

28 February 2025

IJM Corporation

3QFY25 Below; Job Prospect Still Strong

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IJM's 9MFY25 results missed expectations with core profit declining 5% YoY to RM296.1m due to lower-than-expected construction earnings as margin deteriorated. However, 4QFY25 are expected to recover while construction job prospects remain promising, especially data centre tenders where IJM is tendering for four jobs. It will also participate in Penang LRT package 2 and 3 when it calls for tender. We cut FY25-FY26 earnings forecast by 10%-5%, TP to RM3.00. Nonetheless, **OUTPERFORM** rating is maintained.

9MFY25 results below expectations. At 70%/57% of house/street's full-year estimates, IJM's 9MYF25 core profit of RM296.1m missed expectations. The key variance from our forecasts was due to weak construction earnings in 3QFY25. No dividend was declared in 3QFY25 as expected as it usually pays half-yearly dividend traditionally.

Weak construction segment in 3QFY25. QoQ, 3QFY25 core profit declined 54% to RM61.8m, primarily due to weak construction earnings as segment pre-tax profit declined 32% on the back of 10% decline in revenue due to lower activities. Construction PBT margin also deteriorated to 3.5% from 4.6%. 3QFY25 core profit was adjusted from a RM75m gain from a land sale. In addition, earnings for manufacturing and quarrying declined by 9% on lower business volume while losses at toll operations widened to RM1.27m from RM1.1m previously. Cargo throughput fell to 5.1m tons from 6.6m tons which led to port infrastructure's PBT dropping by 50%.

YTD earnings declined 5% YoY to RM296.1m in 9MFY25, despite higher revenue (+7%), attributed to lower property earnings (-14%) as segment revenue declined (-3%). In addition, earnings for toll infrastructure declined 98% due to lower traffic volumes from its overseas toll operations upon the expiry of a toll concession in July 2024. Port infrastructure also reported pre-tax profit which fell 9% due to lower cargo throughput (by 2.1% YoY to 18.7m tons in 9MFY25). On the positive note, construction earnings jumped 87% as higher construction activities boosted the segment revenue by 50%.

Outlook. We expect a significant revitalisation of the construction sector from several public infrastructure jobs such as Penang LRT Package 2 & 3, flood mitigation projects, as well as the vibrant private sector construction market, underpinned by massive investment in new semiconductor foundries and data centres. IJM is eyeing, among others: (i) New Pantai Expressway (NPE) expansion (>RM1b), (ii) civil servant housing project in Nusantara (>RM1b), (iii) building jobs for semiconductor foundries and data centres, (iv) infrastructure projects such as Penang LRT Mutiara Line and Sarawak Sabah Link Road.

Forecasts: While maintaining our new job win assumption of RM5b and RM4b, we trimmed FY25-FY26 earnings forecasts by 10%-5% to account for lower construction PBT margin from 6% to 4.5%-5.5%, respectively. However, we maintain our FY25-FY26 NDPS assumption of 8.0 sen. YTD, it has secured a total of RM2.7b new jobs.

Valuations. Post earnings revision, our SoP-driven TP is reduced to RM3.00 (see Page 4) from RM3.16 on unchanged 22x PER valuation for its construction business, which is in-line with our valuation for big cap construction companies, i.e., **GAMUDA (OP; TP: RM5.46)** and **SUNCON (OP; TP: RM4.52)**. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 6).

OUTPERFORM ↔

Price: **RM2.23**
Target Price: **RM3.00** ↓

Share Price Performance



KLCI	1,586.60
YTD KLCI chg	-3.4%
YTD stock price chg	-26.6%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	IJM MK Equity
Market Cap (RM m)	7,818.8
Shares Outstanding	3,506.2
52-week range (H)	3.76
52-week range (L)	2.05
3-mth avg. daily vol.	10,246,120
Free Float	81%
Beta	1.1

Major Shareholders

Employees Provident Fund Board	14.0%
Amanah Saham Nasional	12.9%
Kumpulan Wang Persaraan Diperbadankan	9.4%

Summary Earnings Table

FY Mar (RM m)	2024A	2025F	2026F
Turnover	5918.8	6070.4	6541.6
EBIT	1079.5	1041.7	1107.7
PBT	964.2	814.7	876.5
Net Profit (NP)	600.3	425.2	497.5
Core net profit	513.3	425.2	497.5
Consensus (NP)	-	522.4	588.9
Earnings Revision (%)	-	-10.1	-5.4
Core EPS (sen)	11.6	11.7	13.6
Core EPS Growth (%)	97.3	-17.2	17.0
NDPS (sen)	8.0	8.0	8.0
BVPS (RM)	2.73	2.76	2.82
NTA/share (RM)	2.69	2.73	2.79
PER (x)	19.2	19.1	16.3
PBV (x)	0.82	0.81	0.79
P/NTA (x)	0.83	0.82	0.80
Net Gearing (x)	0.27	0.31	0.33
Net Div. Yield (%)	3.3	3.6	3.6

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Investment case. We like IJM for: (i) it is poised to garner a slice of action in the Penang LRT Mutiara Line given its involvement in the previous LRT projects, (ii) its strong earnings visibility underpinned by an outstanding construction order book of RM6.0b and new property sales of RM907m, (iii) Kuantan Port's position as the largest port in the East Coast capturing export and import activities growth, and (iv) the potential divestment of its toll road to lighten its balance sheet and recycle capital acting as a re-rating catalyst. **OUTPERFORM** maintained.

Risks to our call include: (i) sustained weak construction jobs flow, (ii) project cost overrun and liabilities arising from liquidated ascertained damages (LAD), and (iii) rising cost of building materials.

Income Statement								
FYE Mar (RM m)	3Q FY25	2Q FY25	Q-o-Q Chg	3Q FY24	Y-o-Y Chg	9M FY25	9M FY24	Y-o-Y Chg
Turnover	1,539.8	1,516.3	2%	1,475.4	4%	4,460.5	4,159.6	7%
EBITDA	349.0	335.9	4%	356.6	-2%	973.6	975.7	0%
Depreciation	-66.6	-71.1	-6%	-77.0	-14%	-216.2	-226.9	-5%
EBIT	282.4	264.8	7%	279.6	1%	757.4	748.8	1%
Interest expense	-64.3	-72.1	-11%	-85.9	-25%	-213.0	-232.3	-8%
Associates	-30.7	-17.2	78%	-7.5	309%	-56.3	-17.2	227%
Exceptional items	51.6	-61.3	-184%	-4.1	-1349%	-21.7	-16.2	34%
Pretax profit	228.3	152.2	50%	226.2	1%	533.7	597.4	-11%
Taxation	-87.5	-64.4	36%	-117.6	-26%	-198.4	-261.4	-24%
Profit after tax	140.8	87.8	60%	108.7	30%	335.2	335.9	0%
Minority interest	-15.8	-1.8	759%	3.5	-550%	-25.7	-6.1	321%
Net profit	113.3	74.2	53%	100.4	13%	274.4	294.8	-7%
Core net profit	61.8	135.5	-54%	104.6	-41%	296.1	310.9	-5%
EPS (sen)	1.7	3.7	-54%	2.9	-41%	8.1	8.5	-5%
NDPS (sen)	0.00	2.00	N/A	0.00	0%	2.00	2.00	0%
NTA/share (RM)	2.76	2.74	1%	2.68	3%	2.76	2.68	3%
EBITDA margin	19.0%	22.2%		24.2%		20.6%	23.5%	
EBIT margin	14.6%	17.5%		19.0%		15.7%	18.0%	
Pretax margin	14.8%	10.0%		15.3%		12.0%	14.4%	
Core net margin	4.0%	8.9%		7.1%		6.6%	7.5%	
Effective tax rate	38.3%	42.3%		52.0%		37.2%	43.8%	

Source: Company/Bloomberg

Segment Breakdown								
FYE Mar (RM m)	3Q FY25	2Q FY25	Q-o-Q Chg	3Q FY24	Y-o-Y Chg	9M FY25	9M FY24	Y-o-Y Chg
Turnover								
Construction	562.1	623.3	-10%	427.6	31%	1,725.9	1,150.9	50%
Property Development	540.6	405.2	33%	501.4	8%	1,288.3	1,334.6	-3%
Manufacturing & Quarrying	242.2	266.7	-9%	293.6	-17%	777.4	917.0	-15%
Infrastructure – Toll	98.2	100.1	-2%	125.9	-22%	318.8	386.2	-17%
Infrastructure – Port	89.3	114.3	-22%	114.2	-22%	329.0	338.1	-3%
Investment & Others	7.4	6.7	10%	12.7	-42%	21.1	32.9	-36%
Group Turnover	1,539.8	1,516.3	2%	1,475.4	4%	4,460.5	4,159.6	7%
Segment Results								
Construction	19.4	28.7	-32%	11.8	65%	71.7	38.3	87%
Property Development	170.6	30.2	465%	122.5	39%	240.7	279.9	-14%
Manufacturing & Quarrying	43.7	47.9	-9%	44.9	-3%	135.6	134.1	1%
Infrastructure – Toll	-12.7	-1.1	1095%	15.7	-181%	0.8	51.1	-98%
Infrastructure – Port	17.0	33.8	-50%	35.6	-52%	94.1	102.4	-8%
Investment & Others	-9.7	12.7	-176%	-4.3	124%	-9.2	-8.4	9%
Group PBT	228.3	152.2	50%	226.2	1%	533.7	597.4	-11%
PBT Margin								
Construction	3.5%	4.6%		2.8%		4.2%	3.3%	
Property Development	31.6%	7.4%		24.4%		18.7%	21.0%	
Manufacturing & Quarrying	18%	18%		15.3%		17.4%	14.6%	
Infrastructure – Toll	-13%	-1%		12.5%		0.2%	13.2%	
Infrastructure – Port	19%	30%		31.1%		28.6%	30.3%	
Investment & Others	-131%	188%		-34.0%		-43.6%	-25.5%	
Group PBT Margin	15%	10%		15.3%		12.0%	14.4%	

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Source: Company

IJM's Sum-of-Parts Valuation

	Valuation (RM m)	Basis
Construction & Building Materials	6,054.6	22x FY26 PER
Property	3,839.1	50% discount to RNAV
Ports (60% ownership)	761.1	20x FY26 PER
Toll-way Concessions	1,107.2	DCF Equity value
Net Debts	-828.6	Estimated FY24F
SoP	10,933.5	
SoP (RM/share)	RM3.00	

Source: Kenanga Research

IJM's Property RNAV

Project	Remaining Land Bank (acres)	Outstanding GDV (RM m)	NPV of Profit (RM m)
Land banks (as of FY23)			
Penang	160	11,674	162.5
Klang Valley	964	15,437	214.8
Johor	387	4,315	60.1
Seremban	890	5,207	72.5
Pahang	1083	453	6.3
Sabah	215	3,078	42.8
Overseas	0.45	724	36.7
	3699	40,889	595.6
Unbilled Sales (as of FY23)		3,000	278.0
Property NAV (as of FY21)			6,804.6
Total RNAV			7,678.2
Discount to RNAV			50%
Discounted RNAV			3,839.1

Source: Kenanga Research

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.				
Stocks Under Coverage																	
GAMUDA	OP	4.44	5.46	23.0%	25,324.5	Y	07/2025	23.8	29.6	47.0%	24.5%	18.7	15.0	2.0	11.4%	10.0	2.3%
IJM	OP	2.23	3.00	34.5%	7,818.8	Y	03/2025	11.7	13.6	-17.1%	17.0%	19.1	16.3	0.8	4.2%	8.0	3.6%
KERJAYA	MP	2.10	2.21	5.2%	2,648.2	Y	12/2024	14.2	17.5	33.3%	23.4%	14.8	12.0	1.8	13.0%	10.0	4.8%
KIMLUN	OP	0.935	1.36	45.5%	330.4	Y	12/2025	7.7	11.8	56.8%	53.6%	12.2	8.0	0.4	3.4%	2.0	2.1%
SUNCON	OP	4.43	4.52	2.0%	5,711.9	Y	12/2025	19.5	21.1	55.9%	7.8%	22.7	21.0	5.5	26.2%	8.5	1.9%
WCT	OP	0.795	1.29	62.3%	1,239.3	Y	12/2025	5.0	5.6	67.4%	12.7%	15.9	14.1	0.3	2.1%	0.5	0.6%
Sector Aggregate					43,073.1					35.3%	21.2%	18.8	15.5	1.5	7.9%		2.5%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	☆		
	Corporate Social Responsibility	★	★	★	☆	
	Management/Workforce Diversity	★	★	★		
	Accessibility & Transparency	★	★	★		
	Corruption-Free Pledge	★	★	★		
	Carbon-Neutral Initiatives	★	★	★	★	
SPECIFIC	Migrant Worker Welfare	★	★	★	☆	
	Waste Disposal/Pollution Control	★	★	★		
	Work Site Safety	★	★	★	☆	
	Environmentally Friendly Construction Technology	★	★	★	☆	
	Supply Chain Auditing	★	★	★		
	Energy Efficiency	★	★	★	★	
OVERALL		★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock’s Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock’s Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector’s Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector’s Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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Published by:

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