



IJM RM2b FY19 job target likely to be from other building works

IJM Corp Bhd
(Sept 7, RM1.80)

Maintain hold with a target price of RM2.10: IJM Corp Bhd's latest job win positively boosts its outstanding order book to an estimate of RM9.3 billion, further enhancing its medium long-term earnings visibility. No change to our earnings forecasts having imputed for job win potentials. Earnings downside could come from the review of its Klang Valley light rail transit Line 3 (KVLRT 3) underground package and the ongoing cost review of the KVMRT 2. This is, however, priced in to an extent, we believe, with the weakness in its share price.

IJM Construction Sdn Bhd, a 100% subsidiary, on Sept 4, 2018 accepted an award from Affin Bank Bhd (not listed) for the construction of the superstructure works of a proposed 47-storey office building (Package 4 — Main

Building Work) at the Tun Razak Exchange for a total value of RM 505 million. The construction period is for 26 months with expected completion by the fourth quarter of 2020.

The job win is IJM's first announced job win of financial year 2019 (FY19), lifting its outstanding order book to an estimate of RM9.3 billion (based on outstanding order book of RM8.8 billion as of end-June 2018). Assuming an 8% pre-tax margin, we estimate a net profit contribution of RM31 million (85 sen earnings per share) over the construction period into FY21. We make no change to our earnings forecasts having imputed for RM1 billion of new contracts in FY19 estimates.

IJM has set an internal target to achieve RM2 billion of job wins for FY19. We believe this would likely come from other building jobs. — *Maybank IB Research, Sept 5*