

COMPANY UPDATE

IJM Corporation (IJM MK)

More Contract Wins Rolling In

IJM announced that it has secured two new contracts, a data centre and E&E facility, worth RM561m. After the contract wins, we upgrade our recommendation to BUY by ascribing an upcycle valuation to fairly reflect its growth prospects. Note that the valuation recalibration is also aligned with the target we ascribed to large-cap construction players, following the coverage transfer. Target price: RM3.65.

WHAT'S NEW

- **Two new contracts.** IJM Corporation (IJM) announced two new contract wins totaling RM561m in value. The first is a 50/50 JV with Woh Hup Malaysia, the Malaysian arm of Woh Hup, a Singaporean construction firm. The total contract value for the project is RM508m (IJM's share: RM254m) and entails the construction of two data centre buildings in Gelang Patah, Johor for an international data centre developer. Building 1 is scheduled for completion in 3Q25 and Building 2 in 1Q26. The job represents IJM's second data centre contract, following its earlier RM331.7m contract from Telekom Malaysia.
- The second is a RM307m contract for a manufacturing and warehousing facility in Batu Kawan, Penang. The facility spans 560,000sf and the client is a US based electrical and electronic (E&E) company with completion expected by Oct 25. While IJM did not disclose the specific client, it did mention that the facility intends to support growth in the semiconductor capital equipment and healthcare device markets. Both contract wins bring the total replenishments for FY25 up to RM1.9b, well within our expectation and management's guidance of RM5.0b. Based on 4QFY24's number, current orderbook stands at RM7.9b.
- **New, electric focus.** IJM stated in the press release that the influx of data centre and E&E contracts has aligned with its new strategic focus. Furthermore, with the recent falling-through of the Pestech acquisition, we believe IJM may be shifting priorities in the near term to these sectors. So far, its contract wins in FY25 have spanned a logistics hub, two data centre contracts and two semiconductor-related E&E plants. While larger infrastructure projects still represent significant catalysts, we believe IJM may be looking at jobs similar to its ytd win in the immediate future.

KEY FINANCIALS

Year to 31 Mar (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	4,572	5,919	6,285	7,224	7,725
EBITDA	1,091	1,574	1,279	1,393	1,467
Operating profit	741	1,273	916	1,027	1,097
Net profit (rep./act.)	158	600	467	542	586
Net profit (adj.)	158	474	467	542	586
EPS (sen)	4.3	13.0	12.8	14.9	16.1
PE (x)	73.7	24.6	25.0	21.5	19.9
P/B (x)	1.2	1.2	1.1	1.1	1.1
EV/EBITDA (x)	13.4	12.7	11.5	10.5	10.0
Dividend yield (%)	2.5	2.0	2.4	2.8	3.0
Net margin (%)	3.5	6.9	7.4	7.5	7.6
Net debt/(cash) to equity (%)	23.8	29.3	33.6	38.7	38.6
Interest cover (x)	4.3	4.7	5.0	5.1	5.1
ROE (%)	1.5	3.5	4.3	4.9	5.2
Consensus net profit	-	-	513	568	647
UOBKH/Consensus (x)	-	-	0.91	0.95	0.91

Source: IJM Corporation Berhad, Bloomberg, UOB Kay Hian

BUY

(Upgraded)

Share Price	RM3.20
Target Price	RM3.65
Upside	14.1%
(Previous TP)	RM2.76)

COMPANY DESCRIPTION

A conglomerate with exposure in construction, property, plantation and concession assets.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	IJM MK
Shares issued (m):	3,506.2
Market cap (RMm):	11,219.7
Market cap (US\$m):	2,559.9
3-mth avg daily t'over (US\$m):	11.9

Price Performance (%)

52-week high/low RM3.69/RM1.63

1mth	3mth	6mth	1yr	YTD
(12.1)	30.0	48.6	91.1	70.8

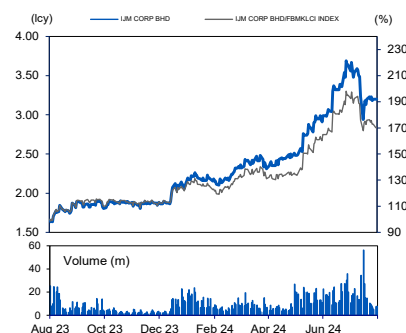
Major Shareholders

	%
Employees Provident Fund	13.4
Skim Amanah Saham Bumiputera	7.4
Lembaga Tabung Haji	5.4

FY25 NAV/Share (RM) 2.79

FY25 Net Debt/Share (RM) 1.02

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Clearer visibility into FY26.** Assuming a conservative EBITDA margin of 10%, these new projects are expected to contribute RM56m in operating profits in three years. The recognitions should come in from 2QFY25, with major milestones expected around 3Q-4QFY25 after completion of structural works.
- **Anticipate higher replenishment in FY25.** The construction segment is expected to benefit from higher replenishment in the coming quarters amid a huge pipeline of private and public projects. Note that although the group fell short of its replenishment target of RM4.0b in FY24, the strong ytd replenishments and pipeline of infrastructure projects spell out for a stronger FY25. Major infrastructure projects on the horizon include: Mass Rapid Transit 3 (MRT3), Penang Light Rail Transit (LRT), extension of New Pantai Expressway (around RM1.0b), a serviced apartment project in Nusantara (about RM1.0b), Indian highways and various industrial building jobs (including data centres and semiconductor plants).

VALUATION/RECOMMENDATION

- **Upgrade to BUY with a higher target price of RM3.65 (previously RM2.76).** We upgrade our recommendation to BUY by ascribing an upcycle valuation to fairly reflect its growth prospects. Note that the valuation recalibration is also aligned with the target we ascribed to large-cap construction players, following the coverage transfer (see RHS table for details). This implies a 2025 PER of 28.5x, roughly 2.0SD above its five-year mean. We believe this is justified given the plethora of catalysts on the horizon for the sector.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

<ul style="list-style-type: none"> • Environmental
<ul style="list-style-type: none"> - Achieved emissions avoidance of 5,176 tCO₂e in FY23 from renewable energy generation, waste recycled and the purchase of renewable energy certificates.
<ul style="list-style-type: none"> • Social
<ul style="list-style-type: none"> - Spent RM2.4m in social contributions to support the community in FY23.
<ul style="list-style-type: none"> • Governance
<ul style="list-style-type: none"> - Aligned with the principles of the Malaysian Code on Corporate Governance.

SOTP VALUATION

	Value (RMm)	Remarks
Construction & Industry	7,046	22x FY25F PE
Infrastructure assets	4,642	Cost of equity 8%
Property	3,743	30% discount to RNAV
Other Investments	300	
Less: Net debt	(930)	End-2024
Total SOP value	14,801	
Enlarged sharebase	3,648	
FD SOP/share	4.06	
Discount	10%	
Fair value/share (RM)	3.65	
Implied 2025F PE (x)	28.5	

Source: IJM, UOB Kay Hian

PROFIT & LOSS

Year to 31 Mar (RMm)	2024	2025F	2026F	2027F
Net turnover	5,489	6,285	7,224	7,725
EBITDA	1,154	1,279	1,393	1,467
Deprec. & amort.	359	362	366	370
EBIT	795	916	1,027	1,097
Associate contributions	(2)	(3)	(3)	(3)
Net interest income/(expense)	(244)	(258)	(271)	(286)
Pre-tax profit	549	656	752	808
Tax	(132)	(157)	(181)	(194)
Minorities	10	15	17	18
Preferred dividends	(47)	(47)	(47)	(47)
Net profit	381	467	542	586
Net profit (adj.)	381	467	542	586

CASH FLOW

Year to 31 Mar (RMm)	2024	2025F	2026F	2027F
Operating	(106)	47	(21)	564
Pre-tax profit	549	656	752	808
Tax	(132)	(157)	(181)	(194)
Deprec. & amort.	359	362	366	370
Associates	2	3	3	3
Working capital changes	(884)	(816)	(962)	(423)
Other operating cashflows	0	0	0	0
Investing	(250)	(250)	(250)	(250)
Capex (growth)	(250)	(250)	(250)	(250)
Proceeds from sale of assets	0	0	0	0
Others	0	0	0	0
Financing	(525)	(27)	(72)	(98)
Dividend payments	(229)	(280)	(325)	(351)
Proceeds from borrowings	(250)	300	300	300
Others/interest paid	(47)	(47)	(47)	(47)
Net cash inflow (outflow)	(881)	(229)	(343)	216
Beginning cash & cash equivalent	2,808	1,927	1,698	1,354
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	1,927	1,698	1,354	1,570

BALANCE SHEET

Year to 31 Mar (RMm)	2024	2025F	2026F	2027F
Fixed assets	5,098	4,986	4,870	4,750
Other LT assets	3,467	3,464	3,461	3,457
Cash/ST investment	1,927	1,698	1,354	1,570
Other current assets	10,559	11,967	13,630	14,444
Total assets	21,050	22,114	23,315	24,221
ST debt	1,531	1,621	1,711	1,801
Other current liabilities	3,714	4,257	4,900	5,258
LT debt	3,573	3,783	3,993	4,203
Other LT liabilities	1,128	1,177	1,235	1,267
Shareholders' equity	10,844	11,031	11,248	11,482
Minority interest	259	244	227	209
Total liabilities & equity	21,050	22,114	23,315	24,221

KEY METRICS

Year to 31 Mar (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	21.0	20.4	19.3	19.0
Pre-tax margin	10.0	10.4	10.4	10.5
Net margin	6.9	7.4	7.5	7.6
ROA	1.8	2.2	2.4	2.5
ROE	3.5	4.3	4.9	5.2
Growth				
Turnover	20.0	14.5	14.9	6.9
EBITDA	5.8	10.8	8.9	5.3
Pre-tax profit	13.7	19.4	14.7	7.4
Net profit	140.9	22.4	16.2	8.0
Net profit (adj.)	140.9	22.4	16.2	8.0
EPS	140.9	22.4	16.2	8.0
Leverage				
Debt to total capital	31.5	32.4	33.2	33.9
Debt to equity	47.1	49.0	50.7	52.3
Net debt/(cash) to equity	29.3	33.6	38.7	38.6
Interest cover (x)	4.7	5.0	5.1	5.1

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