IJM Corporation (IJM MK)

1QFY27: Above Expectations; Construction Shines Through

Highlights

- IJM's 1QFY27 earnings beat our expectations on higher-than-expected construction contributions.
- We raise our FY27/28/29 forecasts by 34%/26%/25% respectively as we impute faster recognitions following the predominantly industrial job pipeline.
- Maintain BUY with a higher target price of RM3.15 (from RM2.48 previously).

1QFY27 Results

Year to 31 Mar	1QFY27	qoq	yoy
(RMm)	(RMm)	% chg	% chg
Revenue	2,292.3	22.8	32.2
EBIT	292.9	n.m.	28.9
PBT	201.8	(459.1)	32.1
Tax	(59.7)	(55.4)	32.6
Non-controlling interests	6.3	(80.0)	n.m.
Perpetual sukuk	(11.0)	(27.9)	(5.7)
PATAMI	137.4	(179.0)	43.7
Core PATAMI	116.7	216.8	31.8
Margins	(%)	+/- ppt	+/- ppt
EBIT	12.8	12.9	(0.3)
PBT	8.8	11.8	(0.0)
Core PATAMI	5.1	3.1	(0.0)

Source: IJM, UOB Kay Hian

Analysis

- **Above our expectations.** IJM Corporation (IJM) reported a core net profit of RM116.7m (+216.8% qoq, +31.8% yoy) in 1QFY27. We arrived at this after adjusting for: a) RM4.3m in allowance for impairments, b) RM1.1m in allowance for write-downs, c) RM1.1m in disposal gains, d) RM21.0m in unrealised forex losses, and e) RM3.9m in fair value gains on financial assets. 1QFY27 core net profit beat our expectations but met consensuses, accounting for 33% and 26% of respective full-year forecasts. The positive deviation stemmed largely from stronger-than-expected construction earnings following a sharp uptick in recognitions. A surprise 10 sen special dividend was also announced following the sale of treasury shares earlier in August.

Key Financials

Year to 31 Mar (RMm)	2025	2026	2027F	2028F	2029F
Net turnover	6,252	6,859	8,344	8,963	9,332
EBITDA	1363	782	1194	1261	1326
Operating profit	1094	535	944	1009	1071
Net profit (rep./act.)	403	3	479	529	579
Net profit (adj.)	527	320	479	529	579
EPS (sen)	14.4	8.8	13.1	14.5	15.9
PE (x)	19.8	32.6	21.8	19.7	18.0
P/B (x)	1.0	1.0	1.0	1.0	1.0
EV/EBITDA (x)	10.3	16.9	13.3	13.5	13.7
Dividend yield (%)	2.8	2.8	6.2	3.0	3.3
Net margin (%)	6.5	0.0	5.7	5.9	6.2
Net debt/(cash) to equity (%)	30.4	24.4	48.0	58.0	66.3
Interest cover (x)	4.8	2.8	3.5	3.3	3.1
ROE (%)	3.6	0.0	4.3	4.7	5.1
Consensus net profit	-	-	445	492	551
UOBKH/Consensus (x)	-	-	1.1	1.1	1.1

Source: IJM, Bloomberg, UOB Kay Hian

Analyst(s)

Jack Lai

+603 2147 1983

jacklai@uobkh.com

BUY (Maintained)

Share Price	RM2.86
Target Price	RM3.15
Upside	+10.1%
Previous TP	RM2.48

Stock Data

GICS sector	Industrials
Bloomberg ticker:	IJM MK
Shares issued (m):	3,648
Market cap (RMm):	10,432.0
Market cap (US$m):	2,591.2
3-mth avg daily t'over (US$m):	4.0

Price Performance (%)

52-week high/low RM2.98/RM2.07

1mth	3mth	6mth	1yr	YTD
17.7	33.0	11.3	(2.72)	26.0

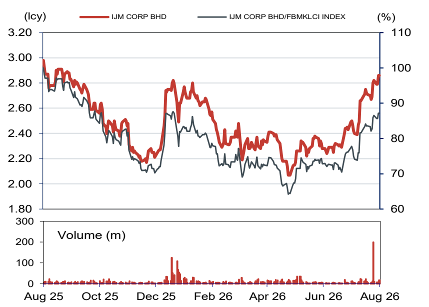
Major Shareholders (%)

Employees Provident Fund	20.0
Amanah Saham Nasional	11.9
KWAP	10.2

Balance Sheet Metrics

FY27 NAV/Share (RM)	2.85
FY27 Net Debt/Share (RM)	0.69

Price Chart



Source: Bloomberg

Company Description

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

- **Construction hitting its stride.** IJM's construction segment reported revenue of RM1.3b (+36.1% qoq, +36.2% yoy) and pre-tax profit of RM73.3m (+154.9% qoq, +112.0% yoy) in 1QFY27. The segment was largely lifted by a strong performance from IJM Construction (IJMC), comprising the group's local and Singapore operations. The recognition of high-margin, fast-track industrial contracts saw earnings more than double both sequentially and yoy. Looking forward, the segment appears well supported by its local orderbook and tenderbook of RM7.2b and RM18.0b respectively, comprised predominantly of industrial contracts with similar timelines. Otherwise, its overseas operations (ie India and the UK) saw losses narrow by 53.3%. We understand that the overseas construction arms are mostly supporting IJM's projects in their respective countries, resulting in losses as inter-segment earnings are adjusted.
- **Property showing improving signs.** The property segment reported minor earnings of RM10.4m (4QFY26: RM93.4m losses, -61.7% yoy) in 1QFY27. We note that positively, property sales in 1QFY27 picked up, coming in at RM603.5m (1QFY26: RM187.0m), marking a strong start to its RM1.8b-2.0b sales target. However, earnings for the segment were dragged by costs associated with the gestation of key investment assets (eg The Light and Finsbury Circus). We believe these assets could drag property earnings for the coming quarters, offsetting the improvement in property sales and resulting in a more modest earnings growth.
- **Infrastructure outlook mixed.** IJM's infrastructure arm reported pre-tax profit of RM55.3m (4QFY26: RM33.2m losses, +12.5% yoy) in 1QFY27. Looking to the individual segments, the toll segment posted PBT of RM31.0m (4QFY26: RM48.9m loss, +47.6% yoy) as earnings from Besraya and NPE improved off lower amortisation and finance costs, offset partially by higher losses overseas.
- Looking to the ports, cargo throughput remained depressed as shipments from Alliance Steel have yet to fully recover despite the completion of maintainence in Apr 26. We understand that steel production has yet to return to full capacity and is only expected to recover in 2HFY27.
- **Monetisation updates.** Following the results announcement, key updates on the monetisation efforts are as follows:
  1) **Construction:** The listing of IJMC appears to be progressing steadily with IJM having already selected a principal advisor. The target of 3Q27 still appears within reach with the rumoured RM4.0b-5.0b appearing largely reasonable, especially following the strong 1QFY27.
  2) **Special dividend:** The 10 sen special dividend distributed during 1QFY27 represents the monetisation of IJM's treasury shares that the group had previously outlined. The distribution was entirely funded by the stake sale on 20 August and represents the entirety of the treasury portion.
  3) **India exit.** IJM has successfully disposed of the first parcel of its Vijayawada land for INR800m (RM33.8m) with the sale of the second parcel currently underway. However, IJM mentioned that there are outstanding debts of around INR4.0b (RM169.1m) that will need to be repaid. The transition out of the region is still expected to be gradual with a majority exit expected within two years.

Valuation/Recommendation

- **Maintain BUY with a higher target price of RM3.15 (from RM2.48).** Our SOTP-based target price implies 23.6x FY27 PE, roughly +1.5SD to its five-year mean.

Earnings Revision/Risk

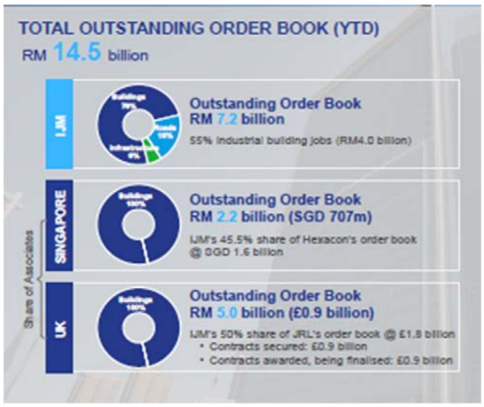
- **We raise our FY27/28/29 earnings forecasts by 34%/26%/25% respectively** as we impute faster recognitions following the predominantly industrial job pipeline

1QFY27 PBT Breakdown

	1QFY27	qoq	yoy
	(RMm)	% chg	% chg
Construction*	73.3	154.9	112.0
Property dev.*	10.4	111.1	(61.7)
Industrial	61.7	14.5	13.7
Infrastructure	55.3	266.5	12.5
Others	1.0	108.5	108.2
Total	201.8	459.1	32.1
PBT Margins (%)		+/-ppt	+/-ppt
Construction	5.6	2.6	2.0
Property dev.	3.1	26.5	(8.2)
Industrial	13.9	(3.2)	(3.5)
Infrastructure	29.9	49.3	5.8

**Adjusted for unrealised forex losses*
Source: UOB Kay Hian

Outstanding Orderbook



Source: Bloomberg, UOB Kay Hian

SOTP Valuation

	Value (RMm)	Remarks
Construction	5,777	18x FY27F PE
Industry	3,454	
Infrastructure assets	3,529	Cost of equity 8%
Property	2,663	40% discount to RNAV
Other Investments	583	
Less: Net debt	-1,755	End-FY26
Total SOP value	14,250	
Enlarged sharebase	3,648	
FD SOP/share	3.91	
Discount	20%	
Fair value/share (RM)	3.15	
Implied FY27F PE (x)	23.6	

Source: UOB Kay Hian

Environmental, Social, Governance (ESG) Updates

Environmental
• Achieved emissions avoidance of 5,176 tCO2e in FY25 from renewable energy generation, waste recycled and the purchase of renewable energy certificates
Social
• Spent RM2.4m in social contributions to support the community in FY25.
Governance
• Aligned with the principles of the Malaysian Code on Corporate Governance.

Source: UOB Kay Hian

Profit & Loss

Year to 31 Mar (RMm)	2026	2027F	2028F	2029F
Net turnover	6,859	8,344	8,963	9,332
EBITDA	782	1,194	1,261	1,326
Deprec. & amort.	247	250	252	255
EBIT	535	944	1,009	1,071
Associate contributions	39	76	116	161
Net interest income/(expense)	(276)	(343)	(385)	(426)
Pre-tax profit	298	677	741	805
Tax	(301)	(162)	(178)	(193)
Minorities	57	15	17	18
Preferred dividends	(51)	(51)	(51)	(51)
Net profit	3	479	529	579
Net profit (adj.)	320	479	529	579

Balance Sheet

Year to 31 Mar (RMm)	2026	2027F	2028F	2029F
Fixed assets	4,973	6,398	7,821	9,242
Other LT assets	5,466	5,542	5,658	5,819
Cash/ST investment	1,962	2,325	2,031	1,868
Other current assets	10,551	12,922	13,662	14,080
Total assets	22,952	27,187	29,173	31,009
ST debt	833	2,288	2,566	2,843
Other current liabilities	6,393	7,348	8,179	8,856
LT debt	3,770	5,339	5,986	6,634
Other LT liabilities	972	1,052	1,086	1,108
Shareholders' equity	10,845	11,036	11,248	11,480
Minority interest	139	124	107	89
Total liabilities & equity	22,952	27,187	29,173	31,009

Cash Flow

Year to 31 Mar (RMm)	2026	2027F	2028F	2029F
Operating	288	1,150	523	685
Pre-tax profit	298	677	741	805
Tax	(292)	(162)	(178)	(193)
Deprec. & amort.	247	250	252	255
Associates	(39)	(76)	(116)	(161)
Working capital changes	(39)	350	(288)	(133)
Other operating cashflows	113	113	113	113
Investing	(1,052)	(1,052)	(1,052)	(1,052)
Capex (growth)	(1,675)	(1,675)	(1,675)	(1,675)
Proceeds from sale of assets	610	610	610	610
Others	13	13	13	13
Financing	303	292	262	231
Dividend payments	(280)	(287)	(317)	(348)
Proceeds from borrowings	925	925	925	925
Others/interest paid	(342)	(346)	(346)	(346)
Net cash inflow (outflow)	(462)	390	(268)	(136)
Beginning cash & cash equivalent	2,450	1,962	2,325	2,031
Changes due to forex impact	(26)	(26)	(26)	(26)
Ending cash & cash equivalent	1,962	2,325	2,031	1,868

Key Metric

Year to 31 Mar (%)	2026	2027F	2028F	2029F
Profitability				
EBITDA margin	11.4	14.3	14.1	14.2
Pre-tax margin	4.3	8.1	8.3	8.6
Net margin	0.0	5.7	5.9	6.2
ROA	0.0	1.9	1.9	1.9
ROE	0.0	4.3	4.7	5.1
Growth				
Turnover	9.7	21.7	7.4	4.1
EBITDA	(42.6)	52.7	5.7	5.1
Pre-tax profit	(62.3)	127.0	9.5	8.7
Net profit	(99.2)	14,629.3	10.5	9.6
Net profit (adj.)	(39.4)	49.8	10.5	9.6
EPS	(39.4)	49.8	10.5	9.6
Leverage				
Debt to total capital	41.9	68.3	75.3	81.9
Debt to equity	42.4	69.1	76.0	82.6
Net debt/(cash) to equity	24.4	48.0	58.0	66.3
Interest cover (x)	2.8	3.5	3.3	3.1