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Cautious on IJM Corp's outlook despite new Tun Razak Exchange contract

By **Ronnie Teo**

ronnieteo@theborneopost.com

KUCHING: Analysts remain cautious on the outlook of IJM Corporation Bhd (IJM Corp) after its wholly-owned subsidiary IJM Construction Sdn Bhd, accepted the Letter of Award issued by Affin Bank Bhd for the construction of 47-storey office building for a sum worth RM505.5 million at Tun Razak Exchange.

The construction and completion of superstructure which usually involves the construction of frame, upper floors, stairs and ramp, external and internal wall, windows and doors.

The duration of the job is 26 months and will expect to be completed before December, 2020. Orderbook increased to over RM9.3 billion. With this new

contract, the estimated orderbook increased accordingly to RM9.3 billion or by 5.6 per cent.

Altogether the impact is positive and falls within MIDF Amanah Investment Bank Bhd's (MIDF Research) job replenishment assumptions, hence it made no changes to its earnings forecasts at this juncture.

"Due to recent market sell-off, the share price of IJM is at an attractive level. Hence, we maintain our buy recommendation with an adjusted TP of RM3.10 per share based on FY18 sum-of-parts valuation."

AmInvestment Bank Bhd (AmInvestment Bank) saw that this was the first key construction job IJM has secured in FY19F, boosting its outstanding construction order book to RM9.3 billion.

We are keeping our forecasts

that assume job wins of RM2 billion annually in FY19-21F. We are positive on the latest development.

In November last year, IJM Corp bagged a RM392 million contract by HSBC Bank Malaysia Bhd for the design and construction of the HSBC building at Tun Razak Exchange.

"We remain cautious on the outlook for the local construction sector," it said in a separate note. "As the government scales back on public projects, local contractors will be competing for a shrinking pool of new jobs in the market."

"Severe undercutting among the players will result in razor-thin margins for the successful bidders."

On the other hand, AmInvestment Bank believed that the introduction of a

more transparent public procurement system under the new administration should weed out rent-seekers, paving the way toward healthier competition within the local construction sector.

"We believe IJM is mitigated by its substantial order backlog that should keep it busy over the next 2-3 years, coupled with its proven ability to compete under an open bidding system."

"Similarly, we are also cautious on IJM's other key businesses such as building material (due to the slowdown in the local construction sector), property (due to prolonged downturn in the local property market), plantation (due to the depressed palm oil prices) and toll road (due to the potential expropriation by the government)."