

IJM Corporation (IJM MK)

Sizeable MYR1.1b win

Positive on win; maintain BUY

IJM's recent job win has lifted its outstanding construction order book by c.21% to MYR6b, extending earnings visibility into FY27. We maintain our earnings forecasts, having already imputed job wins in our model. No change to our MYR2.18 RNAV-TP and BUY call. IJM's strong balance sheet (0.28x net gearing end-Jun 2023) puts it in a position of strength for major orderbook replenishment and for driving long-term growth.

Wins JB-SG RTS ICQC package

IJM has inked a Letter of Acceptance from Malaysia Rapid Transit System S/B for the design, construction and completion of Package 2A Immigration Customs and Quarantine Complex (ICQC) and Package 2B ICQC External Works for the Rapid Transit System Link Johor Bahru - Singapore (JB-SG RTS Link) project. The total contract sum is MYR1.1b with a provisional sum of MYR155m inclusive of the prevailing Sales and Services Tax (SST). Works completion are expected by 30 Dec 2026.

Lifts o/s orderbook to MYR6b

We view this job win positively, being IJM's first major win for projects of >MYR1b in value since early-2018 (then, it was for a KVLRT3 underground package which was subsequently terminated). We estimate this new contract will lift IJM's outstanding order book to MYR6b (from MYR4.9b end-Jun 2023), extending earnings visibility into FY27. This job win also brings IJM closer to its MYR3b target orderbook replenishment for FY24 (1QFY24: MYR654m; FY23: MYR1.5b). Pending are tender outcome of the three KVMRT3 main civil work packages and system works (in a JV) that IJM has tendered for, and a section of the ECRL.

Maintaining earnings estimates

Contract wins in FY24 YTD amount to e.MYR1.8b, including MYR654m win in 1QFY24 for the Shah Alam Int'l Logistics Hub Phase 1. Assuming 8% pre-tax margin for this new JB-SG RTS contract, we estimate MYR67m net profit (1.8sen EPS) contribution into FY27E. We maintain our earnings forecasts which have imputed MYR2b job wins in FY24.

FYE Mar (MYR m)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	4,409	4,573	6,362	6,532	6,072
EBITDA	801	1,103	1,121	1,254	1,231
Core net profit	260	338	336	406	374
Core EPS (sen)	7.3	9.6	9.5	11.5	10.6
Core EPS growth (%)	(35.2)	32.2	(0.6)	20.8	(7.9)
Net DPS (sen)	21.0	8.0	6.0	6.0	6.0
Core P/E (x)	23.0	16.7	20.0	16.6	18.0
P/BV (x)	0.6	0.6	0.7	0.7	0.7
Net dividend yield (%)	12.6	5.0	3.1	3.1	3.1
ROAE (%)	0.4	1.6	3.4	4.0	3.6
ROAA (%)	1.2	1.6	1.6	1.9	1.8
EV/EBITDA (x)	11.6	7.6	8.5	7.2	6.6
Net gearing (%) (incl perps)	22.8	23.1	22.7	17.7	8.7
Consensus net profit	-	-	338	398	450
MIBG vs. Consensus (%)	-	-	(0.5)	2.0	(17.1)

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BUY

Share Price	MYR 1.91
12m Price Target	MYR 2.18 (+17%)
Previous Price Target	MYR 2.18

Company Description

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

Statistics

52w high/low (MYR)	1.91/1.45
3m avg turnover (USDm)	2.7
Free float (%)	61.0
Issued shares (m)	3,648
Market capitalisation	MYR7.0B USD1.5B

Major shareholders:

Employees Provident Fund	17.0%
Kumpulan Wang Persaraan	8.1%
Permodalan Nasional Bhd.	7.0%

Price Performance



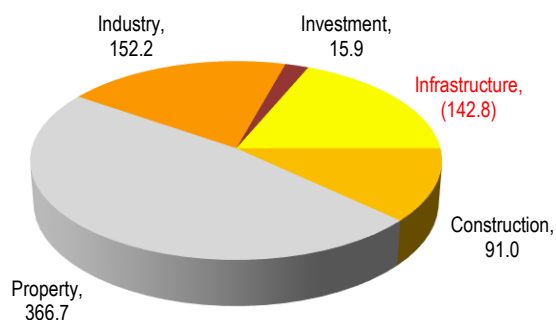
	-1M	-3M	-12M
Absolute (%)	9	31	21
Relative to index (%)	10	27	16

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.

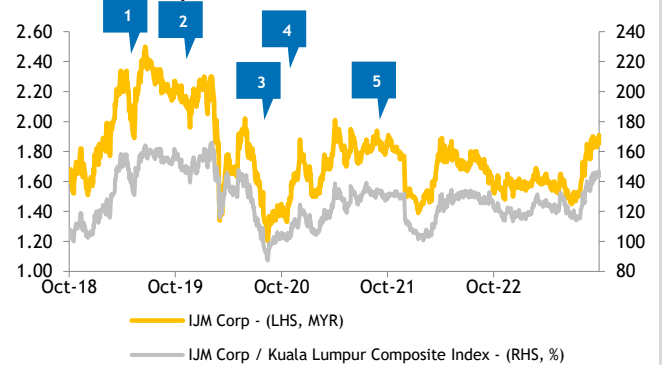
Pretax profit breakdown in FY23 (MYR'm)



Source: Company

Price Drivers

Historical share price trend



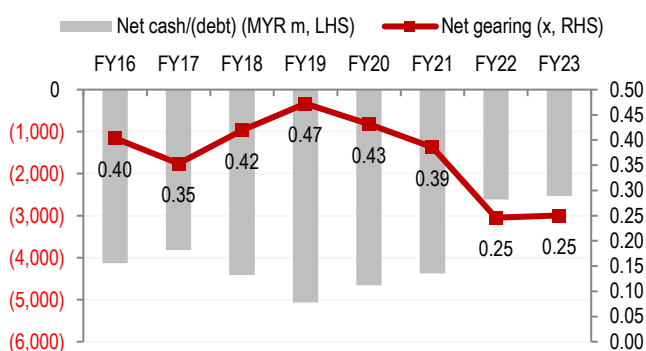
Source: Company, Maybank IBG Research

- 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 buy IJM's entire 56.2% stake in IJM Plant for MYR1.53b cash (9 Jun 2021); deal completed on 6 Sep 2021; ex- 15sen special DPS on 14 Dec 2021.

Financial Metrics

- Medium-term earnings to be supported by its outstanding construction orderbook of MYR4.94b and unbilled property sales of MYR2.5b, both as of end-Jun 2023.
- Targets MYR3b construction job replenishment in FY24 (FY23: MYR1.5b), MYR2b property sales in FY24 (FY23: MYR2.7b).
- Traffic at its tolled highways, which had been impacted by various phases of movement control orders, have bounced back and even surpassed pre-pandemic levels (for LEKAS).
- Kuantan Port's throughput growth rides on new industries and expansion of existing industries operating in MCKIP.
- Net gearing stood at 0.28x as of end-Jun 2023.

Net debt and gearing



Source: Company

Swing Factors

Upside

- Sizeable job wins from 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.

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FYE 31 Mar	FY22A	FY23A	FY24E	FY25E	FY26E
Key Metrics					
P/E (reported) (x)	138.8	37.1	20.0	16.6	18.0
Core P/E (x)	23.0	16.7	20.0	16.6	18.0
P/BV (x)	0.6	0.6	0.7	0.7	0.7
P/NTA (x)	0.6	0.6	0.7	0.7	0.7
Net dividend yield (%)	12.6	5.0	3.1	3.1	3.1
FCF yield (%)	45.5	22.1	5.3	13.0	20.6
EV/EBITDA (x)	11.6	7.6	8.5	7.2	6.6
EV/EBIT (x)	19.1	10.8	12.1	9.9	9.1

INCOME STATEMENT (MYR m)

Revenue	4,409.0	4,572.6	6,362.2	6,532.3	6,071.8
EBITDA	801.4	1,102.9	1,121.5	1,254.1	1,230.8
Depreciation	(86.2)	(95.5)	(100.3)	(105.3)	(110.6)
Amortisation	(229.9)	(229.9)	(229.9)	(229.9)	(229.9)
EBIT	485.4	777.5	791.3	918.9	890.4
Net interest income / (exp)	(37.1)	(112.4)	(125.7)	(140.2)	(156.2)
Associates & JV	(31.3)	(2.3)	(36.0)	(35.9)	(35.8)
Exceptionals	(99.1)	(179.8)	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	1.0
Pretax profit	317.9	483.0	629.7	742.8	698.4
Income tax	(182.9)	(271.4)	(220.4)	(260.0)	(244.5)
Minorities	(43.8)	(6.8)	(26.7)	(30.3)	(34.4)
Perpetual securities	(46.5)	(46.6)	(46.6)	(46.6)	(46.6)
Discontinued operations	750.3	0.0	0.0	0.0	1.0
Reported net profit	44.6	158.3	336.0	405.9	373.0
Core net profit	260.2	338.1	336.0	405.9	374.0

BALANCE SHEET (MYR m)

Cash & Short Term Investments	2,908.7	2,825.2	2,414.2	2,507.3	3,098.0
Accounts receivable	1,301.9	1,261.8	1,755.6	1,802.6	1,675.5
Inventory	7,037.3	6,672.6	7,486.7	7,540.3	6,915.7
Property, Plant & Equip (net)	1,045.0	979.2	928.9	873.6	813.0
Intangible assets	4,235.9	4,120.0	3,890.1	3,660.2	3,430.3
Investment in Associates & JVs	1,429.4	1,491.6	1,455.5	1,419.6	1,383.8
Other assets	3,053.9	3,160.3	3,158.3	3,158.3	3,158.3
Total assets	21,012.0	20,510.6	21,089.3	20,961.9	20,474.6
ST interest bearing debt	1,620.4	1,703.9	1,503.9	1,303.9	1,103.9
Accounts payable	2,676.1	2,679.8	3,519.0	3,587.8	3,318.8
LT interest bearing debt	3,899.3	3,651.0	3,432.0	3,213.0	2,994.0
Other liabilities	1,355.0	1,515.0	1,522.0	1,520.0	1,524.0
Total Liabilities	9,551.3	9,549.5	9,976.8	9,624.4	8,941.0
Shareholders Equity	9,937.5	9,843.8	9,968.5	10,163.2	10,324.9
Minority Interest	675.3	269.5	296.2	326.5	360.9
Total shareholder equity	10,612.8	10,113.3	10,264.7	10,489.7	10,685.8
Perpetual securities	847.9	847.8	847.8	847.8	847.8
Total liabilities and equity	21,012.0	20,510.6	21,089.3	20,961.9	20,474.6

CASH FLOW (MYR m)

Pretax profit	317.9	483.0	629.7	742.8	698.4
Depreciation & amortisation	316.1	325.4	330.2	335.2	340.4
Adj net interest (income)/exp	37.1	112.4	125.7	140.2	156.2
Change in working capital	300.2	465.5	(466.7)	(31.8)	482.7
Cash taxes paid	(160.7)	(229.1)	(220.4)	(260.0)	(244.5)
Other operating cash flow	406.9	118.9	7.1	(2.2)	3.6
Cash flow from operations	1,217.4	1,276.0	405.5	924.2	1,436.9
Capex	1,504.5	(29.7)	(50.0)	(50.0)	(50.0)
Free cash flow	2,721.9	1,246.4	355.5	874.2	1,386.9
Dividends paid	(750.6)	(211.4)	(211.3)	(211.3)	(211.3)
Equity raised / (purchased)	(153.3)	(35.0)	0.0	0.0	0.0
Change in Debt	(1,262.4)	(164.8)	(419.0)	(419.0)	(419.0)
Perpetual securities distribution	(46.9)	(46.7)	(46.6)	(46.6)	(46.6)
Other invest/financing cash flow	1.6	(870.5)	(89.6)	(104.3)	(119.4)
Net cash flow	510.3	(82.0)	(411.0)	93.1	590.7

FYE 31 Mar	FY22A	FY23A	FY24E	FY25E	FY26E
Key Ratios					
Growth ratios (%)					
Revenue growth	(5.9)	3.7	39.1	2.7	(7.0)
EBITDA growth	(13.1)	37.6	1.7	11.8	(1.9)
EBIT growth	(22.5)	60.2	1.8	16.1	(3.1)
Pretax growth	(37.8)	52.0	30.4	18.0	(6.0)
Reported net profit growth	(79.6)	254.7	112.3	20.8	(8.1)
Core net profit growth	(36.0)	30.0	(0.6)	20.8	(7.9)
Profitability ratios (%)					
EBITDA margin	18.2	24.1	17.6	19.2	20.3
EBIT margin	11.0	17.0	12.4	14.1	14.7
Pretax profit margin	7.2	10.6	9.9	11.4	11.5
Payout ratio	nm	178.0	62.9	52.0	56.6
DuPont analysis					
Net profit margin (%)	1.0	3.5	5.3	6.2	6.1
Revenue/Assets (x)	0.2	0.2	0.3	0.3	0.3
Assets/Equity (x)	2.1	2.1	2.1	2.1	2.0
ROAE (%)	0.4	1.6	3.4	4.0	3.6
ROAA (%)	1.2	1.6	1.6	1.9	1.8
Liquidity & Efficiency					
Cash conversion cycle	602.5	579.2	377.2	386.5	405.0
Days receivable outstanding	122.9	100.9	85.4	98.0	103.1
Days inventory outstanding	786.3	784.8	519.0	547.2	578.2
Days payables outstanding	306.7	306.6	227.2	258.8	276.2
Dividend cover (x)	0.1	0.6	1.6	1.9	1.8
Current ratio (x)	2.7	2.5	2.3	2.4	2.6
Leverage & Expense Analysis					
Asset/Liability (x)	2.2	2.1	2.1	2.2	2.3
Net gearing (%) (incl perps)	22.8	23.1	22.7	17.7	8.7
Net gearing (%) (excl. perps)	24.6	25.0	24.6	19.2	9.4
Net interest cover (x)	13.1	6.9	6.3	6.6	5.7
Debt/EBITDA (x)	6.9	4.9	4.4	3.6	3.3
Capex/revenue (%)	nm	0.6	0.8	0.8	0.8
Net debt/ (net cash)	2,611.0	2,529.7	2,521.7	2,009.6	999.9

Source: Company; Maybank IBG Research

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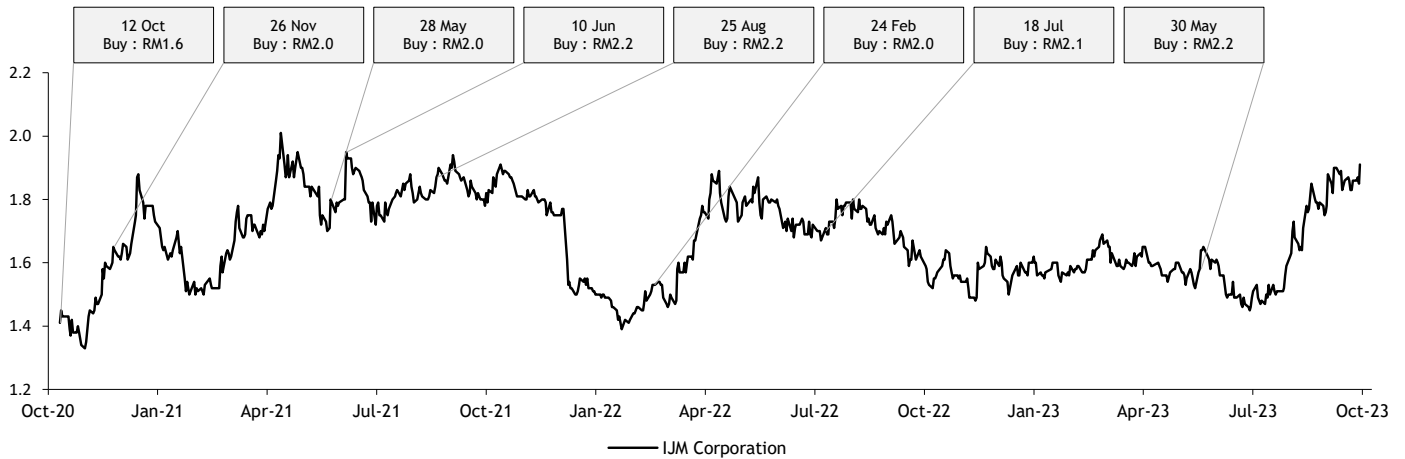
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