

# Malaysia Company Guide

## IJM Corp

Version 13 | Bloomberg: IJM MK | Reuters: IJMS.KL

Refer to important disclosures at the end of this report

DBS Group Research . Equity

8 Apr 2019

### BUY

Last Traded Price ( 5 Apr 2019): RM2.18 (KLCI : 1,641.81)

Price Target 12-mth: RM2.55 (17% upside) (Prev RM2.28)

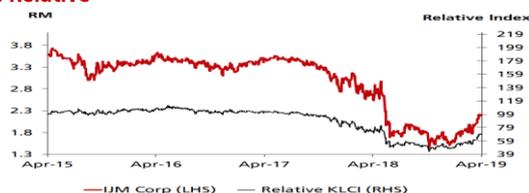
#### Analyst

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#### What's New

- ECRL revival could benefit three of its divisions
- Besides construction and precast flows, ECRL could ignite further investments into Kuantan Port and MCKIP
- Successful sale of Scomi or IJM Plantations could be a catalyst
- BUY with higher SOP-derived TP of RM2.55

#### Price Relative



#### Forecasts and Valuation

FY Mar (RMm)	2018A	2019F	2020F	2021F
Revenue	6,027	6,210	6,895	7,302
EBITDA	1,047	1,057	1,167	1,253
Pre-tax Profit	630	599	688	757
Net Profit	350	408	463	512
Net Pft (Pre Ex.)	350	408	463	512
Net Pft Gth (Pre-ex) (%)	(46.5)	16.7	13.4	10.6
EPS (sen)	9.62	11.2	12.7	14.1
EPS Pre Ex. (sen)	9.62	11.2	12.7	14.1
EPS Gth Pre Ex (%)	(47)	17	13	11
Diluted EPS (sen)	9.62	11.2	12.7	14.1
Net DPS (sen)	4.44	4.44	4.44	4.44
BV Per Share (sen)	263	270	278	288
PE (X)	22.7	19.4	17.1	15.5
PE Pre Ex. (X)	22.7	19.4	17.1	15.5
P/Cash Flow (X)	9.1	9.3	8.5	8.0
EV/EBITDA (X)	12.7	13.8	12.6	11.7
Net Div Yield (%)	2.0	2.0	2.0	2.0
P/Book Value (X)	0.8	0.8	0.8	0.8
Net Debt/Equity (X)	0.4	0.5	0.5	0.5
ROAE (%)	3.7	4.2	4.7	5.0

Earnings Rev (%): 0 0 0  
 Consensus EPS (sen): 11.3 13.1 14.1  
 Other Broker Recs: B: 5 S: 7 H: 10

Source of all data on this page: Company, AllianceDBS, Bloomberg Finance L.P

### A hat trick if ECRL is revived

**ECRL revival a triple boost.** IJM is the largest beneficiary of the ECRL among stocks under our coverage. This is because it will benefit three of its divisions – construction, Kuantan Port and its investment and land in Malaysia China Kuantan Industrial Park (MCKIP) and also its industry division. IJM's construction division is still solid in spite of some setbacks for its LRT 3 and MRT 2 projects. Its current orderbook of c.RM8.4bn has surpassed its peak of RM6.7bn in 2007. More importantly, the quality of its orderbook is now solid, with predominantly local jobs.

**Where we differ.** Given the changing landscape for construction where projects have been cancelled and cost revised lower, IJM's diversified and defensive nature as well as strong execution track record makes it a more attractive proposition. Moreover, while its orderbook is at its peak, its internal job pipeline, focus on more rail and hospital jobs locally and its legacy in India provide another avenue to grow its orderbook. We estimate every RM1bn increase in new contract wins (vs our base case) would raise FY20F EPS by 2%.

**Key catalysts.** We believe IJM's strong management and execution track record is a big plus in this changing construction market. Its solid balance sheet allows it to fund and participate in larger-scale projects without having to raise equity. Moreover, its diversified nature and record orderbook are key advantages now. Surprisingly, its property division is also doing better than expected and managed to bring down inventory levels. Kuantan Port's throughput will receive a boost from Alliance Steel and is set to improve further with more investments.

#### Valuation:

Our valuation for IJM is based on sum-of-parts valuation given its diversified business. We value the construction business based on a combination of DCF and PE valuation methodologies, while its property and concession businesses are valued using DCF.

#### Key Risks to Our View:

Poorer earnings delivery. With its conglomerate structure, there is risk of earnings downside from other divisions such as property, plantations and industry.

#### At A Glance

Issued Capital (m shrs)	3,626
Mkt. Cap (RMm/US\$m)	7,905 / 1,933
Major Shareholders (%)	
EPF	11.8
KWAP	5.0
Free Float (%)	56.3%
3m Avg. Daily Val (US\$m)	1.6

ICB Industry : Industrials / Construction & Materials



## ECRL revival a key catalyst

**ECRL revival will benefit three divisions:** Expect orderflows for its construction and manufacturing divisions to rise while investments in Kuantan Port will also receive a boost.

**Potential divestment of tolls, IJMP and Scomi?:** Gamuda's divestment of its toll will set the benchmark while the sale of IJMP and Scomi are likely to take place in the longer term.

**BUY, raising TP to RM2.55.** Our TP rises as we impute a higher sustainable orderbook and roll our base year forward.

We had the pleasure of getting an update from Dato Soam, the CEO of IJM.

**Will score a hat trick with ECRL revival.** IJM is the largest beneficiary of the ECRL among stocks under our coverage. This is because it will benefit three of its divisions – construction, Kuantan Port and its investment and land in Malaysia China Kuantan Industrial Park (MCKIP) and also its industry division.

For construction, we believe it is one of the few contractors which have the expertise and track record in inter-city rail-based jobs while its balance sheet strength is also a big advantage. It was involved in the Seremban-Gemas double tracking project where the main contractor was Ircon.

For Kuantan Port, its throughput so far has been promising. For FY19, we expect total throughput to be 19-20m FWT where Alliance Steel will likely contribute 6-7m FWT. What is more promising is Alliance Steel has been using Kuantan Port as a base to export to other parts of ASEAN and even to the US. We expect the announcement of the continuation of ECRL to spur further investment into Kuantan Port and also the surrounding MCKIP development.

The total capacity of Kuantan Port is now 32mFWT and with the completion of Phase 1B by year end, this will rise to 39m by year end. We understand with the more recent investments into the port which is a tyre manufacturing and an oil refinery, the port eventually will be operating at full capacity. This may spur the expansion of Phase 2 in a year's time.

**Trying to grow recurring income base.** IJM's property investment in TRX with a 27-storey office tower (GFA of 560,000 sq ft) will start to bear fruit. 84% of tenancy has been secured with Prudential (lease of 15 years) and TRX City moving in 3QCY19. The total investment cost or gross development cost is about RM500m, including land cost. Rental rates are in the region of RM8-11 psf. Assuming average blended rental rates of RM10 psf and capital value of RM1,400 psf, indicative gross yield could be close to 9%.

We acknowledge there is an oversupply of office space but this gives IJM the opportunity to gain a foothold in a Grade A office building with secured tenancy from a good paymaster.

It may complement or eventually replace the recurring income from its toll concessions should the government buy these over. An indicative gross yield of 9% is relatively attractive considering that the pretax margins for its property business have also fallen substantially.

**Construction.** IJM's current outstanding orderbook now stands at RM8.4bn with 41%, 30% and 29% coming from buildings, roads and other infrastructure projects respectively. New order wins for FY19 was low at just RM505m from just the Affin Office Building at TRX. We believe this was a function of the lack of meaningful projects to tender for post GE-14 while IJM with its strong orderbook did not have to resort to underpricing when bidding for contracts.

For construction, we expect the earnings trajectory to be stronger driven by its RM8.4bn orderbook where the majority of its building jobs such as HSBC (<20% complete), Damansara Uptown 2 (12-13% complete) and UOB 2 building (<20% complete) have yet to contribute in a meaningful way.

More importantly, the credit standing of these customers is solid with no payment risk. For its BBCC retail mail project, the client is Mitsui which is backed by a consortium of Japanese Bank and payment so far has been prompt.

While wins for FY19F has been muted, we expect this to pick up in FY20F where there will be more assured wins from internal jobs for Light Phase 2 (RM1.5-2bn over few years), hospital projects (two have opened for tender in East Malaysia) and other building jobs (Petronas Bangi training centre and French Embassy). In a year's time, IJM will also likely proceed with Phase 2 of Kuantan Port.

## Property

Property presales for 9MFY19 came in at RM1.2bn and 12MFY19 will likely match 12MFY18 full-year presales of RM1.67bn. So far, 65% of presales have come from the central region from projects such as Rimbayu and Seremban 2. Its unsold inventory currently stands at a modest RM300m vs the peak of c.RM1bn. Dato Soam pointed to Real Estate and Housing Developers' Association Malaysia's (REHDA) recent property survey where there is a rise in optimism among developers in 2H19. The recent Malaysia Property Expo, which was aimed at helping consumers own homes at various discount rates and reducing property overhang, was also well received with sales reaching RM285m thus far. The target is to hit RM3bn in total presales until 30 June 2019 when this campaign ends.

## Infrastructure – tolls and Kuantan Port.

We believe the current ongoing negotiations between Gamuda and the government on the takeover of its toll concessions will set the benchmark for future buyouts. We

were made to understand that this is based on a willing buyer and seller basis, and valuations will be based on discounted cash flow. The key difference between Gamuda and IJM's toll roads is that IJM owns higher majority stakes that range from 50-100% (100% for New Pantai Expressway and Besraya) while Gamuda's stakes in its toll roads range from 44-70%.

In terms of its local toll concessions, IJM has three operating toll roads. Of which two are wholly-owned urban highways, 28.9km Besraya Highway (Besraya) and 19.6km New Pantai Highway (NPE), and 50%-owned inter-urban highway, 44.3km Kajang Seremban Highway (LEKAS). These concessions have concession periods of 44, 34 and 33 years respectively.

Since 2016, the government has deferred the scheduled toll rate hikes for most toll roads but IJM has been compensated as per the concession agreements. LEKAS' toll rate increase was due on 1 January 2017 while Besraya's last toll rate revision was due on 1 January 2018. Average traffic volume growth has been commendable, ranging from 4-7% for FY18.

For 9MFY19, its local tolls showed a 34% increase in EBITDA to RM211m.

As for its 41% effective interest in the 233km West Coast Expressway connecting Banting to Taiping, tolling is expected to commence only a sectional basis as and when certain stretches are completed. It has a 50-year concession and is currently under construction.

For 9MFY19, Kuantan Port registered a 26% decline in EBITDA to RM69m. This was on the back of lower throughput. For FY18, throughput was 17m FWT vs 15m FWT in FY17 largely from Alliance Steel's contribution.

In the more immediate term, the lifting of moratorium on bauxite exports (subject to adherence to standard operating procedures) effective 1 April 2019 may help lift throughput but it will unlikely be close to its peak in FY16 where bauxite contributed as much as half of the total throughput of 39m FWT.

We understand there is some 200,000 MT of bauxite in Kuantan Port which will be exported over the next one or two months. There is also 7-8m MT of bauxite around the vicinity of the port which could be exported depending on the government's decision. More recently, the government said it has imposed a regulation of exporting 600,000 tonnes of bauxite every month.

### Industry

There was no recovery for this division in 3QFY19 with revenue and profit dropping by 16% and 22% to RM220m and RM15m respectively. The lower numbers came both from its pre-stressed spun concrete piles and quarry divisions. Its

9MFY19 manufacturing division's revenue fell 20% to RM673m due to lower sales volume. 9MFY19 pretax profit fell by 36% y-o-y to RM36m due to lower sales volume and margins for piles and quarry. There is still about 5-6 months of order visibility and IJM will be targeting higher exports to compensate for the slowing local market.

The revival of ECRL will be key for this division in view of the fact when the project was first mooted, its industry division received a sizeable order. Also, with potentially more activity and investments in MCKIP, this could spur more usage of its piles.

### Scomi

IJM's stand on its investment in Scomi is it will look to dispose of the latter at the right price. It currently has a 21.43% interest in Scomi post the share consolidation exercise and issuance of new shares pursuant to its merger with Scomi Engineering in February 2018.

For FY18, Scomi's share of losses amounted to RM56m (FY2017: loss RM28.4 m) which was attributable to operational and unrealised foreign exchange losses, losses on disposal of assets and asset impairments. Note that IJM has been recognising its share of losses in this venture so far and this reduced its carrying value of Scomi in its balance sheet. As at 31 March 2018, this stood at RM71m.

**Plantations.** Besides its stake in Scomi, we believe IJM may look to sell its stake in IJM Plantations at the right price. In the past, there has been numerous articles in the media highlighting this issue. With a potential pick-up in CPO prices and a higher portion of maturing estates in Indonesia, interest may pick up. For its Indonesian plantations, the average FFB yield is currently 15-16 tonnes/ha (vs Malaysia's 25 tonnes/ha). Out of the 35,831ha of planted area in Indonesia, 25,213ha are still in the mature-young age profile of 4-7 years.

The lower FFB production of 8% for its Malaysian operations for 9MFY19 and lower CPO price achieved (RM2,204/MT (-18% y-o-y) for Malaysia and RM1881/MT (-23%) for Indonesia more than offset the higher FFB production in Indonesia of 411.642MT (+13% y-o-y).

**Maintain BUY rating with higher TP.** IJM's share price has done well, surging 40% YTD, and it is now trading at an FY20F PE of 17x and P/BV of 0.8x, which is still at -1SD below mean. We raise our SOP-derived TP to RM2.55/share. This factors in i) rolling our base year to FY20F, and ii) higher sustainable construction orderbook of RM8.4bn (vs RM8bn previously) on the back of marginally higher margins.

## IJM Corp

## SOP Value for IJM

Division	Stake %	SOP RMm	SOP/share RM	Method
Construction	100	4498.9	1.24	DCF and PE
Property	100	4623.2	1.28	NPV of profits
Plantations	55.1	1111.4	0.31	At market value
Tolls - Local	100	1251.5	0.35	DCF
- Foreign	20-100	1313.4	0.36	DCF
Water	20	5.9	0.00	PE
Ports	39-100	809.6	0.22	DCF & PE
Manufacturing	100	816.5	0.23	PE
Other listed entities	10-23	170.3	0.01	Market value
Less net debt FY20		-5399.1	-1.49	
Total SOP Value		9201.7		
Fully Diluted No. of shares (m)		3617.0		
Fully Diluted SOP Value (RM/share)		2.55		

Source of all data: Company, AllianceDBS

**IJM Corp**

**CRITICAL DATA POINTS TO WATCH**

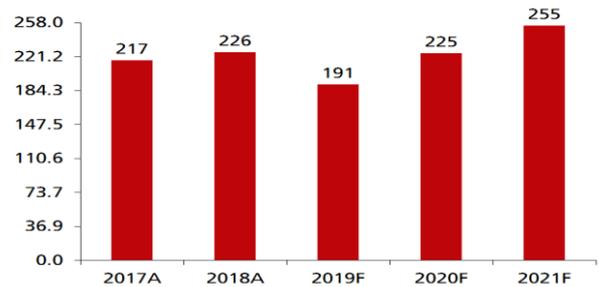
**Construction division still on firm footing.** IJM’s construction division is still solid in spite of some setbacks for its LRT 3 and MRT 2 package. Its current orderbook of c.RM8.4bn has surpassed its peak of RM6.7bn in 2007. FY18 new wins was solid at RM2.8bn but FY19 is more modest with just one win for the Affin Building in TRX. More importantly, the quality of its orderbook is now solid, with predominantly local jobs while its clientele for the private sector building jobs are also of blue-chip calibre. This compares to 2007 when half of its orderbook comprised legacy overseas projects and raw material costs were also high. It has started to get its foot back into the India market with two projects won in FY17. IJM will be focusing on more rail and hospital jobs locally.

**Diversified nature a plus now.** We believe IJM’s strong management and execution track record are huge positives in the current construction climate where all privately negotiated contracts will be terminated. Its strong balance sheet enables it to fund and participate in larger-scale projects without having to raise equity. With two projects (HSR and MRT 3) postponed, we believe that contractors such as IJM which have a solid track record and have been competitive in open tenders, coupled with their varied expertise in other segments of the construction value, will stand to benefit in the long term.

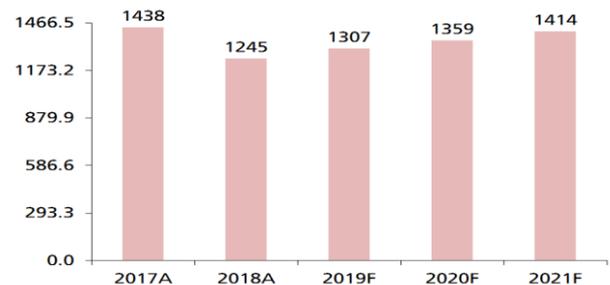
**Infrastructure division provides a recurring base.** We believe the current ongoing negotiations between Gamuda and the government on the takeover of its toll concessions will set the benchmark for future buyouts. In terms of its local toll concessions, IJM has three operating toll roads. Of which two are wholly-owned urban highways, 28.9km Besraya Highway (Besraya) and 19.6km New Pantai Highway (NPE), and 50%-owned inter-urban highway, 44.3km Kajang Seremban Highway (LEKAS). These concessions hold concession periods of 44, 34 and 33 years respectively. The government has deferred the scheduled toll rate hikes for most toll roads but IJM has been compensated as per the concession agreements. LEKAS toll rate increase was due on 1 January 2017 while Besraya’s last toll rate revision was due on 1 January 2018. For Kuantan Port, total capacity with the completion of Phase 1A now stands at 32m FWT but will increase to 39k FWT once Phase 1B is completed..

**Manufacturing division** impacted by slowing local orders but targeting more exports. IJM’s presence in the infrastructure space in Malaysia is twofold – construction, and manufacturing via Industrial Concrete Products. With a 50% market share in the spun piles market, we expect this business to eventually benefit from the revival of port and rail-based projects in spite of a slower market now. In the interim, it will be focusing on increasing its exports.

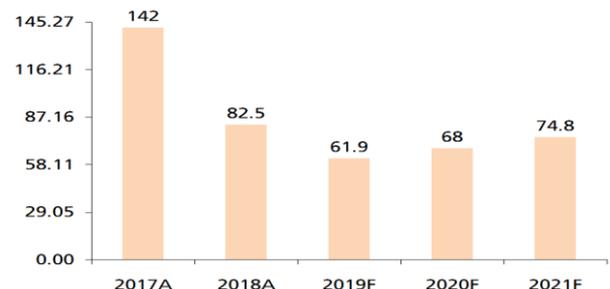
**Construction profit contribution**



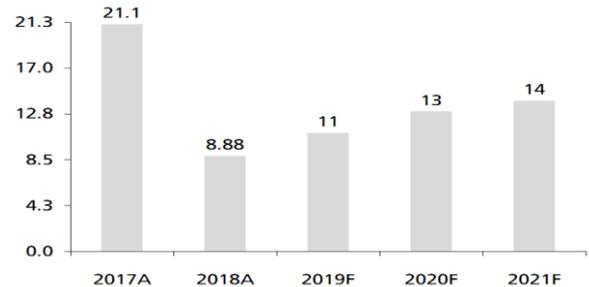
**Property revenue**



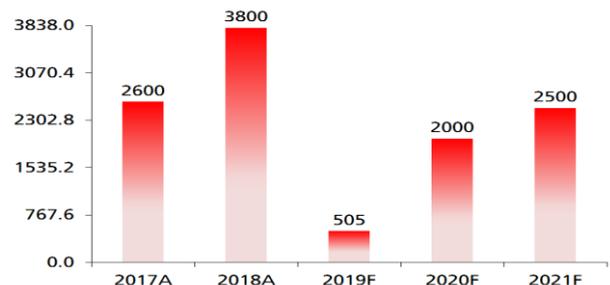
**Manufacturing profit contribution**



**Property margins**



**New order wins**

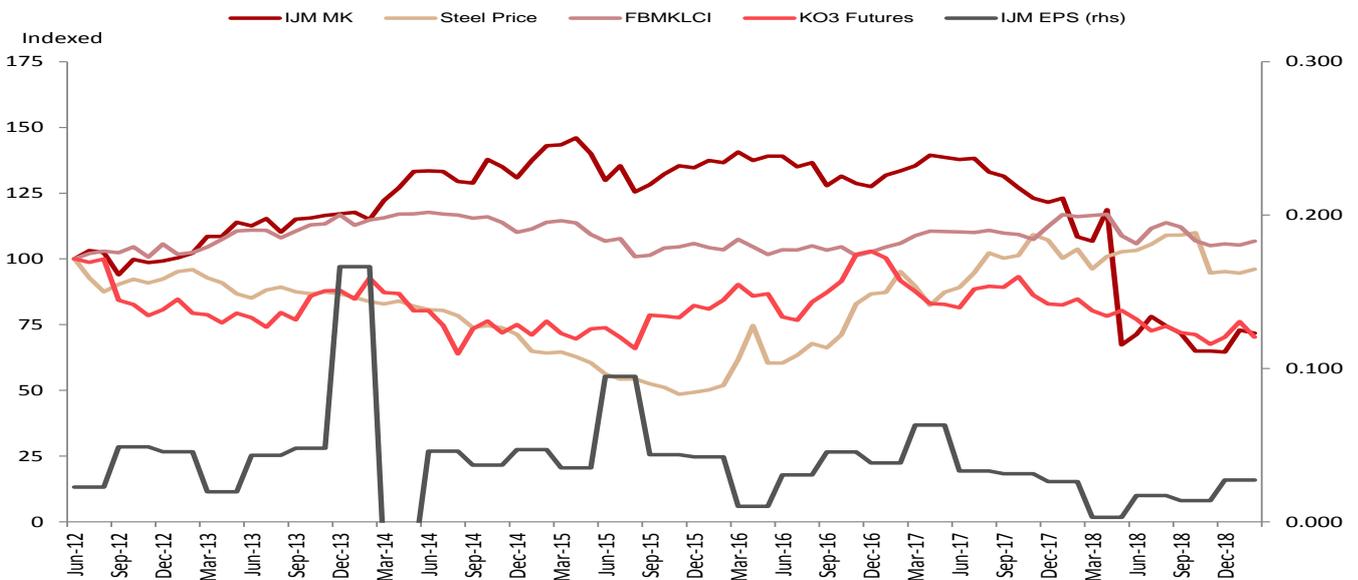


Source: Company, AllianceDBS

IJM Corp

Appendix 1: A look at Company's listed history – what drives its share price?

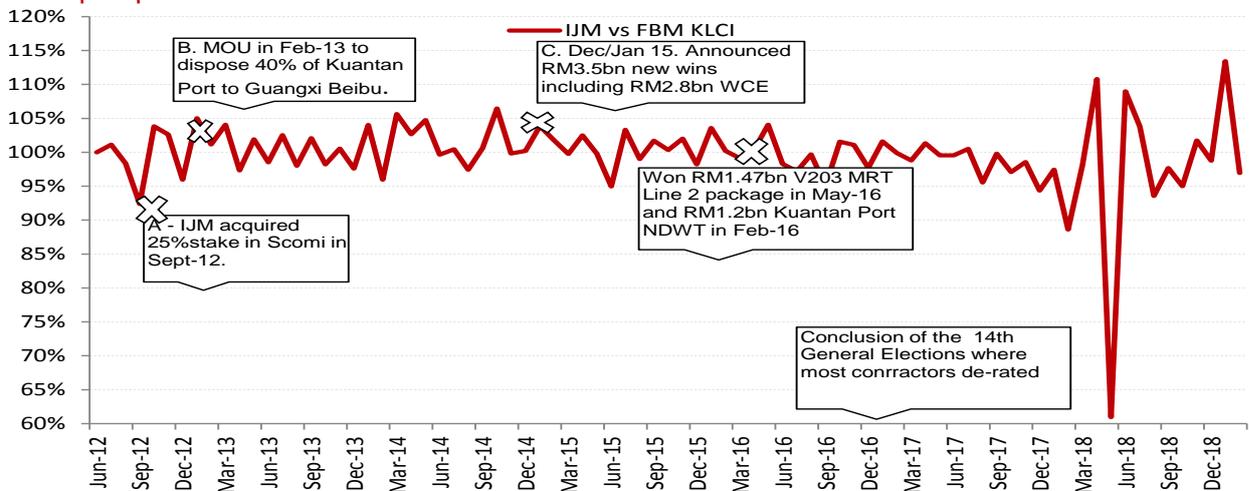
IJM's share price performance vs KLCI, Steel price, CPO Price and EPS



Source: Company, AllianceDBS, DBSVI

The key share price driver for IJM appears to be new contract wins and to some extent earnings growth. In spite of its conglomerate structure, construction wins appear to be the most direct critical factor. There is also a negative correlation of -0.7x with steel prices as IJM has a fair share of building contracts in its orderbook. There is no direct correlation with CPO prices as IJM Plantations is listed.

IJM's share price performance vs contract wins



Source: Company, AllianceDBS, DBSVI

**IJM Corp**

**Balance Sheet:**

**Strong balance sheet.** IJM's net debt as at 31 December was RM5.6bn. While this seems on the high side, about 88% of the outstanding debt is ring-fenced against cash flows from its concession assets (non-recourse debt).

**Share Price Drivers:**

**Diversified infrastructure proxy.** Although IJM is a conglomerate, its share price shows more correlation to news of new contract wins. But its peak orderbook and more diversified profit base make it a less leveraged proxy to an expected surge in contract flows. It stands a good chance of clinching works for building, hospital and other infrastructure jobs.

**Kuantan Port expansion.** IJM's Kuantan Port expansion plan was not premised on the construction of the East Coast Railway Link (ECRL) but will still benefit from the likely revival of the project. The port is also undergoing an expansion to double its capacity to 52m FWT from 26m FWT now where the additional throughput was to cater for the increase in activities at the industrial park. IJM Land also holds a 40% stake in the Malaysia Consortium that has a 51% stake in Malaysia-China Kuantan Industrial Park (MCKIP). MCKIP, which has already seen higher total committed investments. We also understand IJM owns a prime parcel of land (600 acres) at MCKIP Phase 3.

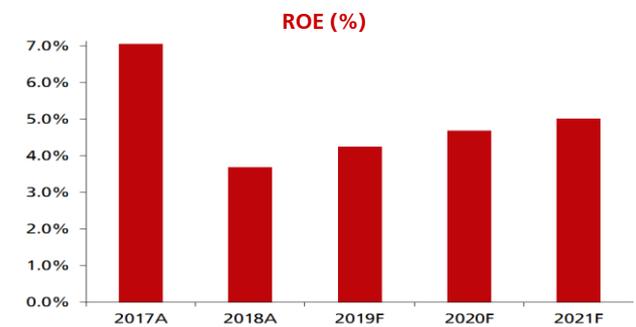
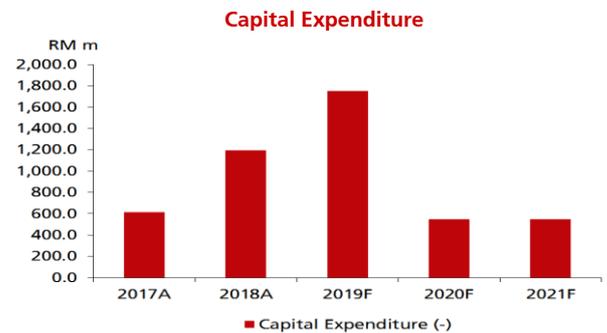
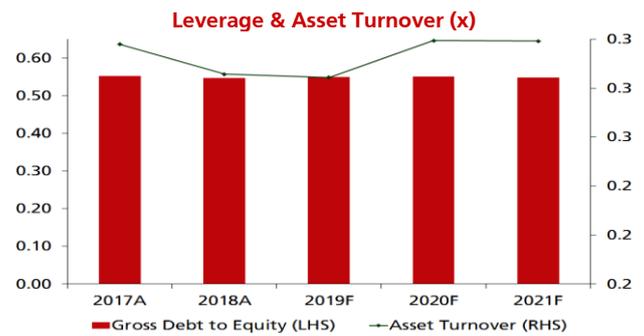
**Also a proxy to IJM Land.** With the privatisation of IJM Land, investors wanting exposure to its property arm will have to be invested in IJM. Given the lack of listed large-cap township developers, IJM may also regain its appeal when interest returns to the property market.

**Key Risks:**

Weaker-than-expected wins. We believe IJM will still be more selective when bidding for projects, given its peak orderbook. But IJM remains a reputable contractor with a strong execution track record and balance sheet, and may still be present in large-scale infrastructure projects when they are eventually implemented.

**Company Background**

IJM is a conglomerate involved in construction, property development, plantations, industrial products, toll concessions and ports.



Source: Company, AllianceDBS

## IJM Corp

## Key Assumptions

FY Mar	2017A	2018A	2019F	2020F	2021F
New order wins	2,600	3,800	505	2,000	2,500
Property revenue	1,438	1,245	1,307	1,359	1,414
Propety margins	21.1	8.88	11.0	13.0	14.0

## Segmental Breakdown

FY Mar	2017A	2018A	2019F	2020F	2021F
<b>Revenues (RMm)</b>					
Construction	2,151	2,326	2,580	2,979	3,163
Property	1,438	1,245	1,307	1,359	1,414
Manufacturing & quarry	1,133	1,054	949	1,043	1,148
Plantation	754	747	785	864	864
Others	589	655	590	649	713
<b>Total</b>	<b>6,065</b>	<b>6,027</b>	<b>6,210</b>	<b>6,895</b>	<b>7,302</b>
<b>PBT (RMm)</b>					
Construction	217	226	191	225	255
Property	303	111	144	177	198
Manufacturing & quarry	142	82.5	61.9	68.1	74.9
Plantation	169	77.3	62.5	73.5	77.2
Others	179	133	140	144	152
<b>Total</b>	<b>1,010</b>	<b>630</b>	<b>599</b>	<b>688</b>	<b>757</b>
<b>PBT Margins (%)</b>					
Construction	10.1	9.7	7.4	7.6	8.1
Property	21.1	8.9	11.0	13.0	14.0
Manufacturing & quarry	12.6	7.8	6.5	6.5	6.5
Plantation	22.4	10.3	8.0	8.5	8.9
Others	30.4	20.3	23.7	22.2	21.2
<b>Total</b>	<b>16.7</b>	<b>10.4</b>	<b>9.7</b>	<b>10.0</b>	<b>10.4</b>

## Income Statement (RMm)

FY Mar	2017A	2018A	2019F	2020F	2021F
Revenue	6,065	6,027	6,210	6,895	7,302
Cost of Goods Sold	(4,638)	(4,788)	(4,969)	(5,484)	(5,772)
<b>Gross Profit</b>	<b>1,427</b>	<b>1,239</b>	<b>1,241</b>	<b>1,411</b>	<b>1,530</b>
Other Opng (Exp)/Inc	(345)	(419)	(438)	(509)	(551)
<b>Operating Profit</b>	<b>1,082</b>	<b>820</b>	<b>803</b>	<b>902</b>	<b>979</b>
Other Non Opng (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	73.1	(4.5)	(4.7)	(4.9)	(5.2)
Net Interest (Exp)/Inc	(145)	(186)	(199)	(209)	(217)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>1,010</b>	<b>630</b>	<b>599</b>	<b>688</b>	<b>757</b>
Tax	(243)	(239)	(150)	(172)	(189)
Minority Interest	(113)	(40.9)	(41.4)	(52.9)	(55.6)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>654</b>	<b>350</b>	<b>408</b>	<b>463</b>	<b>512</b>
Net Profit before Except.	654	350	408	463	512
EBITDA	1,259	1,047	1,057	1,167	1,253
<b>Growth</b>					
Revenue Gth (%)	18.3	(0.6)	3.0	11.0	5.9
EBITDA Gth (%)	9.9	(16.9)	1.0	10.4	7.4
Opg Profit Gth (%)	8.2	(24.2)	(2.0)	12.3	8.5
Net Profit Gth (Pre-ex) (%)	33.0	(46.5)	16.7	13.4	10.6
<b>Margins &amp; Ratio</b>					
Gross Margins (%)	23.5	20.6	20.0	20.5	21.0
Opg Profit Margin (%)	17.8	13.6	12.9	13.1	13.4
Net Profit Margin (%)	10.8	5.8	6.6	6.7	7.0
ROAE (%)	7.1	3.7	4.2	4.7	5.0
ROA (%)	3.2	1.7	1.9	2.0	2.1
ROCE (%)	4.6	2.8	3.3	3.6	3.8
Div Payout Ratio (%)	30.6	45.8	39.2	34.6	31.3
Net Interest Cover (x)	7.5	4.4	4.0	4.3	4.5

Source: Company, AllianceDBS

## IJM Corp

## Quarterly / Interim Income Statement (RMm)

FY Mar	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019
Revenue	1,566	1,399	1,444	1,309	1,507
Cost of Goods Sold	(1,266)	(1,105)	(1,155)	(1,094)	(1,202)
<b>Gross Profit</b>	<b>300</b>	<b>294</b>	<b>289</b>	<b>215</b>	<b>306</b>
Other Oper. (Exp)/Inc	(96.9)	(130)	(129)	(141)	(54.0)
<b>Operating Profit</b>	<b>203</b>	<b>163</b>	<b>160</b>	<b>74.1</b>	<b>252</b>
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	17.5	(43.9)	3.33	18.5	(5.7)
Net Interest (Exp)/Inc	(48.4)	(41.9)	(59.8)	(56.8)	(68.7)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>172</b>	<b>77.7</b>	<b>103</b>	<b>35.8</b>	<b>177</b>
Tax	(62.3)	(65.3)	(42.4)	(24.1)	(76.1)
Minority Interest	(8.7)	(1.2)	1.95	10.2	(7.8)
<b>Net Profit</b>	<b>101</b>	<b>11.2</b>	<b>62.8</b>	<b>21.9</b>	<b>93.4</b>
Net profit bef Except.	101	11.2	62.8	21.9	93.4
EBITDA	221	120	163	92.6	246

## Growth

Revenue Gth (%)	(1.7)	(10.7)	3.3	(9.4)	15.1
EBITDA Gth (%)	(5.0)	(45.9)	36.4	(43.2)	165.6
Opg Profit Gth (%)	(12.6)	(19.6)	(2.3)	(53.6)	239.7
Net Profit Gth (Pre-ex) (%)	(8.6)	(89.0)	461.0	(65.1)	326.2

## Margins

Gross Margins (%)	19.2	21.0	20.0	16.5	20.3
Opg Profit Margins (%)	13.0	11.7	11.1	5.7	16.7
Net Profit Margins (%)	6.5	0.8	4.3	1.7	6.2

## Balance Sheet (RMm)

FY Mar	2017A	2018A	2019F	2020F	2021F
Net Fixed Assets	1,990	1,990	3,355	3,509	3,653
Invts in Associates & JVs	1,656	1,538	1,508	1,478	1,448
Other LT Assets	5,627	6,422	6,554	6,685	6,817
Cash & ST Invts	2,151	1,780	697	881	1,114
Inventory	1,422	1,334	1,601	1,921	2,306
Debtors	2,031	1,952	2,343	2,811	3,374
Other Current Assets	6,016	6,279	6,329	6,379	6,429
<b>Total Assets</b>	<b>20,893</b>	<b>21,295</b>	<b>22,386</b>	<b>23,665</b>	<b>25,140</b>
ST Debt	1,743	2,904	2,954	3,004	3,054
Creditor	2,518	3,020	3,624	4,349	5,219
Other Current Liab	23.7	43.1	43.1	43.1	43.1
LT Debt	4,226	2,976	3,126	3,276	3,426
Other LT Liabilities	1,565	1,586	1,586	1,586	1,586
Shareholder's Equity	9,497	9,489	9,735	10,035	10,385
Minority Interests	1,319	1,276	1,318	1,371	1,426
<b>Total Cap. &amp; Liab.</b>	<b>20,893</b>	<b>21,295</b>	<b>22,386</b>	<b>23,665</b>	<b>25,140</b>
Non-Cash Wkg. Capital	6,927	6,502	6,605	6,719	6,845
Net Cash/(Debt)	(3,818)	(4,100)	(5,383)	(5,399)	(5,366)
Debtors Turn (avg days)	129.0	120.6	126.2	136.4	154.6
Creditors Turn (avg days)	195.4	221.6	257.2	278.8	317.6
Inventory Turn (avg days)	102.9	110.3	113.6	123.2	140.3
Asset Turnover (x)	0.3	0.3	0.3	0.3	0.3
Current Ratio (x)	2.7	1.9	1.7	1.6	1.6
Quick Ratio (x)	1.0	0.6	0.5	0.5	0.5
Net Debt/Equity (X)	0.4	0.4	0.5	0.5	0.5
Net Debt/Equity ex MI (X)	0.4	0.4	0.6	0.5	0.5
Capex to Debt (%)	10.3	20.3	28.8	8.8	8.5

Source: Company, AllianceDBS

## IJM Corp

## Cash Flow Statement (RMm)

FY Mar	2017A	2018A	2019F	2020F	2021F
Pre-Tax Profit	1,010	630	599	688	757
Dep. & Amort.	177	227	254	264	274
Tax Paid	(243)	(239)	(150)	(172)	(189)
Assoc. & JV Inc/(loss)	(73.1)	4.46	4.69	4.92	5.17
Chg in Wkg.Cap.	156	669	(53.2)	(63.9)	(76.7)
Other Operating CF	464	(416)	199	209	217
<b>Net Operating CF</b>	<b>1,491</b>	<b>874</b>	<b>854</b>	<b>931</b>	<b>987</b>
Capital Exp.(net)	(613)	(1,195)	(1,750)	(550)	(550)
Other Invts.(net)	(377)	(787)	0.0	0.0	0.0
Invts in Assoc. & JV	(58.7)	(125)	0.0	0.0	0.0
Div from Assoc & JV	27.9	93.8	25.0	25.0	25.0
Other Investing CF	662	848	(50.0)	(50.0)	(50.0)
<b>Net Investing CF</b>	<b>(359)</b>	<b>(1,166)</b>	<b>(1,775)</b>	<b>(575)</b>	<b>(575)</b>
Div Paid	(395)	(302)	(162)	(162)	(162)
Chg in Gross Debt	(273)	(60.1)	0.72	(9.3)	(16.7)
Capital Issues	51.2	23.3	0.0	0.0	0.0
Other Financing CF	(47.3)	(49.4)	0.0	0.0	0.0
<b>Net Financing CF</b>	<b>(664)</b>	<b>(388)</b>	<b>(162)</b>	<b>(172)</b>	<b>(179)</b>
Currency Adjustments	0.0	0.0	0.0	0.0	0.0
Chg in Cash	468	(680)	(1,083)	184	233
Opg CFPS (sen)	37.0	5.65	24.9	27.3	29.3
Free CFPS (sen)	24.4	(8.8)	(24.6)	10.5	12.0

Source: Company, AllianceDBS

## Target Price &amp; Ratings History



Note: Share price and Target price are adjusted for corporate actions.

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	14 May 18	2.27	2.53	HOLD
2:	31 May 18	1.69	2.39	BUY
3:	29 Aug 18	1.90	2.28	BUY
4:	05 Sep 18	1.89	2.28	BUY
5:	27 Nov 18	1.68	2.28	BUY
6:	04 Jan 19	1.59	2.28	BUY
7:	27 Feb 19	1.89	2.28	BUY

Source: AllianceDBS

Analyst: Tjen San CHONG

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**STRONG BUY** (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

**FULLY VALUED** (negative total return i.e. > -10% over the next 12 months)

**SELL** (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

*Share price appreciation + dividends*

Completed Date: 8 Apr 2019 08:17:25 (MYT)

Dissemination Date: 8 Apr 2019 10:49:22 (MYT)

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