

27 June 2024

# IJM Corporation

## Bags First DC Job worth RM332m

By Teh Kian Yeong | [tehky@kenanga.com.my](mailto:tehky@kenanga.com.my)

**IJM has bagged its first data centre (DC) building contract from TM (OP; TP: RM7.53) worth RM331.7m in Iskandar Puteri, Johor, bringing its YTD contract wins to RM1.29b and its outstanding order book to RM7.3b. We keep our forecasts, TP of RM3.00 and MARKET PERFORM rating.**

IJM has secured its first DC building job worth RM331.7m from TM in Block 2 of the Iskandar Puteri Data Centre in Iskandar Puteri, Johor. The construction of the project will begin in Jul 2024 with completion by 3QCY25.

We are positive on this contract win which is its third job win in FY25 (Mar), bringing its YTD contract wins to RM1.29b (vs. our full-year assumption of RM5b) and boosting its outstanding construction order book to RM7.3b.

**Outlook.** We expect a significant revitalisation of the construction sector in 2024 backed by: (i) the roll-out of the RM45b MRT3 project and several flood mitigation projects reportedly to be worth RM13b, and (ii) the vibrant private sector construction market, underpinned by massive investment in new semiconductor foundries and data centres. We understand that IJM is also eyeing work packages from various projects in East Malaysia and Indonesia.

**Forecasts:** Maintained. Our forecasts assume job wins of RM5b and RM4b in FY25-26, respectively.

**Valuations.** We maintain our SoP-driven TP of RM3.00 (see Page 2) on unchanged 20x PER valuation for its construction business, which is in-line with our valuation for big cap construction companies, i.e., **GAMUDA (OP; TP: RM7.29)** and **SUNCON (OP; TP: RM4.28)**. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 5).

**Investment case.** We like IJM for: (i) it is poised to garner a slice of action in the imminent mega rail projects, i.e., MRT3 and Bayan Lepas LRT given its involvement in the previous MRT and LRT projects, (ii) its strong earnings visibility underpinned by an outstanding construction orderbook of RM7.3b and new property sales of RM1.4b, and (iii) Kuantan Port's position as the largest port in the East Coast capturing export and import activities growth. Maintain **MARKET PERFORM**.

**Risks to our call include:** (i) sustained weak construction jobs flow, (ii) project cost overrun and liabilities arising from liquidated ascertained damages (LAD), and (iii) rising cost of building materials.

## MARKET PERFORM ↔

**Price:** **RM3.03**  
**Target Price:** **RM3.00** ↔

### Share Price Performance



KLCI 1,590.95  
YTD KLCI chg 9.4%  
YTD stock price chg 61.2%

### Stock Information

Shariah Compliant Yes  
Bloomberg Ticker IJM MK EQUITY  
Market Cap (RM m) 10,623.7  
Shares Outstanding 3,506.2  
52-week range (H) 3.08  
52-week range (L) 1.43  
3-mth avg. daily vol. 10,304,390  
Free Float 48%  
Beta 0.8

### Major Shareholders

Amanah Saham Nasional 16.4%  
Employees Provident Fund 16.3%  
Kumpulan Wang Persaraan 9.7%

### Summary Earnings Table

FY Mar (RM m)	2024A	2025F	2026F
Turnover	5919	5709	6304
EBIT	1072	1117	1141
PBT	964	897	922
<b>Net Profit (NP)</b>	<b>600</b>	<b>473</b>	<b>526</b>
<b>Core net profit</b>	<b>516</b>	<b>473</b>	<b>526</b>
Consensus (NP)	-	500	555
Earnings Revision (%)	-	-	-
Core EPS (sen)	11.6	13.0	14.4
Core EPS growth (%)	98.2	-8.3	11.2
NDPS (sen)	8.0	8.0	8.0
BVPS (RM)	2.73	2.78	2.84
NTA/share (RM)	2.69	2.74	2.81
PER (x)	26.1	23.4	21.0
PBV (x)	1.11	1.09	1.07
P/NTA (x)	1.12	1.10	1.08
Net Gearing (x)	0.27	0.24	0.28
Net Div. Yield (%)	3.3	2.6	2.6

27 June 2024

IJM's Sum-of-Parts Valuation		
	Valuation (RM m)	Basis
Construction & Building Materials	5,880.8	20x FY26F PER
Property	3,839.1	50% discount to RNAV
Ports (60% ownership)	761.1	20x FY26F PER
Toll-way Concessions	1,107.2	DCF Equity value
Net Debts	-640.4	Estimated FY26F
<b>SOP</b>	<b>10,947.8</b>	
<b>SOP (RM/share)</b>	<b>3.00</b>	

Source: Company, Kenanga Research

IJM's Property RNAV			
Project	Remaining land bank (acres)	Outstanding GDV (RM m)	NPV of profit (RM m)
<b>Landbanks (as of FY23)</b>			
Penang	160	11,674	162.5
Klang Valley	964	15,437	214.8
Johor	387	4,315	60.1
Seremban	890	5,207	72.5
Pahang	1,083	453	6.3
Sabah	215	3,078	42.8
Overseas	0.45	724	36.7
	<b>3,699</b>	<b>40,889</b>	<b>595.6</b>
Unbilled Sales (as of FY23)		3,000	<b>278.0</b>
Property NAV (as of FY21)			<b>6,804.6</b>
Total RNAV			<b>7,678.2</b>
Discount to RNAV			50%
<b>Discounted RNAV</b>			<b>3,839.1</b>

Source: Company, Kenanga Research

27 June 2024

Income Statement						Financial Data & Ratios					
FY Mar (RM m)	2022A	2023A	2024A	2025F	2026F	FY Mar	2022A	2023A	2024A	2025F	2026F
Revenue	5623	4409	5919	5709	6304	<b>Growth (%)</b>					
EBITDA	1394	986	1373	1513	1579	Revenue	-14.9	-21.6	34.2	-3.5	10.4
Depreciation	-413	-367	-301	-396	-438	EBITDA	18.3	-29.3	39.2	10.2	4.4
EBIT	981	619	1072	1117	1141	Operating Income	25.2	-36.9	73.0	4.2	2.2
Interest Expense	-206	-188	-307	-286	-282	Pre-tax Income	50.6	37.0	-9.7	-7.0	2.8
Associate	-84	-64	-31	-21	-24	Net Income	72.3	84.1	-24.5	-21.2	11.2
Exceptional	-46	535	95	0	0	Core Net Income	45.8	-45.5	98.2	-8.3	11.2
PBT	780	1068	964	897	922	<b>Profitability (%)</b>					
Taxation	-134	-183	-299	-353	-323	EBITDA Margin	4.8	2.4	3.2	3.5	5.0
Perpetual Sukuk	-47	-47	-47	-47	-47	Operating Margin	17.5	14.0	18.1	19.6	18.1
Minority Interest	-167	-44	-18	-24	-27	PBT Margin	13.9	24.2	16.3	15.7	14.6
Net Profit	432	795	600	473	526	Net Margin	7.7	18.0	10.1	8.3	8.3
Core Net Profit	478	260	516	473	526	Core Net Margin	8.5	5.9	8.7	8.3	8.3
						Effective Tax Rate	17.2	17.1	31.0	39.4	35.0
						ROE	1.5	1.7	3.5	3.5	3.7
						ROA	8.0	1.6	4.3	4.7	5.1
						<b>DuPont Analysis</b>					
						Net margin (%)	8.5	5.9	8.7	8.3	8.3
						Assets Turnover (x)	0.3	0.2	0.3	0.3	0.3
						Leverage Factor (x)	2.1	2.1	2.1	2.1	2.1
						ROE (%)	4.8	2.6	5.2	4.7	5.1
						<b>Leverage</b>					
						Debt/Asset (x)	0.26	0.26	0.27	0.26	0.25
						Debt/Equity (x)	0.55	0.54	0.58	0.56	0.54
						Net Debt/(Cash)	-2574	-2509	-2710	-2449	-2932
						Net Debt/Equity (x)	0.26	0.25	0.27	0.24	0.28
						<b>Valuations</b>					
						Core EPS (sen)	7.4	9.6	11.6	13.0	14.4
						NDPS (sen)	25.0	8.0	8.0	8.0	8.0
						BV/share (RM)	2.81	2.80	2.73	2.78	2.84
						NTA/share (RM)	2.79	2.77	2.69	2.74	2.81
						Core PER (x)	22.7	16.6	26.1	23.4	21.0
						Net Div. Yield (%)	15.0	5.0	3.3	2.6	2.6
						PBV (x)	0.59	0.57	1.11	1.09	1.07
						P/NTA (x)	0.60	0.58	1.12	1.10	1.08
						EV/EBITDA (x)	8.6	7.3	9.6	8.9	7.0
Balance Sheet											
FY Mar (RM m)	2022A	2023A	2024A	2025F	2026F						
Fixed Assets	1045	979	999	1018	1035						
Associates	899	941	950	950	950						
JV	531	550	560	560	560						
Intangibles	95	94	125	125	125						
Other FA	6084	6112	6277	6228	6325						
Inventories	7037	6673	6939	6897	7767						
Receivables	1302	1262	1357	1372	1515						
Other CA	1111	1075	1129	1141	1260						
Cash	2909	2825	3047	3237	2658						
Total Assets	21012	20511	21383	21527	22195						
Payables	2676	2680	2931	2944	3275						
ST Borrowings	1620	1704	1574	1699	2194						
Other ST Liability	266	417	438	442	488						
LT Borrowings	3862	3630	4183	3987	3395						
Other LT Liability	1127	1119	1175	1188	1311						
Perpetual Sukuk	848	848	850	850	850						
Minority Int.	675	269	283	286	316						
<b>Net Assets</b>	<b>9938</b>	<b>9844</b>	<b>9950</b>	<b>10131</b>	<b>10364</b>						
Share Capital	6128	6132	6132	6132	6132						
Reserves	3810	3711	3817	3998	4232						
<b>Equity</b>	<b>9938</b>	<b>9844</b>	<b>9950</b>	<b>10131</b>	<b>10364</b>						
Cashflow Statement											
FY Mar (RM m)	2022A	2023A	2024A	2025F	2026F						
Operating CF	1213	1075	190	653	-91						
Investing CF	1202	-159	-100	-100	-100						
Financing CF	-1909	-1001	131	-363	-388						
Change In Cash	506	-86	221	190	-579						
Free CF	2416	916	90	553	-191						

Source: Kenanga Research

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
<b>Stocks Under Coverage</b>																	
GAMUDA	OP	6.59	7.29	10.6%	18,258.8	Y	07/2024	40.2	50.6	29.7%	25.8%	16.4	13.0	1.6	10.0%	12.0	1.8%
IJM	MP	3.03	3.00	-1.0%	10,623.7	Y	03/2025	13.0	14.4	-8.3%	11.2%	23.4	21.0	1.1	4.8%	8.0	2.6%
KERJAYA	OP	1.82	2.16	18.7%	2,295.1	Y	12/2024	14.2	15.8	33.3%	11.3%	12.8	11.5	1.6	13.0%	10.0	5.5%
KIMLUN	OP	1.38	1.76	27.5%	487.6	Y	12/2024	11.9	14.7	493.0%	23.0%	11.6	9.4	0.6	5.5%	1.0	0.7%
SUNCON	OP	3.78	4.28	13.2%	4,873.8	Y	12/2024	14.0	20.4	19.4%	45.7%	27.0	18.6	4.9	19.1%	6.0	1.6%
WCT	OP	0.830	0.880	6.0%	1,176.3	Y	12/2024	2.9	4.4	-83.8%	50.0%	28.6	19.1	0.4	1.4%	0.5	0.6%
<b>Sector Aggregate</b>					<b>37,715.3</b>					<b>43.6%</b>	<b>23.3%</b>	<b>18.6</b>	<b>15.1</b>	<b>1.4</b>	<b>7.3%</b>		<b>2.1%</b>

Source: Kenanga Research

This section is intentionally left blank

27 June 2024

**Stock ESG Ratings:**

	Criterion	Rating				
<b>GENERAL</b>	Earnings Sustainability & Quality	★	★	☆		
	Corporate Social Responsibility	★	★	★	☆	
	Management/Workforce Diversity	★	★	★		
	Accessibility & Transparency	★	★	★		
	Corruption-Free Pledge	★	★	★		
	Carbon-Neutral Initiatives	★	★	★	★	
<b>SPECIFIC</b>	Migrant Worker Welfare	★	★	★	☆	
	Waste Disposal/Pollution Control	★	★	★		
	Work Site Safety	★	★	★	☆	
	Environmentally Friendly Construction Technology	★	★	★	☆	
	Supply Chain Auditing	★	★	★		
	Energy Efficiency	★	★	★	★	
<b>OVERALL</b>		★	★	★		

☆ denotes half-star  
 ★ -10% discount to TP  
 ★★ -5% discount to TP  
 ★★★ TP unchanged  
 ★★★★ +5% premium to TP  
 ★★★★★ +10% premium to TP

**Stock Ratings are defined as follows:**

**Stock Recommendations**

OUTPERFORM : A particular stock’s Expected Total Return is MORE than 10%  
 MARKET PERFORM : A particular stock’s Expected Total Return is WITHIN the range of -5% to 10%  
 UNDERPERFORM : A particular stock’s Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT : A particular sector’s Expected Total Return is MORE than 10%  
 NEUTRAL : A particular sector’s Expected Total Return is WITHIN the range of -5% to 10%  
 UNDERWEIGHT : A particular sector’s Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**  
 Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
 Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)

