



IJM earnings for FY19, FY20 seen to be higher with LRT3 job win

IJM Corp Bhd (March 14, RM2.77)

Upgrade to hold with a target price (TP) of RM2.96: Prasarana Malaysia Bhd has awarded the light rail transit Line 3 (LRT3) underground package to IJM Corp Bhd, for a contract sum of RM1.11 billion (inclusive of 6% goods and services tax). The project involves design, construction and completion of underground tunnel, stations, ancillary buildings and other associated works. The package has a completion period of 31 months.

This is the seventh major construction job secured by IJM just before closing financial year 2018 (FY18) ending March 2018. We estimate that IJM has secured a total of RM3.9 billion in construction jobs throughout FY18. With this latest job win, IJM's outstanding order book surpasses the RM10 billion mark — estimated at RM10.9 billion, setting a new all-time-high record. Assuming an operating margin of 9%, we forecast the project to enhance the group's earning by RM72 million, or earnings per share of two sen per share throughout the construction period.

As the estimated job win of RM3.9 billion exceeds our previous



assumption of RM3 billion for FY18, we raise our job win assumption to reflect the actual RM3.9 billion secured in FY18. Consequently, we raise both FY19 and FY20 earnings forecasts higher by 2.6%.

We raise IJM's target price from RM2.89 to RM2.96, based on 2018 price-earnings (PE) multiples of 20 times for the construction division, 18.4 times for the plantation division (20% holding company discount to IJMPLNT's target PE multiple of 23 times), 16 times for the infrastructure divisions, 12 times for the property division, and 14 times for the building material division. Upgrade IJM to "hold" following the recent sell-down in the stock. — *TA Securities Research, March 14*

IJM Corp Bhd

FYE MARCH (RM MIL)	2016	2017	2018F	2019F	2020F
Revenue	5,128.2	6,065.3	6,144.7	6,894.7	7,777.7
COGS	(3,694.5)	(4,638.3)	(4,670.0)	(5,240.0)	(6,066.6)
Gross profit	1,433.7	1,427.0	1,474.7	1,654.7	1,711.1
Ebitda	1,570.6	1,390.8	1,291.6	1,545.7	1,545.4
Dep & Amor	(2,69.1)	(309.2)	(313.4)	(326.2)	(337.5)
Ebit	1,301.5	1,081.6	978.2	1,219.5	1,207.9
Finance cost	(169.2)	(144.7)	(185.1)	(182.0)	(178.9)
Associates	13.7	56.4	14.6	15.0	15.4
JV	9.8	16.7	5.1	5.3	5.4
EI	302.0	100.0	0.0	0.0	0.0
PBT	1,155.8	1,010.0	812.8	1,057.8	1,049.9
Adj PBT	853.8	910.0	812.8	1,057.8	1,049.9
Tax	(274.3)	(243.2)	(203.2)	(264.4)	(262.5)
MI	87.9	113.0	111.8	117.6	127.9
Net profit	793.6	653.8	497.8	675.7	659.6
Adj net profit	491.6	553.8	497.8	675.7	659.6

Source: TA Securities