



## Business News

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# Positive outlook on IJM backed strong construction orderbook

PETALING JAYA: The outlook on IJM Corp Bhd remains positive backed by its strong construction orderbook, Maybank Investment Research said.

“IJM’s estimated outstanding construction orderbook is solid at RM6.9bil as of end-September 2015,” the brokerage said in its note on Friday.

“Going forward, IJM could benefit from the upcoming infrastructure jobs, including Klang Valley Mass Rapid Transport Line 2, Klang Valley light rail transit 3, Sungai Besi-Ulu Kelang Elevated Expressway, Damansara–Shah Alam Elevated Expressway, and remaining packages of the West Coast Expressway projects,” it added.

Maybank Investment Research reiterated its “buy” recommendation on IJM, with an unchanged target price of RM3.70.

According to the brokerage, although the property market outlook remained challenging, new launches at IJM’s property townships would likely support the group’s sales.

It noted that IJM’s locked-in property sales in first half for the financial year ending March 31, 2016, amounted to RM650mil, compared with RM900mil in the corresponding period of the preceding year, while unbilled sales was stable at RM1.7bil.

On IJM’s infrastructure division, Maybank Investment Research said the strong performance of the group’s Kuantan Port would not be sustainable in the longer run as the bauxite reserve was depleting.

“However, we think as bauxite mining volume declines, the port expansion and new industrial players at the adjacent industrial park would contribute to growth,” it explained.

IJM recently announced a first interim dividend of three sen per share.

In the second quarter ended Sept 30, 2015, the group saw its core net profit increase 50% year-on-year to RM187mil, resulting in its six-month core net profit rising 24% year-on-year to RM339mil.

Maybank Investment Research noted that IJM’s six-month core net profit accounted for 53% of its full-year expectation, and 49% of consensus full-year forecasts.

During the quarter in review, IJM saw strong quarter-on-quarter growth driven by higher contribution from the infrastructure division, mainly due to Kuantan Port and strong property development margins. These offset lower earnings contribution from the industries and plantation divisions (which fell into a loss) while construction earnings were flattish.