

### COMPANY RESULTS

## IJM Corporation (IJM MK)

2QFY25: Construction Continues To Shine

IJM's 1HFY25 results beat our expectations on higher-than-expected construction earnings. Otherwise, property contribution remained soft in 1HFY25 due to delayed launches while the infrastructure segment reported losses due to a higher share of losses from overseas associates. Looking forward, margins are expected to improve as IJM recognises construction milestones in key projects. Maintain BUY with an unchanged target price of RM3.60 as we reconfigure our SOTP valuation.

### 2QFY25 RESULTS

Year to 31 Mar (RMm)	2QFY25 (RMm)	qoq % chg	yoy % chg	1HFY25 (RMm)	yoy % chg	Comments
Revenue	1,516.3	7.4	4.0	2,920.6	8.8	Higher construction revenue
EBIT	238.2	1.9	(11.7)	472.0	(8.5)	
PBT	152.2	(0.6)	(20.3)	305.3	(19.2)	
Tax	(64.4)	27.8	(18.0)	(110.9)	(22.9)	
Non-controlling interests	(1.8)			(9.9)	3.5	
Perpetual sukuk	(11.7)			(23.4)	0.0	
PATAMI	74.2	(17.1)	(20.8)	161.1	(19.9)	Adjusted for unrealised forex losses, disposal gains and fair value losses
Core PATAMI	134.5	26.5	(4.4)	233.3	9.9	
<b>Margins (%)</b>		<b>+/-ppt</b>	<b>+/-ppt</b>	<b>+/-ppt</b>	<b>+/-ppt</b>	
EBIT	15.7	(0.9)	(2.8)	32.4	10.9	
PBT	10.0	(0.9)	(3.1)	20.9	4.7	
Core PATAMI	8.8	0.6	(0.8)	17.0	9.0	

Source: IJM Corporation Berhad, UOB Kay Hian

### RESULTS

- Above our expectations.** IJM reported a core net profit of RM233.3m (+9.9% yoy) in 1HFY25. We arrived at this after adjusting for: a) RM5.9m in impairment writebacks, b) RM2.0m in disposal gains, c) RM72.4m in unrealised forex losses, and d) RM7.6m in fair value losses on financial instruments in 1HFY25. This is above our expectations but within consensus, accounting for 51%/46% of the respective forecasts. The positive deviation stemmed largely from stronger-than-expected construction earnings. A 2 sen interim dividend was announced in 2QFY25 (2QFY24: 2 sen).

### KEY FINANCIALS

Year to 31 Mar (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	4,572	5,919	6,119	7,133	7,557
EBITDA	1091	1448	1236	1363	1427
Operating profit	741	1273	932	1056	1117
Net profit (rep./act.)	158	600	479	565	602
Net profit (adj.)	158	474	479	565	602
EPS (sen)	4.3	13.0	13.1	15.5	16.5
PE (x)	65.0	21.7	21.5	18.2	17.1
P/B (x)	1.0	1.0	1.0	1.0	0.9
EV/EBITDA (x)	8.0	5.6	6.9	6.7	6.3
Dividend yield (%)	2.8	3.5	2.8	3.3	3.5
Net margin (%)	3.5	10.1	7.8	7.9	8.0
Net debt/(cash) to equity (%)	-19.3	-11.9	-6.7	-7.9	-8.9
Interest cover (x)	4.3	5.1	4.8	5.1	5.0
ROE (%)	1.4	5.4	4.2	4.9	5.1
Consensus net profit	-	-	509.6	582.7	645.8
UOBKH/Consensus (x)	-	-	0.94	0.97	0.93

Source: IJM Corporation Berhad, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	RM2.82
Target Price	RM3.60
Upside	+28.9%

### COMPANY DESCRIPTION

A conglomerate with exposure in construction, property, plantation and concession assets.

### STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	IJM MK
Shares issued (m):	3,506.2
Market cap (RMm):	9,887.4
Market cap (US\$m):	2,225.4
3-mth avg daily t'over (US\$m):	5.9

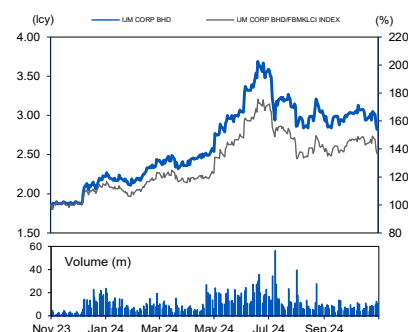
### Price Performance (%)

52-week high/low	RM3.69/RM1.75			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
(7.2)	(9.6)	12.8	56.3	53.0

### Major Shareholders

Employees Provident Fund	14.02
Amanah Saham Nasional	12.9
KWAP	9.4
FY25 NAV/Share (RM)	2.85
FY25 Net Debt/Share (RM)	0.69

### PRICE CHART



Source: Bloomberg

### ANALYST(S)

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### STOCK IMPACT

- Construction segment continued to deliver.** IJM's construction arm reported revenue of RM623.3m (+15.3% qoq, +49.8% yoy) and profit before tax (PBT) of RM28.7m (+21.4% qoq, +87.7% yoy) in 2QFY25. Currently, IJM's overall orderbook stands at RM11.3b, comprised of RM6.4b in local jobs (3.8x cover ratio) and RM4.9b in overseas projects. The segment has recorded RM2.1b in ytd replenishments (target: RM5.0b). Looking forward, margins for the construction segment are expected to improve following the recognition of key milestones in some of its newer contracts. Namely, the Iskandar data centre (DC), Penang electrical and electronics warehouse, and Maple Tree Logistic hub are expected to hit the initial 10% recognition milestone in 2HFY25. The group is positive on meeting its FY25 replenishments, targeting key tenders such as the North Pantai Expressway extension (RM1.4b-RM1.5b) and Johor ART and RTS projects.
- Property sales muted due to limited launches.** The property segment remained soft in 2QFY25, reporting PBT of RM30.2m (-24.5% qoq, -60.4% yoy). However, earnings were affected by unrealised forex losses totalling RM47.6m as well as the lack of land sales compared to 2QFY24. Excluding these items, PBT grew 7.5% yoy. According to IJM, launches in 1HFY25 were delayed due to the sinkhole incident in Kuala Lumpur triggering further scrutiny on geological surveys on its Klang Valley projects, resulting in some launches getting pushed to 2HFY25. Going forward, IJM's property segment still has RM3.7b in launches slated for 2HFY25. However, due to the delays, management has guided for a lower sales target of RM1.5b-RM1.6b (vs RM2.0b previously).
- Infrastructure dragged by tolls.** IJM's infrastructure segment recorded a PBT of RM32.7m (-43.3% qoq, -39.1% qoq) in 2QFY25. PBT for the ports segment fell 19.3% yoy to RM33.9m off lower throughput while the toll segment fell into losses, reporting a loss before tax of RM1.1m. This was largely due to higher losses from its Argentinian associate as well as loss of compensation income from the restructuring of local toll roads. On the West Coast Expressway (WCE), IJM's share of losses narrowed 28.2% yoy to RM11.5m from RM15.8m. Currently, the expressway is at 94% completion, with full completion expected by FY26. IJM expects Section 2 of the WCE to be opened within FY25.
- JRL acquisition a long-term affair.** Earnings contributions from the newly announced JRL Group (JRL) associate is expected to be minimal in FY25. Following the acquisition, IJM is evaluating JRL's existing contracts and properties and is potentially looking to monetise some of the assets. While the acquisition of the 50% stake is largely synergistic (JRL has already been appointed as the contractor for Royal Mint phase 2), we anticipate meaningful earnings contributions could be further out given JRL's recent recovery back into the black.

### EARNINGS REVISION/RISK

- We raise our FY25/26/27F earnings by 6%/8%/8%, imputing higher construction earnings and margins, offset partially by delayed property sales.

### VALUATION/RECOMMENDATION

- Maintain BUY with an unchanged target price of RM3.60.** While we raise our earnings, we have also reconfigured our SOTP valuation, adjusting for: a) the JRL stake acquisition, b) lower valuations on non-performing overseas infrastructure, and c) lower RNAV on the property segment due to delays. Our target price implies a CY25 PE of 25x. This is slightly below +1.5SD to its five-year mean, which we believe is justified given the strong pipeline of construction projects and property launches.

### ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

<ul style="list-style-type: none"> <li> <b>Environmental</b> <ul style="list-style-type: none"> <li>Achieved emissions avoidance of 5,176 tCO<sub>2</sub>e in FY23 from renewable energy generation, waste recycled and the purchase of renewable energy certificates.</li> </ul> </li> <li> <b>Social</b> <ul style="list-style-type: none"> <li>Spent RM2.4m in social contributions to support the community in FY23.</li> </ul> </li> <li> <b>Governance</b> <ul style="list-style-type: none"> <li>Aligned with the principles of the Malaysian Code on Corporate Governance.</li> </ul> </li> </ul>
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### 2QFY25 RESULTS – REVENUE BREAKDOWN

	2QFY25 (RMm)	qoq % chg	yoy % chg
Construction	623.3	15.3	49.8
Property dev.	405.2	18.3	(12.6)
Industrial	266.7	(0.7)	(15.6)
Infrastructure	214.4	(12.8)	(11.5)
Others	6.7	(2.9)	(66.6)
<b>Total</b>	<b>1,516.3</b>	<b>8.0</b>	<b>4.0</b>

Source: IJM

### 2QFY25 RESULTS – PBT BREAKDOWN

	2QFY25 (RMm)	qoq % chg	yoy % chg
Construction	28.7	21.4	87.7
Property dev.	30.2	(24.5)	(60.4)
Industrial	47.9	9.1	7.2
Infrastructure	32.7	(43.3)	(39.1)
Others	12.7	203.9	1,088.0
<b>Total</b>	<b>152.2</b>	<b>(0.6)</b>	<b>(20.3)</b>
<b>PBT Margins (%)</b>		<b>+/-ppt</b>	<b>+/-ppt</b>
Construction	4.6	0.2	0.9
Property dev.	7.4	(4.2)	(9.0)
Industrial	18.0	1.6	3.8
Infrastructure	15.3	(8.2)	(6.9)

Source: IJM

### OUTSTANDING ORDERBOOK



Source: IJM

### SOTP VALUATION

	Value (RMm)	Remarks
Construction & Industry	7,726	22x FY25F PE
Infrastructure assets	4,203	Cost of equity 8%
Property	2,994	30% discount to RNAV
Other Investments	583	
Less: Net debt	-930	End-FY24
<b>Total SOP value</b>	<b>14,576</b>	
Enlarged sharebase	3,648	
<b>FD SOP/share</b>	<b>4.00</b>	
Discount	10%	
<b>Fair value/share (RM)</b>	<b>3.60</b>	
Implied 2025F PE (x)	25.1	

Source: UOB Kay Hian

### PROFIT & LOSS

Year to 31 Mar (RMm)	2024	2025F	2026F	2027F
<b>Net turnover</b>	<b>5919</b>	<b>6119</b>	<b>7133</b>	<b>7557</b>
EBITDA	1448	1236	1363	1427
Deprec. & amort.	301	304	307	310
EBIT	1273	932	1056	1117
Associate contributions	-307	-256	-269	-283
Net interest income/(expense)	<b>964</b>	<b>672</b>	<b>781</b>	<b>828</b>
<b>Pre-tax profit</b>	<b>-299</b>	<b>-161</b>	<b>-188</b>	<b>-199</b>
Tax	-18	15	18	19
Minorities	<b>600</b>	<b>479</b>	<b>565</b>	<b>602</b>
Preferred dividends	474	479	565	602
<b>Net profit</b>	<b>5919</b>	<b>6119</b>	<b>7133</b>	<b>7557</b>
Net profit (adj.)	1448	1236	1363	1427

### CASH FLOW

Year to 31 Mar (RMm)	2024	2025F	2026F	2027F
<b>Operating</b>	<b>1160</b>	<b>707</b>	<b>135</b>	<b>668</b>
Pre-tax profit	964	672	781	828
Tax	-299	-161	-188	-199
Deprec. & amort.	301	304	307	310
Associates	156	-112	-771	-278
Working capital changes	66	0	0	0
Other operating cashflows	<b>-295</b>	<b>-250</b>	<b>-250</b>	<b>-250</b>
<b>Investing</b>	<b>-732</b>	<b>-250</b>	<b>-250</b>	<b>-250</b>
Capex (growth)	0	0	0	0
Proceeds from sale of assets	358	0	0	0
Others	79	0	0	0
<b>Financing</b>	<b>-835</b>	<b>-134</b>	<b>-186</b>	<b>-208</b>
Dividend payments	-281	-288	-339	-361
Proceeds from borrowings	0	0	0	0
Others/interest paid	36	200	200	200
<b>Net cash inflow (outflow)</b>	<b>-591</b>	<b>-47</b>	<b>-47</b>	<b>-47</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>29</b>	<b>323</b>	<b>-300</b>	<b>210</b>
Changes due to forex impact	<b>2808</b>	<b>2846</b>	<b>3168</b>	<b>2868</b>
<b>Ending cash &amp; cash equivalent</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>0</b>

### BALANCE SHEET

Year to 31 Mar (RMm)	2024	2025F	2026F	2027F
Fixed assets	5240	5186	5129	5068
Other LT assets	2103	2103	2103	2103
Cash/ST investment	n.a.	n.a.	n.a.	n.a.
Other current assets	2846	3168	2868	3078
<b>Total assets</b>	<b>9257</b>	<b>9509</b>	<b>10914</b>	<b>11473</b>
ST debt	<b>21315</b>	<b>21831</b>	<b>22874</b>	<b>23577</b>
Other current liabilities	1724	1677	1737	1797
LT debt	533	683	759	793
Other LT liabilities	1181	1196	1263	1292
Shareholders' equity	11064	11256	11482	11723
Minority interest	255	239	221	203
<b>Total liabilities &amp; equity</b>	<b>21315</b>	<b>21831</b>	<b>22874</b>	<b>23577</b>

### KEY METRICS

Year to 31 Mar (%)	2024	2025F	2026F	2027F
<b>Profitability</b>				
EBITDA margin	26.6	20.2	19.1	18.9
Pre-tax margin	16.3	11.0	11.0	11.0
Net margin	10.1	7.8	7.9	8.0
ROA	2.9	2.2	2.5	2.6
ROE	5.4	4.2	4.9	5.1
<b>Growth</b>				
Turnover	29.4	3.4	16.6	5.9
EBITDA	44.3	-21.5	10.3	4.7
Pre-tax profit	99.6	-30.3	16.3	6.0
Net profit	279.3	-20.2	17.9	6.5
Net profit (adj.)	199.6	1.0	17.9	6.5
EPS	199.6	1.0	17.9	6.5
<b>Leverage</b>				
Debt to total capital	48.8	48.6	49.5	50.2
Debt to equity	49.9	49.7	50.4	51.1
Net debt/(cash) to equity	-11.9	-6.7	-7.9	-8.9
Interest cover (x)	5.1	4.8	5.1	5.0

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