



## IJM bags LRT3's underground segment, orderbook up 12.3%

▶ IJM CORP BHD				
FYE MARCH	FY17	FYE18	FYE19	FYE20
REVENUE (RM mil)	6,065	6,146	6,250	6,400
NORMALISED PATAMI (RM mil)	653.7	494	510	550
FD EPS (sen)	18	34	29	31
PER (x)	15.42	8.12	9.52	8.90

### ▶ Recommendation: Buy

TARGET Price: RM4  
by MIDF Research  
(March 14)

### Highlights

- **ACCEPTED** the award of LRT3's underground segment.
- Scope includes tunnelling and construction of stations.
- Orderbook increased to RM10.45b.
- Reaffirm our 'Buy' recommendation with a target price (TP) of RM4 per share.

**Secured RM1.15b job.** IJM Construction Sdn Bhd, a wholly owned subsidiary of IJM Corp Bhd, has accepted the letter of award issued by Prasarana Malaysia Bhd for the construction of the underground segment of Light Rail Transit Line 3 (LRT3) in Persiaran Hisammuddin, Section 13, Shah Alam for a sum of RM1.15b.

**Scope.** The job scope includes the construction of underground tunnel stations,

ancillary buildings and other related works. The construction process applies the tunnelling method of using boring machines instead of the conventional cut and paste method.

Key risks include execution from tunnelling as it involves steep learning curve for the project team as tunnelling know-how is relatively new to IJM and underground cavities due to soil factor.

**Duration.** The duration of the job is 31 months from 2019-2021 and slated to commence no later than 4Q18.

**Orderbook swells over RM10.45b.** With this new contract, the orderbook increased accordingly to RM10.45b (+12.3% from its previous RM9.3b orderbook level).

**Impact on Earnings.** Nevertheless, the impact is positive and falls within our job replenishment assumptions hence we make no changes to our earnings fore-

cast at this juncture.

In our view, IJM needs at least RM2.8b worth of orderbook replenishment for FYE19 to prompt a rerating on the basis of earnings upside.

**Recommendation.** Due to the recent market sell-off the share price remains at an attractive price.

Hence, we maintain our 'Buy' with a TP of RM4 per share based on FYE18 sum-of-parts valuation.

IJM remains as our top pick for big-cap construction sector due to formidable execution track record and orderbook replenishment capabilities.

IJM is one of Malaysia's leading conglomerates and is listed on the Main Market of Bursa Malaysia Securities Bhd.

Its core business activities encompass construction, property development, manufacturing and quarrying, infrastructure concessions and plantations.