

16 July 2024

IJM Corp (IJM MK)

Set To Soar On Many Fronts; Stay BUY

Construction & Engineering | Construction

Buy (Maintained)

Target Price (Return): MYR4.34 (+23%)
Price (Market Cap): MYR3.54 (USD2,656m)
ESG score: 3.1 (out of 4)
Avg Daily Turnover (MYR/USD) 31.8m/6.75m

Analyst

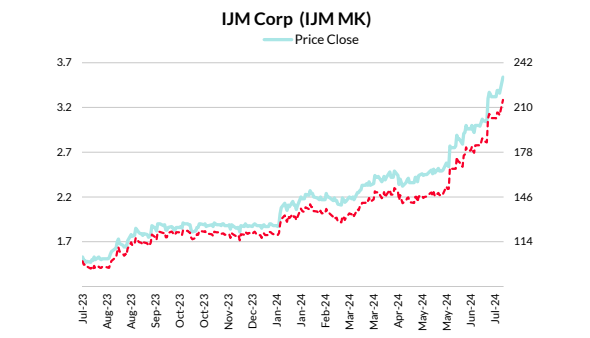
Adam Bin Mohamed Rahim
+603 2302 8101
adam.mohamed.rahim@rhbgroup.com



- **Keep BUY, with new MYR4.34 TP from MYR3.60, 23% upside and c.2% FY25F (Mar) yield.** We remain positive on IJM Corp on its strengthening presence in industrial jobs, improving presence in Sarawak, potentially breaking ground in Indonesia and getting new highway jobs. Foreign shareholding level as of end May was 18.6% vs 14.8% in Dec 2023. News flow of the Kuala Lumpur-Singapore High Speed Rail should attract foreign investors as IJM is involved in one of the consortiums that submitted a concept proposal to MyHSR Corp in January.
- **IJM's outstanding orderbook currently stands at c.MYR7.3bn** – vs the time when balance orders hovered at <MYR5bn from FY20-23 (Figure 1). In FY24, IJM witnessed an uptrend in its orderbook, especially after clinching the MYR1.1bn job for the immigration, customs and quarantine complex for the Rapid Transit System Link in Johor in Oct 2023. This coincided with IJM's new job wins reaching MYR3.7bn – the highest in six years (Figure 2). Other key wins in FY24 and YTD-FY25 are industrial buildings like semiconductor facilities and warehouses (20-30% of orderbook).
- **IJM has made inroads into Sarawak** via its contract for Sarawak Metro's Kuching Autonomous Rapid Transit (KART) project for the full works of the Rembus Depot via a JV with Azam Sehasrat and Unique Deco worth MYR260m in Dec 2023. We do not discount the possibility of IJM eyeing for the remaining packages of the KART such as the Blue Line Package 2 which had the tender submission deadline on 18 Jun. Moreover, its property arm, IJM Land inked an MoU with Sarawak Metro and Liang Court Wanisara for the construction of a new linkway to a station along the Blue Line – signifying the group's persistence to gain a footprint in the state.
- **Upcoming catalysts** would be Sarawak and Indonesia (particularly the new capital, Nusantara) via a civil servant housing project worth c.MYR1bn (outcome likely known by end CY24). Locally, IJM has teamed up with Permodalan Negeri Selangor Berhad and Lim Seong Hai Capital (LSH MK, NR) to study viable connectivity routes focused in the Southern Selangor Integrated Regional Development area – which may give rise to new highway jobs.
- **No changes to our earnings estimates**, but we are ascribing a higher target 25x P/E (from 18.5x) to IJM's construction arm. The target P/E for the construction arm is justified as industrial jobs were absent or minimal during the c.16x peak reached during the CY17 construction upcycle. Therefore, we derive a new TP of MYR4.34 (from MYR3.60), which ascribes a 2% ESG premium. Key earnings catalysts: Faster-than-expected job replenishment, especially from the industrial building segment such as data centres, warehouses and factories. Key downside risks include failure to secure contracts in a timely manner.

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	88.3	19.6	45.1	64.7	134.4
Relative	76.3	18.2	39.4	56.1	119.0
52-wk Price low/high (MYR)				1.47	–3.54



Source: Bloomberg

Overall ESG Score: 3.1 (out of 4)

E: EXCELLENT

In the group's latest annual report, IJM achieved a 13% increase in total carbon reduction when compared to the previous year. The biggest reduction was seen in Scope 1 and Scope 3 at 39% and 56%. 40% of the energy the group consumed was generated by renewable sources, eg biomass and solar energy.

S: GOOD

IJM is rated as good in this category. In 2020, its project sites conducted 384 on-job-training sessions for 1,429 participants – this involved employees and subcontractors. Among the topics covered were scheduled waste management, chemical arrangement, as well as the use of plant and machinery.

G: GOOD

70% of IJM's board members are independent, with disclosures on directors' remunerations – this includes salaries and bonuses. IJM has an in-house investor relations team and holds regular investor meetings, embodying good transparency and disclosure practices.

Forecasts and Valuation	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
Total turnover (MYRm)	4,572	5,919	7,009	7,305	7,631
Recurring net profit (MYRm)	277	501	520	549	598
Recurring net profit growth (%)	70.6	81.2	3.8	5.5	9.0
Recurring P/E (x)	45.43	24.81	23.85	22.60	20.75
P/B (x)	1.3	1.2	1.2	1.2	1.2
P/CF (x)	11.66	12.44	19.62	16.66	17.12
Dividend Yield (%)	2.3	2.3	2.3	2.3	2.3
EV/EBITDA (x)	12.92	8.58	10.67	10.16	9.39
Return on average equity (%)	1.6	6.0	5.0	5.2	5.6
Net debt to equity (%)	23.6	24.0	22.1	18.6	15.2

Source: Company data, RHB

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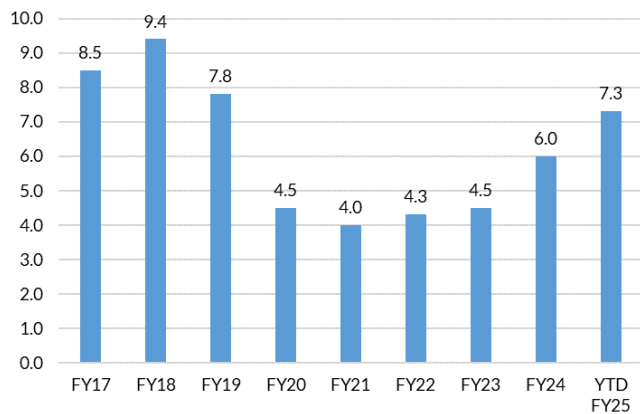
Financial Exhibits

Asia	Financial summary (MYR)	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
Malaysia	Recurring EPS	0.08	0.14	0.15	0.16	0.17
Construction & Engineering	DPS	0.08	0.08	0.08	0.08	0.08
IJM Corp	BVPS	2.80	2.91	2.98	3.06	3.06
IJM MK	Return on average equity (%)	1.6	6.0	5.0	5.2	5.6
Buy						
Valuation basis	Valuation metrics	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
As a conglomerate, we value the group based on its sum of parts, derived from a combination of P/E, DCF and RNAV valuation methodologies.	Recurring P/E (x)	45.43	24.81	23.85	22.60	20.75
	P/B (x)	1.3	1.2	1.2	1.2	1.2
	FCF Yield (%)	8.0	5.7	3.7	4.6	4.4
	Dividend Yield (%)	2.3	2.3	2.3	2.3	2.3
	EV/EBITDA (x)	12.92	8.58	10.67	10.16	9.39
	EV/EBIT (x)	18.08	11.57	16.16	15.52	14.25
Key drivers	Income statement (MYRm)	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
IJM's earnings are underpinned by construction orders, property sales, throughput volume at Kuantan Port, and income from its toll road concessions.	Total turnover	4,572	5,919	7,009	7,305	7,631
	Gross profit	1,180	1,550	1,507	1,530	1,596
	EBITDA	1,140	1,675	1,310	1,336	1,397
	Depreciation and amortisation	(325)	(432)	(445)	(461)	(477)
	Operating profit	815	1,242	865	875	920
	Net interest	(256)	(307)	(217)	(200)	(179)
	Pre-tax profit	482	964	692	728	807
	Taxation	(271)	(299)	(162)	(169)	(185)
	Reported net profit	158	600	520	549	598
	Recurring net profit	277	501	520	549	598
Key risks	Cash flow (MYRm)	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
Failure to secure contracts in a timely manner.	Change in working capital	444	(160)	(315)	(171)	(185)
	Cash flow from operations	1,078	1,000	633	745	725
	Capex	(76)	(288)	(171)	(172)	(173)
	Cash flow from investing activities	(159)	(135)	29	80	129
	Dividends paid	(270)	(281)	(280)	(280)	(280)
	Cash flow from financing activities	(1,001)	(835)	(797)	(779)	(756)
	Cash at beginning of period	2,909	2,825	2,870	2,735	2,782
	Net change in cash	(82)	29	(135)	46	98
	Ending balance cash	2,827	2,854	2,735	2,782	2,882
Company Profile	Balance sheet (MYRm)	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
IJM Corp is a conglomerate with interests in construction, property, plantation, building materials and concessions.	Total cash and equivalents	2,825	2,870	2,735	2,782	2,882
	Tangible fixed assets	979	1,018	2,157	2,071	1,494
	Total investments	1,553	1,884	2,105	2,158	2,229
	Total assets	20,511	21,236	21,368	21,688	21,604
	Short-term debt	1,704	1,724	1,624	1,524	1,424
	Total long-term debt	3,703	3,863	3,663	3,463	3,263
	Total liabilities	9,550	9,917	9,799	9,841	9,757
	Total equity	10,961	11,319	11,569	11,847	11,847
	Total liabilities & equity	20,511	21,236	21,368	21,688	21,604
	Key metrics	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
	Revenue growth (%)	3.7	29.4	18.4	4.2	4.5
	Recurrent EPS growth (%)	73.5	83.1	4.0	5.5	9.0
	Gross margin (%)	25.8	26.2	21.5	20.9	20.9
	Operating EBITDA margin (%)	24.9	28.3	18.7	18.3	18.3
	Net profit margin (%)	3.4	10.1	7.4	7.5	7.8
	Dividend payout ratio (%)	178.4	46.7	53.9	51.1	46.9
	Capex/sales (%)	1.7	4.9	2.4	2.4	2.3
	Interest cover (x)	3.19	4.05	3.98	4.37	5.14

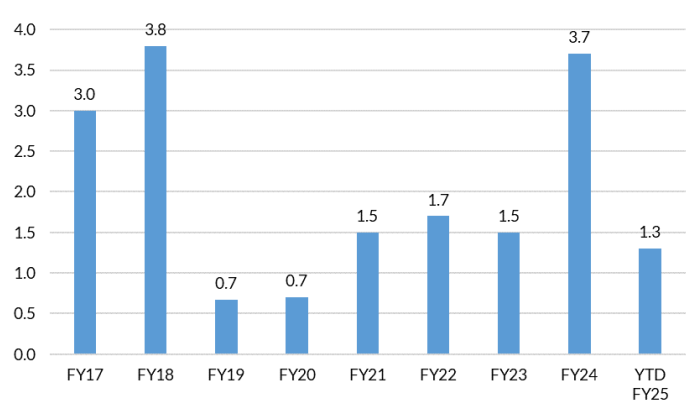
Source: Company data, RHB

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Figure 1: IJM's outstanding construction orderbook at end of each financial year (MYRbn)

Source: Company data

Figure 2: IJM's annual new job wins (MYRbn) as at YTD-Mar 2025

Source: Company data

Figure 3: Details of the three lines under KART

Line	Remarks	Length	Appointed contractors	Contract value (MYRm)	Job scope	Period
Blue Line	Rembus to Hikmah Exchange	27.6km	Blue Line Package 1 (Rembus to Stutong (near Northbank)): JV comprising – Ibraco Construction (51%), China Railway Engineering Corp (M) (39%) and Nanyang Tunnel Engineering (10%)	568.6	Constructing a 15km Autonomous Rapid Transit (ART) alignment, starting from the depot in Rembus and along the Kuching-Samarahan Expressway up to Stutong, seven stations, and a bridge that will cross Sungai Kuap	Feb 2024 to Dec 2026
Red Line	Kuching Sentral to Pending	12.3km	Blue Line Package 2: yet to be awarded JV comprising – Sri Datai Construction (Sarawak), JV Builders and CHEC Construction	n.a.	n.a.	n.a.
Green Line	Pending to Damai Central, Santubong	30.0km	Green Line Package 1: Yet to award	n.a.	n.a.	n.a.
			Green Line Package 2: PPES Consults appointed as project delivery partner for development of Green Line package 2	n.a.	n.a.	n.a.

Source: Various media

Figure 4: SOP valuation

SOP component	Justification	Stake	Value to IJM (MYRm)	Value per share (MYR)
Construction	25x P/E FY25F	100%	8,096	2.30
Manufacturing/industry	10x P/E FY25F	100%	1,369	0.39
Toll concessions	DCF (WACC: 8.5%)	Various	3,020	0.86
Kuantan Port	DCF (WACC: 8.5%)	60%	785	0.22
Property	50% discount to RNAV	100%	3,684	1.05
Investment in WCE Holdings	Market value	27%	668	0.19
Total SOP			17,622	5.00
Holding company's discount	15%		(2,643)	(0.75)
Intrinsic value per share			14,979	4.25
2% ESG premium			299	0.09
TP			15,278	4.34

Source: Company data, RHB

Emissions And ESG

Trend analysis

Total emissions doubled in FY23 due to scope 3 emissions.

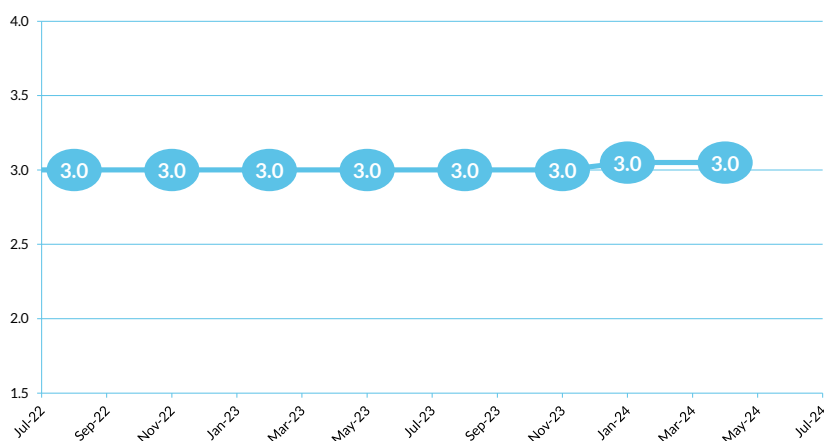
Emissions (tCO2e)	Mar-22	Mar-23	Mar-24
Scope 1	28,312	39,681	na
Scope 2	38,995	54,202	na
Scope 3	365,818	837,684	na
Total emissions	433,125	931,567	na

Source: Company data, RHB

Latest ESG-Related Developments

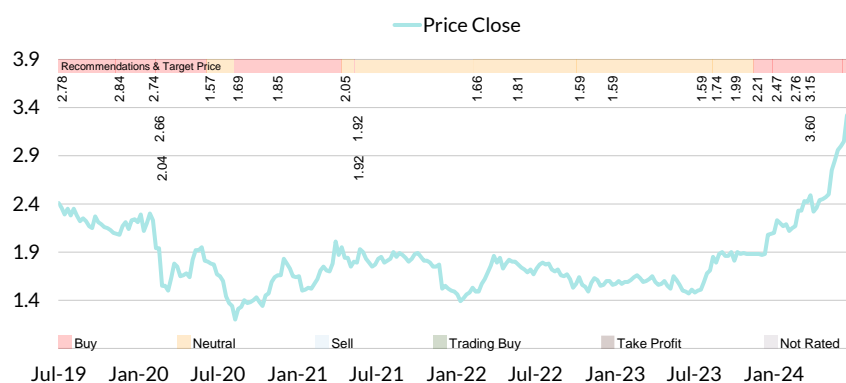
- IJM commits to achieving net zero carbon emissions by 2050, which covers Scope 1, Scope 2 and operational Scope 3 categories while the reduction of embodied Scope 3 emissions is achieved through supplier engagements.
- IJM's greenhouse gas (GHG) emissions data for its baseline year FY2023 has been independently verified.

ESG Rating History



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-07-15	Buy	4.34	3.54
2024-06-27	Buy	3.60	3.07
2024-06-24	Buy	3.60	3.00
2024-05-30	Buy	3.15	2.77
2024-02-29	Buy	2.76	2.14
2024-01-18	Buy	2.47	2.06
2024-01-14	Buy	2.47	2.09
2023-12-01	Buy	2.21	1.88
2023-10-12	Neutral	1.99	1.91
2023-08-29	Neutral	1.74	1.76
2023-07-25	Neutral	1.59	1.50
2023-07-25	Neutral	1.59	1.50
2023-06-26	Neutral	1.59	1.50
2023-05-30	Neutral	1.59	1.58
2023-02-23	Neutral	1.59	1.58

Source: RHB, Bloomberg

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Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
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Not Rated:	Stock is not within regular research coverage

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Analyst	Company
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KUALA LUMPUR

RHB Investment Bank Bhd
Level 3A, Tower One, RHB Centre
Jalan Tun Razak
Kuala Lumpur 50400
Malaysia
Tel : +603 2302 8100
Fax : +603 2302 8134

JAKARTA

PT RHB Sekuritas Indonesia
Revenue Tower, 11th Floor, District 8 - SCBD
Jl. Jendral Sudirman Kav 52-53
Jakarta 12190
Indonesia
Tel : +6221 509 39 888
Fax : +6221 509 39 777

BANGKOK

RHB Securities (Thailand) PCL
10th Floor, Sathorn Square Office Tower
98, North Sathorn Road, Silom
Bangrak, Bangkok 10500
Thailand
Tel: +66 2088 9999
Fax :+66 2088 9799

SINGAPORE

RHB Bank Berhad (Singapore branch)
90 Cecil Street
#04-00 RHB Bank Building
Singapore 069531
Fax: +65 6509 0470