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Market Access

IJM Corporation Berhad

“New Award to Refill Orderbook”

IJM Corporation Bhd (IJM Corp) continues its positive momentum in 2015 after securing a new construction jobs worth RM455.5 million which will boost its construction orderbook by 7% to RM7.3 billion. The RM455.5 million contracts may contribute RM46 million to the group’s PBT, based on PBT margin assumption of 10%. Hence, IJM Corp is a BUY with target price of RM3.74.

- **LOA for “Equatorial Plaza”.** IJM Corp has secured the Letter of Award (LOA) issued by GDP Architects Sdn Bhd on behalf of Hotel Equatorial (M) Sdn Bhd and Fenghuang Development Sdn Bhd for stage 2 works - main building works for the proposed construction of 1 block of 52 storeys mixed commercial development known as “Equatorial Plaza” on Lot 1217, Seksyen 57, Jalan Sultan Ismail, Kuala Lumpur. The contract is worth RM455.5 million involving the construction works of the podium block, office tower and hotel tower and the interior design works for the hotel tower and hotel outlet. The entire project is slated to be completed within 36 month.
- **Boost external orderbook by 7%.** We are positive on the new job wins in 2015 which could replenish the group’s construction orderbook by 7% to RM7.3 billion (7.6x of FY15 construction revenue). Conservatively, we estimate that RM455.6 billion “Equatorial Plaza” contracts may potentially contribute RM46 million to the group’s PBT, based on PBT margin assumption of 10%. Moving forward, the group is expected to replenish its orderbook further by grabbing some potential new jobs wins including Menara Warisan Merdeka and some work package from KVMRT2 and LRT 3.
- **Change to forecast.** We maintain our earnings forecast as we already factored in the potential construction’s

Tuesday, September 22, 2015

BUY (TP: RM3.74)

Current Price (RM)	RM3.35
New Target Price (RM)	RM3.74
Previous Target Price (RM)	RM3.74
Previous Recommend.	HOLD
Upside To Target Price	12%
Dividend Yield (FY17)	3%

Stock Code

Bloomberg	IJM MK
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Stock & Market Data

Listing	MAIN MARKET
Sector	Construction
Shariah Compliance	Yes
Issued Shares (mn)	3,573
Market Cap (RM mn)	11,897
YTD Chg In Share Price	1%
Beta (x)	0.95
52-week Hi/Lo (RM)	3.75   2.87
3M Average Volume (shrs)	6.85mn
Estimated Free Float	61%

Major Shareholders

EPF	14%
Skim ASB	8%
LTH	6%

contribution in FY16 and FY17. Given that, FY16 and FY17 earnings are projected to increase by 42% y-o-y and 15% y-o-y respectively, lifted by i) recovery in construction margin underpinned by the group's healthy construction order book of approximately RM7.0 billion and ii) earnings acceleration from the privatization of IJM land.

- **Valuation & recommendation.** We value IJM Corp at RM3.74 and the stock is a **BUY** underpinned by i) robust outlook on construction industry in Malaysia backed by 11MP and Budget 2015 projects and ii) phase 2 of the Light project development in Penang.

Table 1: Peers comparison (Calenderised)

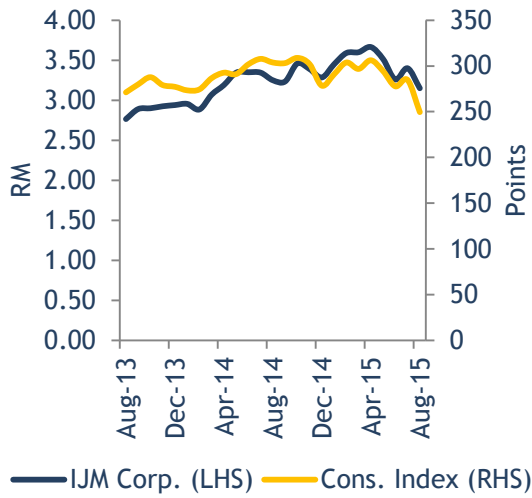
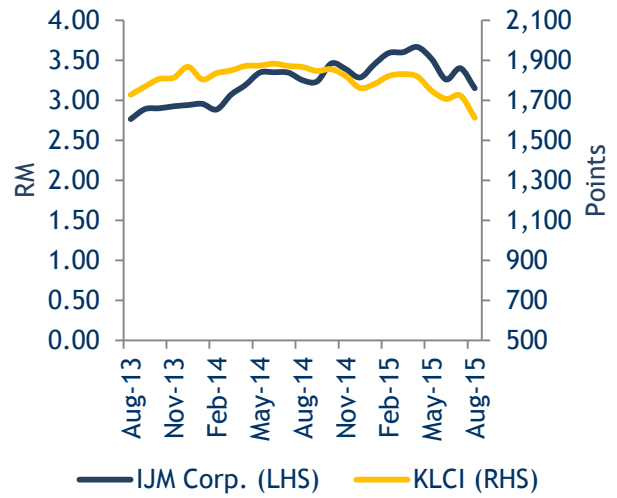
Company	FYE	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
IJM CORP	Mar	3.35	40	46	17.0	14.6	1.3	1.2	6	2	3.74	Buy
GAMUDA	Jul	4.63	31	30	15.4	15.7	1.9	1.8	13	3	5.87	Buy
WCT	Dec	1.36	12	14	11.7	10.1	0.7	0.6	5	2	1.28	Hold
SCGB	Dec	1.16	10	10	11.3	12.2	3.7	3.1	NA	NA	1.40	Buy
BENALEC	Jun	0.58	2	5	17.0	12.6	0.8	0.7	-2	0	NR	NR
CREST BUILDER	Dec	1.00	7	8	15.3	12.4	NA	NA	6	4	NR	NR
EVERSENDI	Dec	0.78	10	11	10.3	8.9	0.8	0.8	5	1	NR	NR
KIMLUN	Dec	1.19	15	16	8.7	8.1	0.9	0.8	10	3	NR	NR
MRCB	Dec	1.10	5	7	21.0	14.9	1.1	1.1	19	2	NR	NR
AZRB	Dec	0.63	5	7	12.7	9.1	NA	NA	4	3	NR	NR
YTL CORP	Jun	1.59	14	13	13.8	12.4	1.1	1.1	8	6	NR	NR
Average					14.0	11.9	1.4	1.3	8	3		

Source: Bloomberg, M&A Securities

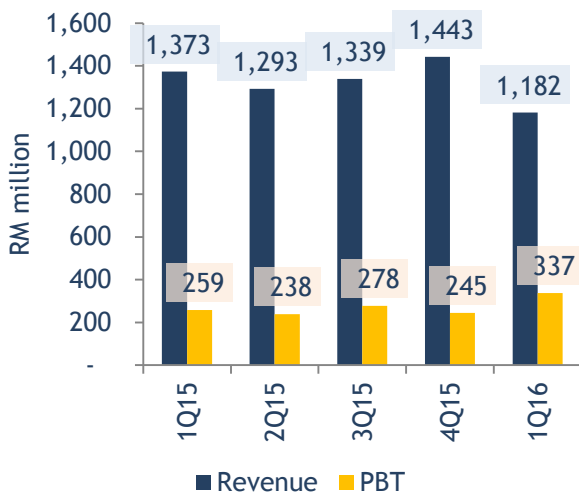
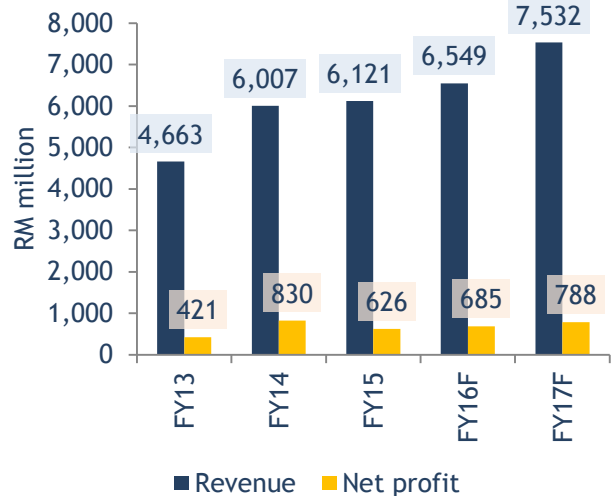
Table 2: Financial Forecast

YE: Mar (RM million)	FY13	FY14	FY15	FY16F	FY17F
Revenue	4,518	6,007	5,448	6,549	7,532
EBIT	973	1,788	1,292	1,441	1,657
Finance costs	(173)	(231)	(243)	(196)	(226)
Associates	40	3	(19)	33	38
JCE	(38)	(143)	(11)	(52)	(60)
PBT	802	1,416	1,019	1,225	1,408
Net profit	409	830	481	685	788
EPS (sen)	30	59	33	19	22
PBT margin	18%	24%	19%	19%	19%
Net profit margin	9%	14%	9%	10%	10%
PER (x)	18.9	11.2	21.4	31.5	27.4
P/BV (x)	1.5	1.5	1.6	1.3	1.2
DPS (sen)	13	25	15	16.0	16.0
Dividend yield	2%	4%	2%	3%	3%

Source: Bursa Malaysia, M&A Securities

IJM Corp. Share Price vs. Construction Index  
(August 2013-August 2015)IJM Corp. Share Price vs. KLCI  
(August 2013-August 2015)

Source: Bloomberg, M&amp;A Securities

Revenue and Net Profit  
(1Q15-1Q16)Revenue and Net Profit  
(FY13-FY17F)

Source: Bloomberg, M&amp;A Securities

# M&A Securities

## STOCK RECOMMENDATIONS

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

## SECTOR RECOMMENDATIONS

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

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