



Affin Bank job set to boost IJM's orderbook

PETALING JAYA: IJM Corp Bhd is expected to gain a 6% boost to its orderbook from the award to develop Affin Bank Bhd's headquarters at the Tun Razak Exchange (TRX).

The contract will push its total orderbook to RM9.3bil, which is equivalent to four times its 2018 construction revenue, according to Affin Hwang Capital.

"Its high order book improves earnings visibility over the long term. We maintain our earnings forecasts as we assume IJM will secure RM1.5bil worth of new contracts in 2019 and this contract contributes about one-third of our assumption," the research house said in a note.

Despite the boost, the stock's share price dropped half-a-sen to 55 sen yesterday.

Affin Hwang added that it continued to like IJM for its competitive advantage in high-end commercial building projects, to mitigate the impact of slower awards of infrastructure projects. "We reiterate our sector large-cap top buy call on IJM with a RM2.45 target price, based on a 10% discount to realised net asset value," it said.

Meanwhile, UOB KayHian said the project is expected to contribute RM25mil in profit for IJM from 2019 to 2021.

"Assuming a 5% net margin, we estimate this project will contribute RM6mil, RM10mil and RM9mil in net profit in 2019, 2020 and 2021, respectively."

The research house said the contract win came within expectation.

"This is the first job secured by IJM for its financial year ending 2019, representing half of our RM1bil replenishment target for the year."

"We expect IJM to secure more jobs in the coming quarters in 2019, predominantly from building jobs versus infrastructure-related jobs, despite the government facing financial constraints in dishing out

infrastructure-related projects."

Meanwhile, Public Investment Bank Research said earnings estimates are kept unchanged, as it is within the research house's replenishment assumption.

"We maintain our neutral recommendation and sum-of-total-parts (SOTP) derived target price of RM2, pegged at 30% to SOTP."

On Tuesday, IJM announced that its unit IJM Construction Sdn Bhd had bagged a RM505mil superstructure contract from Affin Bank to build the latter's new 47-storey headquarters at TRX.

The duration of the project is 26 months and it is expected to be completed by December 2020.

IJM said the grade-A office building has a gross floor area of about 76,600 sq m and is built over a land area of 1.25 acres.

It comprises a 43-storey office tower on top of a four-storey podium car park and three-storey basement car park, housing a total of 605 car parking bays.

IJM Construction's other ongoing prime grade-A office tower projects include HSBC's new Malaysian headquarters and the IJM-owned Menara Prudential in TRX, Equatorial Plaza on Jalan Sultan Ismail, UOB Malaysia's Tower 2 on Jalan Raja Laut and Uptown 8 in Damansara Uptown.