IJM Corporation

9MFY26 Below

OUTPERFORM ↔

Price:	**RM2.57**	
Target Price:	**RM3.40**	↔

By Teh Kian Yeong I tehky@kenanga.com.my

IJM reported 9MFY26 core profit of RM284.3m (-4% YoY), missing expectations primarily due to weaker-than-expected property earnings amid soft sales and higher overheads. However, stronger construction earnings are anticipated, supported by the commencement of its fast-track 13-month hyperscaler data centre project at the end of 2QFY26. Consequently, we cut our FY26 earnings forecasts by 15%. We maintain our OUTPERFORM rating with an unchanged TP of RM3.40.

9MFY26 results below expectations. IJM's 9MFY26 core profit of RM284.3m fell short of projections, accounting for only 54% and 59% of house and street full-year forecasts, respectively. The primary variance against our estimate stemmed from weaker-than-expected property earnings across both Malaysian and UK projects. In line with historical trends, no dividend was declared this quarter as IJM typically pays on a half-yearly basis.

QoQ. 3QFY26 core profit plunged 40% to RM73.5m despite a marginal 4% decline in revenue. This earnings compression was primarily due to a core pre-tax loss of RM0.9m in the property segment, as higher overheads were expensed to nurture long-term investment assets in Malaysia and the UK. Conversely, construction earnings rose 14% to RM42.5m, bolstered by the commencement of the 13-month fast-track hyperscaler data centre project at the end of 2QFY26.

YoY. 9MFY26 core profit fell 4% to RM284.3m. This was largely driven by the aforementioned property weakness, marked by higher overheads and slower new sales of RM1.2b YTD (versus the historical RM2b annual average), and a 37% decline in port earnings following a drop in cargo throughput to 15.8MT (from 18.7MT previously). These drags were partially offset by a 60% surge in construction earnings, fuelled by a 54% hike in revenue as work progress accelerated on a higher order book.

Outlook. IJM targets RM6b–RM8b in order book replenishment for FY26, underpinned by multiple large-scale opportunities including a few data centre jobs, two industrial projects, and the >RM1b Nusantara civil servant housing project. Other key prospects include the Penang LRT Mutiara Line (Package 2), Menara 118's next block, Penang Airport expansion, and road projects in Sarawak. YTD, it has secured a total new job wins of RM6.5b which already met its RM6b-RM8b target and surpassed our RM5b assumptions

Forecasts. We have trimmed our FY26 earnings forecast by 15% to account for lower property earnings and shifted revenue recognition to later periods. However, we maintain our FY27 estimates, supported by an aggressive Malaysian construction job-win assumption of RM5b.

Valuations. Despite the earnings cut, we maintain our SoP-based TP of RM3.40 (see Page 2), as the timing shift in property earnings recognition does not affect our property RNAV valuation. Our valuation for the construction segment stays unchanged at 22x CY27F PER, aligned with large-cap peers such as **GAMUDA (OP; TP: RM5.30)** and **SUNCON (OP; TP: RM7.76).** No ESG-related adjustments are made to our TP, consistent with our 3-star ESG rating (see Page 5).

Investment case. We like IJM as: (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 is underpinned by an outstanding construction order book of RM8.4b for Malaysia and new property sales of RM1.2b in 1HFY26, (iii) its Kuantan Port is the

Share Price Performance

KLCI	1,740.94
YTD KLCI chg	3.6%
YTD stock price chg	13.2%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	IJM MK
Market Cap (RM m)	9,008.3
Shares Outstanding	3,505.2
52-week range (H)	3.13
52-week range (L)	1.79
3-mth avg. daily vol.	17,464,880
Free Float	80%
Beta	1.1

Major Shareholders

Employees Provident Fund Board	20.5%
Amanah Saham Nasional	12.9%
Kumpulan Wang Persaraan Diperbadankan	9.6%

Summary Earnings Table

FY Mar (RM m)	2025A	2026F	2027F
Turnover	6252.0	6453.8	6941.8
EBIT	1059.6	1030.6	1236.7
PBT	791.1	802.9	1013.6
Net Profit (NP)	**403.4**	**446.7**	**579.5**
Core net profit	**470.9**	**446.7**	**579.5**
Consensus (NP)	-	480.8	561.7
Earnings Revision (%)	-	-15.2	-
Core EPS (sen)	12.9	12.2	15.9
Core EPS Growth (%)	-8.2	-5.2	29.7
NDPS (sen)	8.0	8.0	8.0
BVPS (RM)	2.82	2.86	2.94
NTA/share (RM)	2.79	2.83	2.90
PER (x)	16.3	21.0	16.2
PBV (x)	0.75	0.90	0.88
P/NTA (x)	0.75	0.91	0.88
Net Gearing (x)	0.33	0.30	0.31
Net Div. Yield (%)	3.8	3.1	3.1

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 could act as a re-rating catalyst. **OUTPERFORM** maintained.

Risks to our call include: (i) sustained weak construction job 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 FY26	2Q FY26	Q-o-Q Chg	3Q FY25	Y-o-Y Chg	9M FY26	9M FY25	Y-o-Y Chg
Turnover	1,605.1	1,674.2	-4%	1,539.8	4%	5,012.7	4,460.5	12%
EBITDA	225.1	260.5	-14%	292.0	-23%	750.8	916.6	-18%
Depreciation	-56.9	-65.6	-13%	-66.6	-15%	-191.3	-216.2	-12%
EBIT	168.1	194.9	-14%	225.4	-25%	559.4	700.4	-20%
Interest expense	-64.9	-62.3	4%	-64.3	1%	-199.9	-213.0	-6%
Associates	4.7	2.2	113%	-30.7	N/A	-2.8	-56.3	-95%
JV incomes	1.3	11.6	-89%	15.2	-91%	20.8	23.0	-9%
Exceptional items	-57.8	-56.7	2%	51.6	-212%	-107.2	-21.7	394%
Pretax profit	80.7	120.8	-33%	228.3	-65%	354.2	533.7	-34%
Taxation	-65.3	-56.6	15%	-87.5	-25%	-167.0	-198.4	-16%
Profit after tax	15.4	64.2	-76%	140.8	-89%	187.2	335.2	-44%
Perpetual Sukuk	-12.6	-11.8	6%	-11.7	7%	-36.0	-35.1	2%
Minority interest	12.9	13.4	-3%	-15.8	N/A	25.9	-25.7	N/A
Net profit	15.8	65.8	-76%	113.3	-86%	177.1	274.4	-35%
Core net profit	73.5	122.5	-40%	61.8	19%	284.3	296.1	-4%
EPS (sen)	2.0	3.4	-40%	1.7	19%	7.8	8.1	-4%
NDPS (sen)	0.00	2.00	-100%	0.00	N/A	2.00	2.00	0%
NTA/share (RM)	2.75	2.77	-1%	2.76	0%	2.75	2.76	0%
EBITDA margin	14.0%	15.6%		19.0%		15.0%	20.6%	
EBIT margin	10.5%	11.6%		14.6%		11.2%	15.7%	
Pretax margin	5.0%	7.2%		14.8%		7.1%	12.0%	
Core net margin	4.6%	7.3%		4.0%		5.7%	6.6%	
Effective tax rate	81.0%	46.8%		38.3%		47.1%	37.2%	

Source: Company/Bloomberg

Segment Breakdown

FYE Mar (RM m)	3Q FY26	2Q FY26	Q-o-Q Chg	3Q FY25	Y-o-Y Chg	9M FY26	9M FY25	Y-o-Y Chg
Turnover								
Construction	859.4	825.1	4%	562.1	53%	2,653.3	1,725.9	54%
Property Development	252.9	329.3	-23%	540.6	-53%	823.0	1,288.3	-36%
Manufacturing & Quarrying	303.2	309.9	-2%	242.2	25%	925.0	777.4	19%
Infrastructure – Toll	96.1	103.0	-7%	98.2	-2%	301.9	318.8	-5%
Infrastructure – Port	85.6	96.4	-11%	89.3	-4%	283.4	329.0	-14%
Investment & Others	7.9	10.5	-25%	7.4	7%	26.1	21.1	24%
Group Turnover	**1,605.1**	**1,674.2**	-4%	**1,539.8**	4%	**5,012.7**	**4,460.5**	12%
Segment Results								
Construction	42.5	37.3	14%	19.4	119%	114.4	71.7	60%
Property Development	-42.0	7.1	-692%	170.6	-125%	-7.7	240.7	-103%
Manufacturing & Quarrying	47.2	52.5	-10%	43.7	8%	154.0	135.6	14%
Infrastructure – Toll	26.8	9.6	179%	-12.7	N/A	57.4	0.8	7321%
Infrastructure – Port	13.3	18.0	-26%	17.0	-22%	59.5	94.1	-37%
Investment & Others	-7.0	-3.8	88%	-9.7	-27%	-23.3	-9.2	154%
Group PBT	**80.7**	**120.8**	-33%	**228.3**	-65%	**354.2**	**533.7**	-34%
PBT Margin								
Construction	4.9%	4.5%		3.5%		4.3%	4.2%	
Property Development	-16.6%	2.2%		31.6%		-0.9%	18.7%	
Manufacturing & Quarrying	16%	17%		18.0%		16.6%	17.4%	
Infrastructure – Toll	28%	9%		-12.9%		19.0%	0.2%	
Infrastructure – Port	15%	19%		19.0%		21.0%	28.6%	
Investment & Others	-89%	-36%		-130.6%		-89.4%	-43.6%	
Group PBT Margin	**5%**	**7%**		**14.8%**		**7.1%**	**12.0%**	

Source: Company

IJM's Sum-of-Parts Valuation

	Valuation (RM m)	Basis
Construction & Building Materials	6,691.5	22x CY26 PER
Property	3,839.1	50% discount to RNAV
Ports (60% ownership)	1,276.1	20x CY26 PER
Toll-way Concessions	1,773.0	DCF Equity value
Net Debts	-1,162.9	Estimated FY27F
SoP	12,416.8	
SoP (RM/share)	**RM3.40**	

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 FY24)			
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 FY24)		3,000	**278.0**
Property NAV (as of FY24)			**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.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
GAMUDA	OP	4.26	5.30	24.4%	25,259.3	Y	07/2026	17.8	23.4	5.3%	31.3%	23.9	18.2	2.0	8.5%	10.0	2.3%
IJM	OP	2.57	3.40	32.3%	9,008.3	Y	03/2026	14.4	15.9	11.8%	10.1%	17.8	16.2	0.9	5.1%	8.0	3.1%
KERJAYA	OP	2.61	3.05	16.9%	3,281.7	Y	12/2026	16.7	18.9	29.8%	13.2%	15.6	13.8	2.7	17.8%	12.0	4.6%
KIMLUN	OP	1.30	1.50	15.4%	505.3	Y	12/2026	21.8	20.3	70.1%	-6.8%	6.0	6.4	0.6	10.3%	2.0	1.5%
SUNCON	OP	7.25	7.76	7.0%	9,589.8	Y	12/2026	32.0	33.6	0.3%	5.1%	22.7	21.6	8.8	38.9%	32.0	4.4%
WCT	OP	0.540	1.13	109.3%	841.8	Y	12/2026	4.1	4.4	19.2%	7.3%	13.2	12.3	0.2	1.9%	0.0	0.0%
Sector Aggregate					**48,486.1**					**9.4%**	**18.3%**	**20.5**	**17.3**	**1.6**	**7.9%**		**2.7%**

Source: Kenanga Research

This section is intentionally left blank

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.***

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)
Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my