

PP14767/09/2012(030761)

Market Access

IJM Corporation Berhad

“Goodies from MRT Corp”

IJM Corporation Berhad (IJM Corp) continues its positive momentum in FY17 after successfully grabbing a new work package from KVMRT2 project worth RM1.47 billion which will boost its construction orderbook by 21% to RM8.4 billion. The new contracts may contribute RM132 million to the group’s PBT (i.e. FY17-FY20), based on PBT margin assumption of 9%. Hence, IJM Corp is a BUY with target price of RM4.20.

- **Bags KVMRT2 job.** IJM Corp’ unit, IJM Construction Sdn Bhd has secured RM1.47 billion contract from MRT Corp. to construct the viaduct guideway and other associated works for 4.6km stretch of MRT Sungai Buloh-Serdang-Putrajaya (SSP) line. The viaduct work package (V203) is part of the SSP line’s elevated alignment from Jinjang to Jalan Ipoh North Portal. We note that this awards came together with other 3 work packages which was awarded to i) HAP Consortium (RM1.62 billion), ii) Bombardier (Malaysia) - Global Rail (RM458 million) and iii) MRCB (RM648 million).
- **Boost external orderbook by 21%.** We are encouraged on the new job wins in FY17 which could replenish the group’s construction orderbook by 21% to RM8.4 billion. Hence, we estimate that RM1.47 billion KVMRT2 contracts may potentially contribute RM132 million to the group’s bottom line, based on conservative PBT margin assumption of 9%. (i.e. FY17-FY20)
- **Outlook remains intact.** Moving forward, we expect the group to emerge as one of the potential beneficiaries to grab some goodies from LRT3 project awards (work packages) which is expected to be roll-out in 2H2016 as well as several potential new jobs to replenish its orderbook further including Sungai Besi-Ulu Kelang Expressway (SUKE), Damansara-Shah Alam Elevated Expressway (DASH) and Pan Borneo Highway.

Friday, May 13, 2016

BUY (TP: RM4.20)

Current Price (RM)	RM3.50
New Target Price (RM)	RM4.20
Previous Target Price (RM)	RM4.00
Previous Recommend.	BUY
Upside To Target Price	20%
Dividend Yield (FY17)	2%

Stock Code

Bloomberg	IJM MK
-----------	--------

Stock & Market Data

Listing	MAIN MARKET
Sector	Construction
Shariah Compliance	Yes
Issued Shares (mn)	3,588
Market Cap (RM mn)	12,559
YTD Chg In Share Price	4%
Beta (x)	0.96
52-week Hi/Lo (RM)	3.65 2.87
3M Average Volume (shrs)	6.22mn
Estimated Free Float	61%

Major Shareholders

EPF	14%
Skim ASB	8%
LTH	6%

- **Earnings outlook.** We have done some housekeeping exercise by factoring in the new earnings contribution from KVMRT2 work package. Given that, FY16 and FY17 earnings are projected to increase by 19% y-o-y and 33% y-o-y respectively, lifted by i) recovery in construction margin underpinned by various job wins and ii) earnings acceleration from the group's industry division.
- **Valuation & recommendation.** We re-value IJM Corp at RM4.20 pegged to PER of 20x (20% premium to the group's average 3-years PER of 17x) and the stock is a **BUY** underpinned by i) robust outlook on construction industry in Malaysia backed by 11MP and Budget 2016 projects and ii) healthy construction orderbook of approximately RM8.4 billion.

Table 1: Peers comparison (Calenderised)

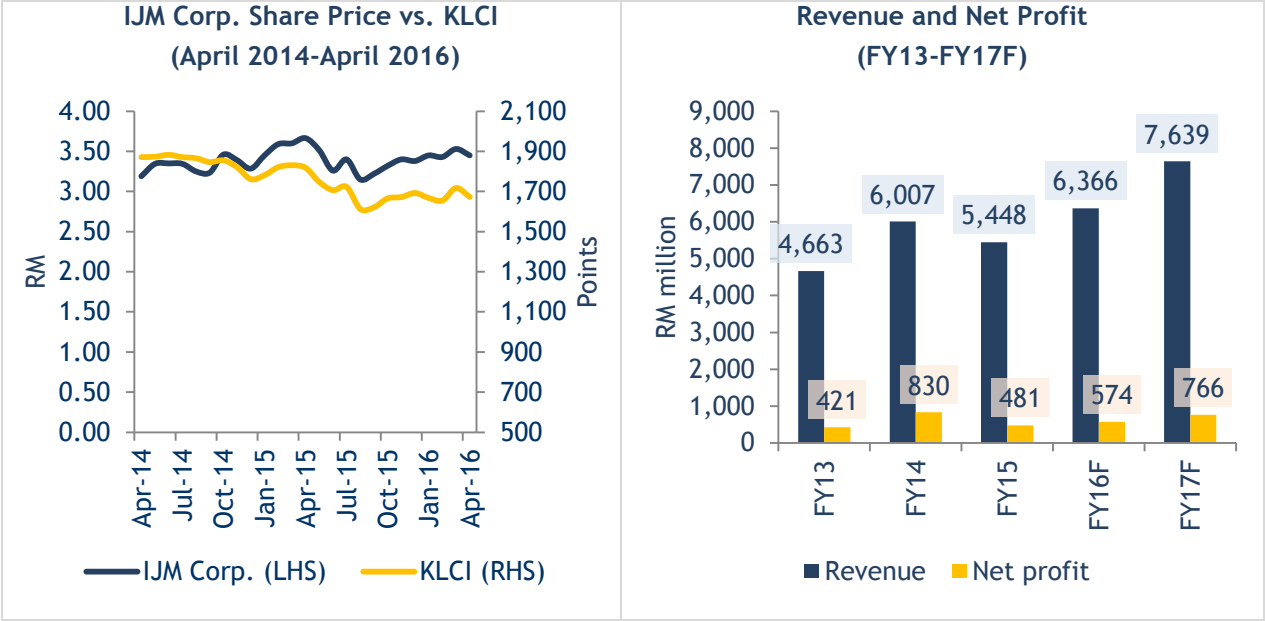
Company	FYE	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY16	FY17	FY16	FY17	FY16	FY17				
IJM CORP	Mar	3.50	19	21	17.4	17.1	1.4	1.3	11	2	4.20	Buy
GAMUDA	Jul	4.74	27	31	17.9	15.7	1.7	1.6	10	2	5.94	Buy
WCT	Dec	1.70	11	13	15.8	12.7	0.8	0.8	9	1	1.93	Buy
SCGB	Dec	1.65	11	12	15.3	13.3	3.9	3.3	33	2	1.92	Buy
BENALEC	Jun	0.50	7	9	8.2	6.2	0.7	0.3	0	1	NR	NR
CREST BUILDER	Dec	0.90	8	NA	10.2	NA	NA	NA	8	4	NR	NR
EVERSENDAL	Dec	0.70	9	9	8.4	8.6	0.6	0.6	6	2	NR	NR
KIMLUN	Dec	1.83	20	23	9.0	8.0	1.1	1.0	16	2	NR	NR
MRCB	Dec	1.20	5	6	26.6	20.8	1.1	1.1	16	2	NR	NR
AZRB	Dec	0.74	NA	NA	NA	NA	NA	NA	6	3	NR	NR
YTL CORP	Jun	1.64	13	14	12.4	11.5	1.1	1.0	7	6	NR	NR
Average					14.1	12.7	1.4	1.2	11	3		

Source: Bloomberg, M&A Securities

Table 2: Financial Forecast

YE: Mar (RM million)	FY13	FY14	FY15	FY16F	FY17F
Revenue	4,518	6,007	5,448	6,366	7,639
EBIT	973	1,788	1,292	1,273	1,528
Finance costs	(173)	(231)	(243)	(191)	(229)
Associates	40	3	(19)	32	38
JCE	(38)	(143)	(11)	(51)	(61)
PBT	802	1,416	1,019	1,063	1,276
Net profit	409	830	481	574	766
EPS (sen)	30	59	33	16	21
PBT margin	18%	24%	19%	17%	17%
Net profit margin	9%	14%	9%	9%	10%
PER (x)	18.9	11.2	21.4	21.8	16.3
P/BV (x)	1.5	1.5	1.6	1.3	1.2
Dividend yield	2%	2%	2%	2%	2%

Source: Bursa Malaysia, M&A Securities



M&A Securities

STOCK RECOMMENDATIONS

BUY	Share price is expected to be $\geq +10\%$ over the next 12 months.
TRADING BUY	Share price is expected to be $\geq +10\%$ within 3-months due to positive newsflow.
HOLD	Share price is expected to be between -10% and $+10\%$ over the next 12 months.
SELL	Share price is expected to be $\geq -10\%$ over the next 12 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT	The sector is expected to outperform the FBM KLCI over the next 12 months.
NEUTRAL	The sector is expected to perform in line with the FBM KLCI over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform the FBM KLCI over the next 12 months.

DISCLOSURES AND DISCLAIMER

This report has been prepared by M&A SECURITIES SDN BHD. Readers should be fully aware that this report is for informational purposes only and no representation or warranty, expressed or implied is made as to the accuracy, completeness or reliability of the information or opinion contained herein. The recommendation and opinion are based on information obtained or derived from sources believed to be reliable.

This report contains financial forecast/projection based on our assumptions which may defer from the actual financial results announced by the companies under coverage. All opinions, estimates and assumptions are subject to change without notice. Analysts will initiate, update and cease coverage solely at the discretion of M&A SECURITIES SDN BHD.

Investors are to be cautioned that value of any securities invested may fluctuate from time to time. We advise investors to seek financial, legal and other advice for investing based on the recommendation of our report as we have not taken into account each investors' specific investment objectives, risk tolerance and financial position.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. M&A SECURITIES SDN BHD can accept no liability for any consequential loss or damage whether direct or indirect. Investment should be made at investors' own risks.

M&A SECURITIES SDN BHD and INSAS GROUP of companies, their respective directors, officers, employees and connected parties may have interest in any of the securities mentioned and may benefit from the information herein. M&A SECURITIES SDN BHD and INSAS GROUP of companies and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This report may not be reproduced, distributed or published in any form or for any purpose.

M & A Securities Sdn Bhd (15017-H)

(A wholly-owned subsidiary of INSAS BERHAD)

A Participating Organisation of Bursa Malaysia Securities Berhad

Principal Office:

Level 1,2,3 No.45 & 47,43-6

The Boulevard, Mid Valley City,

Lingkaran Syed Putra,

59200 Kuala Lumpur

Tel: +603 - 2282 1820 Fax: +603 - 2283 1893

Website: www.mnaonline.com.my