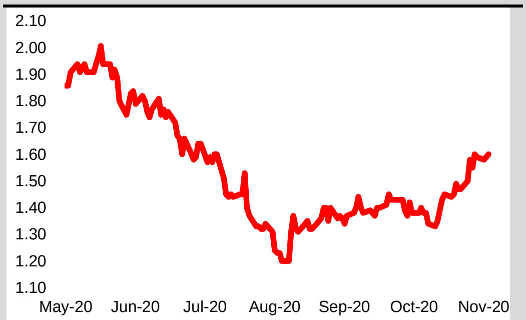
IJM CORPORATION BERHAD *Neutral*

DESCRIPTION

IJM is one of the leading conglomerates in Malaysia, with core businesses such as construction, property, manufacturing, quarrying, infrastructure concessions and plantations.

12-Month Target Price	RM1.54
Current Price	RM1.60
Expected Return	-4.0%
Market	Main
Sector	Construction
Bursa Code	3336
Bloomberg Ticker	IJM MK
Shariah-compliant	Yes

SHARE PRICE CHART



52 Week Range (RM)	1.15 – 2.33
3-Month Average Vol ('000)	13,775.5

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	15.9	29.0	-11.5
Relative Returns	8.5	26.2	-20.9

KEY STOCK DATA

Market Capitalisation (RMm)	5,794.1
No. of Shares (m)	3,621.3

MAJOR SHAREHOLDERS

	%
Employee provident Fund	16.3
Permodalan Nasional Bhd	15.1
Kumpulan Wang Persaraan	9.0
Urusharta Jamaah	6.1

Nurzulaikha Azali
T 603 2268 3017
F 603 2268 3014
E nurzulaikha.azali@publicinvestbank.com.my

On Recovery Mode

Stripping-off exceptional items amounting to RM21.3m, IJM Corp's 2QFY21 results saw improvements with core earnings jumping to RM120.8m from a loss of RM87.3m in 1QFY21 which was severely impacted by the movement control order (MCO). With this, the Group's 1HFY21 core net profit returned to profitability at RM33.5m, though down from 1HFY20 core net profit of RM187.7m. This is on the back of a 26% YTD decline in revenue. 1HFY21 core earnings make up 9.8% and 14.6% of our and consensus full-year estimates, missing expectations. Though we think the Group should be able to sustain its profit momentum, we err on the side of caution as the sudden upsurge in Covid-19 transmission as well as re-implementation of conditional and enhanced MCO in more areas will put the Group's operations at risk. The Group's highway concessions have also seen a 30% drop in traffic volume since. We lower our FY21-23 earnings forecast by an average 11.6% to account for these. Earnings momentum will be supported by its property, plantations and port segment while construction is expected to remain stable. We maintain our ***Neutral*** call with a revised SOP TP of RM1.54 (RM1.60 previously) after the adjustments. A first interim single tier dividend of 2sen was declared.

§ **QoQ improvements.** As expected, the Group recorded strong improvements on a QoQ basis with notable contributions from the property, construction and infrastructure segments after facing major disruptions across the supply chain during the MCO period. The industrial segment also showed improvement as construction works were re-activated. Plantations segment saw steady performance mainly due to higher commodity prices and sales volumes.

§ **On recovery mode.** Moving forward, the Group's earnings performance will be supported by the construction segment with the progressive completion of its outstanding orderbook of RM5.4bn. With anticipation of continued favourable CPO prices, the Group's Plantation division is optimistic of a better performance for the year. Meanwhile, the Port operations business is also expected to perform positively as cargo throughput remains stable despite the pandemic, with increased exports of completed products to China as well as improved trade momentum.

Growth also will be underpinned by the Group's property arm with unbilled sales of RM1.2.bn. The Group reported c. RM740m new sales in 1HFY21, within range of management's RM800m – RM1bn target. Incidentally, RM310m worth is from completed stocks, hence contributions flowing straight to bottom line. The current low interest rate environment, coupled with incentives such as stamp duty waivers and housing discounts appears to be supportive the mid-market segment. Upcoming launches worth RM1.4bn will come from Bandar Rimbayu, Parcel 2 Dutamas, Bukit Jambul Penang, Sanctuary Penang and Seremban 2.

KEY FORECAST TABLE

FYE Mar (RM m)	2019A	2020A	2021F	2022F	2023F	CAGR
Revenue	5,655.7	6,605.1	5,187.3	6,461.5	6,926.5	4.1%
Operating Profit	745.4	870.3	695.4	895.3	973.5	5.5%
Pre-tax Profit	648.0	517.8	496.5	711.6	776.3	3.7%
Core Net Profit	405.0	491.1	252.3	362.2	395.6	-0.5%
EPS (Sen)	11.6	6.9	6.9	10.0	10.9	-1.2%
P/E (x)	13.8	23.2	23.0	16.0	14.7	
DPS (Sen)	4.0	3.0	2.8	4.1	4.4	
Div Yield (%)	2.5	1.9	1.8	2.5	2.8	

Source: Company, PublicInvest Research estimates

Table 1: Results Summary

FYE March RM m	2Q FY21	2Q FY20	1Q FY21	QoQ chg (%)	YoY chg (%)	YTD FY21	YTD FY20	YoY chg (%)
Revenue	**1,428.7**	**1,574.2**	**879.8**	**62.4**	**(9.2)**	**2,308.5**	**3,117.8**	**(26.0)**
EBIT	219.2	215.2	184.6	18.7	1.8	403.7	399.2	1.1
Finance cost	-45.5	-60.0	-62.4	(27.2)	(24.3)	-107.9	-114.6	(5.9)
Associates	-13.7	-62.3	-24.8	(44.9)	(78.0)	-38.5	-46.6	(17.3)
Joint ventures	1.7	21.3	-4.2	(140.1)	(92.2)	-2.5	19.6	(112.7)
PBT	161.7	114.2	93.2	73.6	41.6	254.8	257.6	(1.1)
Tax	-38.8	-30.1	-43.4	(10.7)	29.0	-82.2	-93.0	(11.6)
MI	-11.7	-4.5	-36.9	(68.3)	158.2	-48.6	-15.0	223.2
Perpetual sukuk	-11.7	-9.5	-11.5	1.4	23.0	-23.3	-20.1	16.0
PATAMI	**99.5**	**70.1**	**1.3**	**7,729.7**	**42.0**	**100.8**	**129.5**	**(22.2)**
Core net profit	**120.8**	**86.6**	**-87.3**	**238.4**	**39.5**	**33.5**	**187.7**	**(82.1)**
Margins:								
EBIT margin	15.3%	13.7%	21.0%			17.5%	12.8%	
PBT margin	11.3%	7.3%	10.6%			11.0%	8.3%	
Net Margin	8.5%	5.5%	-9.9%			1.5%	6.0%	
Segmental results								
Revenue (RM m)								
Construction	573.6	594.2	287.5	99.5	(3.5)	861.1	1,112.2	(22.6)
Property	255.1	376.0	145.7	75.1	(32.2)	400.8	838.4	(52.2)
Industry	162.4	227.8	85.6	89.8	(28.7)	248.0	459.0	(46.0)
Plantation	211.4	172.9	206.0	2.6	22.3	417.4	305.9	36.4
Infrastructure	225.9	203.1	155.0	45.8	11.2	380.8	401.8	(5.2)
Investment and others	0.3	0.4	0.1	306.2	(13.6)	0.4	0.5	(24.2)
Headline PBT (RM m)								
Construction	50.9	38.5	16.4	210.4	32.2	67.3	79.1	(15.0)
Property	33.0	37.2	(10.4)	(416.7)	(11.4)	22.6	83.1	(72.8)
Industry	6.1	17.9	(14.9)	(141.1)	(65.8)	(8.8)	33.1	(126.6)
Plantation	(2.4)	-5.0	115.3	(102.1)	(50.9)	112.9	(10.3)	(1,191.9)
Infrastructure	68.4	35.2	(11.0)	(720.6)	94.1	57.4	79.6	(27.9)
Investment and others	5.7	-9.7	(2.2)	(363.1)	(159.1)	3.5	(7.0)	(150.9)

Source: Company, PublicInvest Research estimates

KEY FINANCIAL DATA

INCOME STATEMENT DATA

FYE Mar (RM m)	2019A	2020A	2021F	2022F	2023F
Revenue	5,655.7	6,605.1	5,187.3	6,461.5	6,926.5
Gross Profit	1,149.2	1,235.0	1,179.8	1,407.1	1,508.7
Operating expenses	-403.8	-364.7	-484.4	-511.8	-535.3
Operating Profit	745.4	870.3	695.4	895.3	973.5
Other Gains / (Losses)	-45.7	-83.1	-2.6	-2.2	-0.8
Finance Costs	-225.1	-290.4	-196.4	-181.5	-196.4
Pre-tax Profit	648.0	517.8	496.5	711.6	776.3
Income Tax	-207.3	-189.6	-199.6	-285.5	-310.8
Effective Tax Rate (%)	32.0	36.6	40.2	40.1	40.0
Minorities & Perpetual sukuk	-21.8	-77.6	-44.5	-63.9	-69.8
Core Net Profit	405.0	491.1	252.3	362.2	395.6
Growth					
Revenue (%)	-6.1	16.8	-21.5	24.6	7.2
Gross Profit (%)	-7.2	7.5	-4.5	19.3	7.2
Net Profit	15.0	21.2	-48.6	43.5	9.2

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Mar (RM m)	2019A	2020A	2021F	2022F	2023F
Property, Plant & Equipment	2,946.8	2,578.3	2,154.3	2,258.3	2,364.3
Cash and Cash Equivalents	1,557.9	2,222.6	920.5	1,253.3	1,438.5
Receivables	2,090.2	1,865.7	1,891.1	1,918.4	1,956.9
Other Assets	16,411.1	16,786.7	15,870.4	16,214.8	16,506.1
Total Assets	**23,006.0**	**23,453.3**	**20,836.3**	**21,644.8**	**22,265.9**
Payables	3,101.6	3,131.0	2,377.5	2,874.9	3,060.4
Borrowings	6,628.7	6,880.5	5,361.8	5,356.0	5,458.0
Retirement Benefits	21.8	22.4	19.4	19.4	19.4
Other Liabilities	1,869.4	1,775.8	1,578.1	1,613.8	1,640.1
Total Liabilities	**11,621.5**	**11,809.7**	**9,336.8**	**9,864.0**	**10,177.9**
Shareholders' Equity	11,384.4	11,643.6	11,499.5	11,780.8	12,088.0
Total Equity and Liabilities	**23,006.0**	**23,453.3**	**20,836.3**	**21,644.8**	**22,265.9**

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Mar	2019A	2020A	2021F	2022F	2023F
Book Value Per Share	3.1	3.2	3.2	3.2	3.3
NTA Per Share	6.3	6.4	5.7	5.9	6.1
EPS (Sen)	11.6	6.9	6.9	10.0	10.9
DPS (Sen)	4.0	3.0	2.8	4.1	4.4
Payout Ratio (%)	34.5	43.5	40.6	40.6	40.6
ROA (%)	1.8	2.1	1.2	1.7	1.8
ROE (%)	3.6	4.2	2.2	3.1	3.3

Source: Company, PublicInvest Research estimates

RATING CLASSIFICATION

STOCKS

OUTPERFORM	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12months.
NEUTRAL	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
UNDERPERFORM	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
TRADING BUY	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
TRADING SELL	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
NOT RATED	The stock is not within regular research coverage.

SECTOR

OVERWEIGHT	The sector is expected to outperform a relevant benchmark over the next 12 months.
NEUTRAL	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform a relevant benchmark over the next 12 months.

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PUBLIC INVESTMENT BANK BERHAD (20027-W)
9th Floor, Bangunan Public Bank
6, Jalan Sultan Sulaiman
50000 Kuala Lumpur
T 603 2268 3000
F 603 2268 3014
Dealing Line 603 2268 3129