fig 2: Construction - outstanding orderbook at end-FYs & latest



Source: Company Annual Reports

Fig 3: Construction - outstanding orderbook of MYR4.6b @ Oct 2022



Source: Company

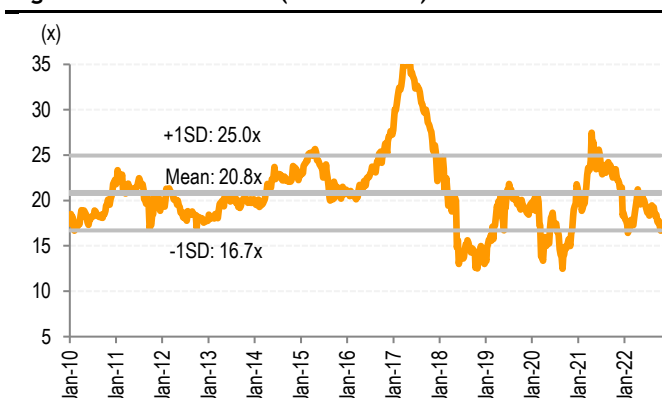
Valuation & foreign shareholding

Fig 4: RNAV

	Value (MYR)	Stake (%)	Attr. Value (MYR m)	Per shr (MYR)	% of total	Comments on methodology
Construction	1,264	100%	1,264	0.36	17%	13x (unchanged) FY23E profit
Property development	4,444	100%	4,444	1.25	58%	NPV of future profits (unchanged)
Industry	475	100%	475	0.13	6%	8x (unchanged) FY23E profit
Infrastructure						
BESRAYA	487	100%	487	0.14	6%	Equity DCF (ke: 8.5%)
NPE	785	100%	785	0.22	10%	Equity DCF (ke: 8.5%)
WCE	708	41%	292	0.08	4%	0.7x (unchanged) FY22 BV
Kuantan Port	848	60%	509	0.14	7%	Equity DCF (ke: 11.9%)
			2,071	0.58	27%	
Less: Holding coy net debt @ end-FY21			(1,634)	(0.46)	(21%)	
Add: Cash proceed from IJMP sale (net of special dividend paid on 30 Dec 2021)			983	0.28	13%	
RNAV / Target price			7,604	2.14	100%	Based on 3,555.8 shares as of end-Mar 2022

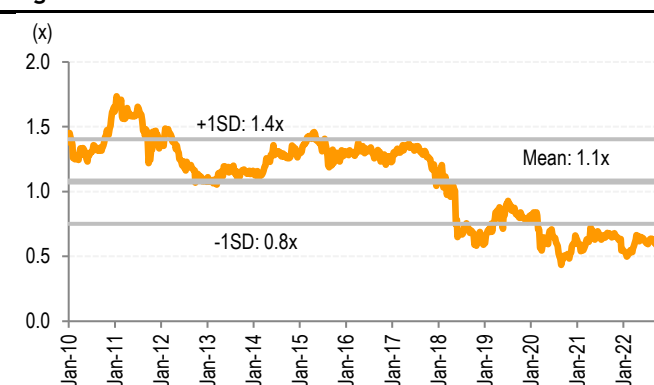
Source: Maybank IBG Research

Fig 5: 12M forward PER (on core EPS)



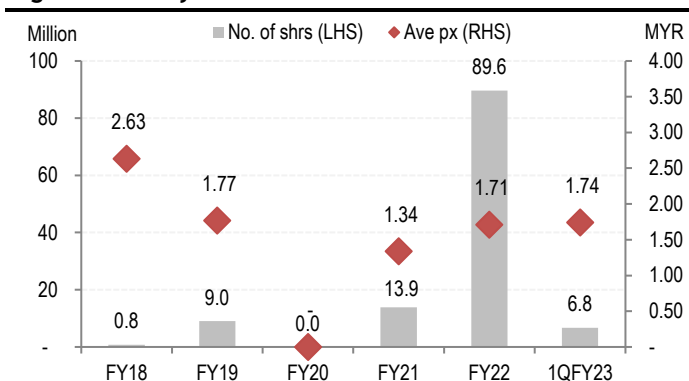
Source: Bloomberg, Maybank IBG Research

Fig 6: 12M forward P/B



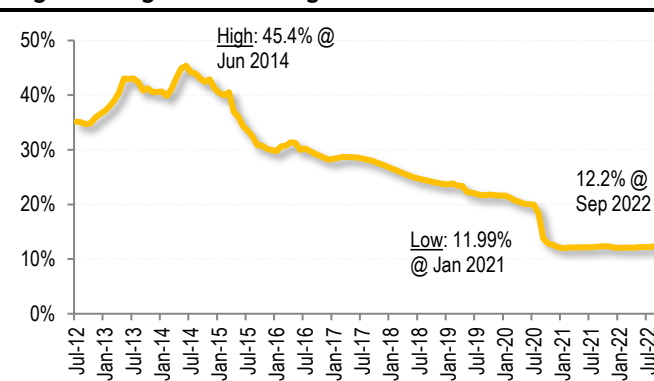
Source: Bloomberg, Maybank IBG Research

Fig 7: Share buy-back



Source: Company data, Maybank IBG Research

Fig 8: Foreign shareholding



Source: Company

FYE 31 Mar	FY21A	FY22A	FY23E	FY24E	FY25E
Key Metrics					
P/E (reported) (x)	26.6	138.8	20.7	15.3	14.2
Core P/E (x)	15.1	23.0	17.8	15.3	14.2
P/BV (x)	0.6	0.6	0.5	0.5	0.5
P/NTA (x)	0.6	0.6	0.6	0.5	0.5
Net dividend yield (%)	3.6	12.6	2.8	3.2	3.5
FCF yield (%)	19.3	45.0	21.8	1.6	21.2
EV/EBITDA (x)	12.9	11.6	7.9	7.4	6.2
EV/EBIT (x)	19.0	19.1	11.8	10.6	8.8

INCOME STATEMENT (MYR m)

Revenue	4,687.2	4,409.0	5,839.8	6,574.3	6,300.1
EBITDA	921.7	801.4	987.0	1,080.7	1,147.3
Depreciation	(96.0)	(116.3)	(122.1)	(128.2)	(134.6)
Amortisation	(199.8)	(199.8)	(199.8)	(199.8)	(199.8)
EBIT	625.9	485.4	665.1	752.7	812.9
Net interest income / (exp)	(68.1)	(37.1)	(44.6)	(52.9)	(62.2)
Associates & JV	(74.2)	(31.3)	(41.9)	(36.8)	(36.8)
Exceptionals	27.6	(99.1)	(42.5)	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	511.1	317.9	536.0	662.9	714.0
Income tax	(78.9)	(182.9)	(202.5)	(232.0)	(249.9)
Minorities	(166.8)	(43.8)	(20.1)	(24.6)	(28.1)
Perpetual securities	(46.5)	(46.5)	(46.5)	(46.5)	(46.5)
Discontinued operations	215.0	750.3	0.0	0.0	0.0
Reported net profit	218.9	44.6	266.9	359.8	389.5
Core net profit	406.3	260.2	309.4	359.8	389.5

BALANCE SHEET (MYR m)

Cash & Short Term Investments	2,406.2	2,908.7	3,488.3	2,919.3	3,402.3
Accounts receivable	1,707.8	1,301.9	1,724.4	1,941.3	1,860.4
Inventory	7,341.8	7,037.3	6,066.0	6,867.0	6,441.0
Property, Plant & Equip (net)	2,635.7	1,045.0	972.9	894.8	810.2
Intangible assets	4,170.0	4,235.9	4,036.1	3,836.3	3,636.5
Investment in Associates & JVs	1,747.0	1,429.4	1,387.5	1,350.6	1,313.9
Other assets	3,477.9	3,053.9	3,044.3	3,044.3	3,044.3
Total assets	23,486.4	21,012.0	20,719.6	20,853.6	20,508.6
ST interest bearing debt	1,839.8	1,620.4	1,420.4	1,220.4	1,020.4
Accounts payable	2,932.6	2,676.1	2,656.5	2,998.2	2,845.6
LT interest bearing debt	4,942.2	3,899.3	3,680.3	3,461.3	3,242.3
Other liabilities	1,583.0	1,355.0	1,368.0	1,372.0	1,377.0
Total Liabilities	11,298.0	9,551.3	9,124.8	9,052.2	8,485.3
Shareholders Equity	9,972.4	9,937.5	10,051.5	10,233.5	10,427.4
Minority Interest	1,367.7	675.3	695.4	719.9	748.0
Total shareholder equity	11,340.1	10,612.8	10,746.9	10,953.4	11,175.4
Perpetual securities	848.3	847.9	847.9	847.9	847.9
Total liabilities and equity	23,486.4	21,012.0	20,719.6	20,853.6	20,508.6

CASH FLOW (MYR m)

Pretax profit	511.1	317.9	536.0	662.9	714.0
Depreciation & amortisation	295.8	316.1	321.9	328.0	334.4
Adj net interest (income)/exp	68.1	37.1	44.6	52.9	62.2
Change in working capital	(44.1)	300.2	538.7	(676.2)	354.3
Cash taxes paid	(220.8)	(160.7)	(202.5)	(232.0)	(249.9)
Other operating cash flow	728.3	406.9	12.1	4.8	4.6
Cash flow from operations	1,338.5	1,217.4	1,250.8	140.4	1,219.6
Capex	(153.5)	1,474.5	(50.0)	(50.0)	(50.0)
Free cash flow	1,185.1	2,691.8	1,200.8	90.4	1,169.6
Dividends paid	(108.7)	(750.6)	(152.9)	(177.8)	(195.6)
Equity raised / (purchased)	(18.6)	(153.3)	0.0	0.0	0.0
Change in Debt	(98.4)	(1,262.4)	(419.0)	(419.0)	(419.0)
Perpetual securities distribution	(46.7)	(46.9)	(46.5)	(46.5)	(46.5)
Other invest/financing cash flow	(606.4)	31.7	(2.7)	(16.1)	(25.4)
Net cash flow	306.3	510.3	579.7	(569.0)	483.1

FYE 31 Mar	FY21A	FY22A	FY23E	FY24E	FY25E
Key Ratios					
Growth ratios (%)					
Revenue growth	(29.0)	(5.9)	32.5	12.6	(4.2)
EBITDA growth	(25.4)	(13.1)	23.2	9.5	6.2
EBIT growth	(25.5)	(22.5)	37.0	13.2	8.0
Pretax growth	(1.3)	(37.8)	68.6	23.7	7.7
Reported net profit growth	(12.7)	(79.6)	498.0	34.8	8.2
Core net profit growth	(1.8)	(36.0)	18.9	16.3	8.2
Profitability ratios (%)					
EBITDA margin	19.7	18.2	16.9	16.4	18.2
EBIT margin	13.4	11.0	11.4	11.4	12.9
Pretax profit margin	10.9	7.2	9.2	10.1	11.3
Payout ratio	99.4	nm	57.3	49.4	50.2
DuPont analysis					
Net profit margin (%)	4.7	1.0	4.6	5.5	6.2
Revenue/Assets (x)	0.2	0.2	0.3	0.3	0.3
Assets/Equity (x)	2.4	2.1	2.1	2.0	2.0
ROAE (%)	2.2	0.4	2.7	3.5	3.8
ROAA (%)	1.7	1.2	1.5	1.7	1.9
Liquidity & Efficiency					
Cash conversion cycle	602.3	602.5	402.0	354.0	387.5
Days receivable outstanding	137.2	122.9	93.3	100.4	108.6
Days inventory outstanding	779.7	786.3	520.6	450.7	497.1
Days payables outstanding	314.6	306.7	211.9	197.0	218.3
Dividend cover (x)	1.0	0.1	1.7	2.0	2.0
Current ratio (x)	2.4	2.7	2.8	2.9	3.1
Leverage & Expense Analysis					
Asset/Liability (x)	2.1	2.2	2.3	2.3	2.4
Net gearing (%) (incl perps)	35.9	22.8	13.9	14.9	7.2
Net gearing (%) (excl. perps)	38.6	24.6	15.0	16.1	7.7
Net interest cover (x)	9.2	13.1	14.9	14.2	13.1
Debt/EBITDA (x)	7.4	6.9	5.2	4.3	3.7
Capex/revenue (%)	3.3	nm	0.9	0.8	0.8
Net debt/ (net cash)	4,375.9	2,611.0	1,612.4	1,762.4	860.3

Source: Company; Maybank IBG Research

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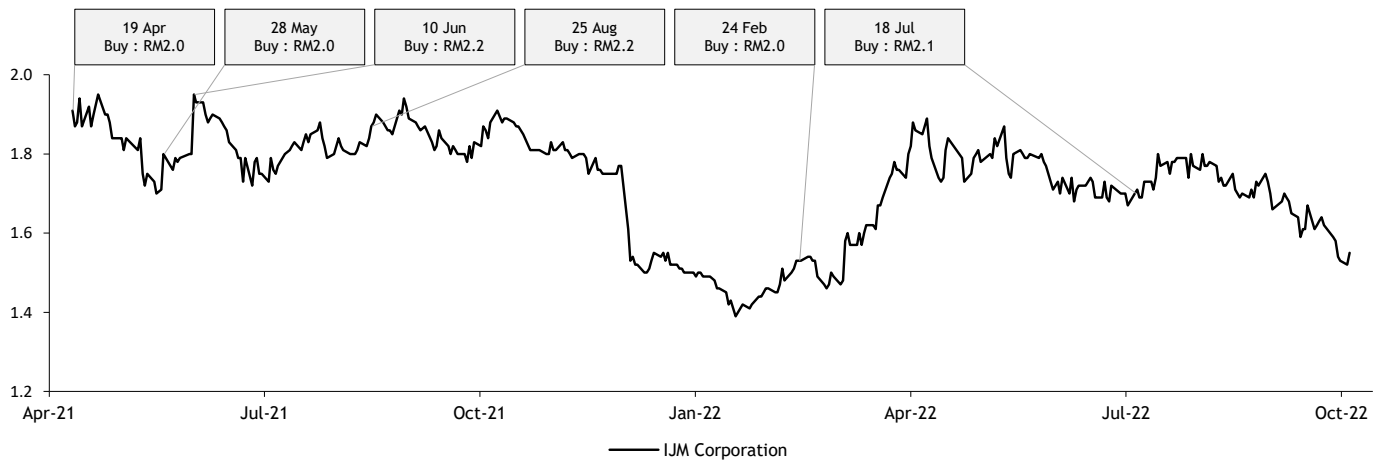
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