IJM Corporation (IJM MK)

1HFY27: Firing On All Cylinders

Highlights

- IJM's 1QFY27 earnings beat our expectations on higher-than-expected construction contributions.
- We raise our FY27/28/29 forecasts by 23%/10%/8% respectively following the strong recognitions in 2QFY26.
- Maintain BUY with an unchanged target price of RM3.15 as we widen our SOTP discount in light of the recent geopolitical developments.

1HFY27 Results

Year to 31 Mar	2QFY27	qoq	yoy	1HFY27	yoy
(RMm)	(RMm)	% chg	% chg	(RMm)	% chg
Revenue	**2,389.0**	**4.2**	**42.7**	**4,681.3**	**37.4**
EBIT	**442.5**	**51.1**	**161.4**	**735.4**	**85.4**
PBT	**310.9**	**54.1**	**157.3**	**512.6**	**87.4**
Tax	(87.4)	46.3	54.4	(147.1)	44.7
Non-controlling interests	20.7	228.0	55.1	27.0	109.3
Perpetual sukuk	(11.0)	0.6	(6.6)	(22.0)	(6.1)
PATAMI	**233.2**	**69.7**	**254.5**	**370.6**	**129.6**
Core PATAMI	**223.9**	**91.8**	**84.3**	**340.6**	**62.2**
Margins	**(%)**	**+/- ppt**	**+/- ppt**	**(%)**	**+/- ppt**
EBIT	18.5	5.7	8.4	15.7	4.1
PBT	13.0	4.2	5.8	11.0	2.9
Core PATAMI	9.4	4.3	2.1	7.3	1.1

Source: IJM, UOB Kay Hian

Analysis

- **Above expectations.** IJM Corporation (IJM) reported a core net profit of RM340.6m (+62.2 yoy) in 1HFY27. We arrived at this after adjusting for: a) RM15.8m in allowance for impairments, b) RM25.0m in allowance for write-downs, c) RM45.9m in disposal gains, d) RM16.5m in unrealised forex gains, and e) RM4.5m in fair value gains on financial assets. 1HFY27 earnings blew past expectations, accounting for 96% and 83% of our and consensus respective full-year forecasts. The positive deviation stemmed largely from stronger-than-expected construction earnings following a sharp uptick in recognitions. An interim dividend of 2 sen was also announced (1H25: 2 sen).

Key Financials

Year to 31 Mar (RMm)	2025	2026	2027F	2028F	2029F
Net turnover	6,252	6,859	8,739	9,658	9,932
EBITDA	1363	782	1333	1331	1386
Operating profit	1094	535	1083	1079	1131
Net profit (rep./act.)	403	3	587	583	626
Net profit (adj.)	527	320	587	583	626
EPS (sen)	14.4	8.8	16.1	16.0	17.2
PE (x)	15.6	25.7	14.0	14.1	13.1
P/B (x)	0.8	0.8	0.8	0.8	0.8
EV/EBITDA (x)	8.7	14.1	10.4	11.4	11.7
Dividend yield (%)	3.6	3.6	8.7	4.3	4.6
Net margin (%)	6.5	0.0	6.7	6.0	6.3
Net debt/(cash) to equity (%)	30.4	24.4	49.6	60.7	68.1
Interest cover (x)	4.8	2.8	3.9	3.5	3.2
ROE (%)	3.6	0.0	5.3	5.2	5.4
Consensus net profit	-	-	478	547	607
UOBKH/Consensus (x)	-	-	1.2	1.1	1.0

Source: IJM, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	RM2.25
Target Price	RM3.15
Upside	+40.0%

Stock Data

GICS sector	Industrials
Bloomberg ticker:	IJM MK
Shares issued (m):	3,647.6
Market cap (RMm):	8,207.0
Market cap (US$m):	1,994.2
3-mth avg daily t'over (US$m):	6.0

Price Performance (%)

52-week high/low				RM2.97/RM1.97
1mth	**3mth**	**6mth**	**1yr**	**YTD**
(15.4)	(18.6)	8.7	(5.0)	3.0

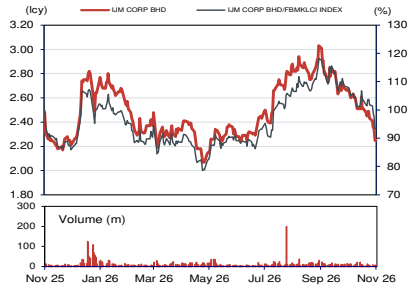
Major Shareholders (%)

Employees Provident Fund	19.3
Amanah Saham Nasional	12.5
KWAP	9.6

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 surged on lumpy recognitions.** IJM's construction segment reported pre-tax profit of RM117.1m (+59.8% qoq, >3x yoy) on revenue of RM1.1b (-14.5% qoq, +36.8% yoy) in 2QFY26. Despite the sequentially lower top-line, earnings were lifted by a combination of project completions and initial milestone recognitions for new projects during the quarter, resulting in margins expanding by 5ppt. Local orderbook and tenderbook came in at RM7.7b and RM17b respectively during 2QFY26 while ytd replenishments stood at RM3.5b. Looking ahead, IJM's focus remains on DC/industrial contracts with the segment making up 64% and 50% of IJM's local orderbook and tenderbook respectively. We also understand that the customer base for IJM's existing contracts and tenders are predominantly US hyperscalers and the pipeline has yet to see any disruptions following the news on GPU shipment restrictions. Margins are also expected to normalise in coming quarters following the stellar results as the billing cycle returns to the usual rates.
- **Property lifted by land sales.** The property segment reported earnings of RM46.2m (>4x qoq, >5x yoy) in 2QFY27. Revenue and earnings were largely lifted by land sales and disposals of investment properties during 2QFY26 with net gains totalling RM44.8m. Otherwise, property sales slowed sequentially to RM355.5m (-58.9% qoq) but are still broadly on track to meet IJM's RM1.8b-RM2.0b sales target. Barring any further disposals, earnings for the segment are likely to remain modest as gestation costs for IJM's investment assets (eg The Light, Finsbury Circus) offset the gains from property sales.
- **Infrastructure outlook brightens.** IJM's infrastructure arm reported pre-tax profit of RM73.4m (+32.6% qoq, >2x yoy) in 2QFY27. Looking to the individual segments, the toll segment posted PBT of RM37.5m (+20.9% qoq, >3x yoy) as earnings from Besraya and NPE improved off lower amortisation and finance costs while overseas losses narrowed due to lack of unfavourable forex. Looking to the ports, cargo throughput improved as Alliance Steel resumed shipments following the completion of its maintainence. Looking ahead, throughput is expected to continue recovering as Alliance Steel ramps shipments back up in 2HFY27.
- **Monetisation updates.** IJM continues to make steady progress on its monetisation efforts with no major changes to its timeline thus far. The group also shared that the structure for the toll monetisation will likely be decided by 1QCY27. IJM's exit from India is also proceeding as planned as the disposal for the first parcel of Vijayawada land is already complete with the second parcel in progress. The progressive exit is still expected to be substantially achieved within the next two years.
- **Navigating Washington, DC woes.** Following the recent newsbreak that Nvidia has stopped shipments of GPUs to Southeast Asia, concerns on Malaysia's runway for DC expansion have been rising as US policy changes continue to disrupt the market. So far, channel checks indicate that work continues as normal on the existing contracts and tenders are still open. For IJM, we believe earnings outlook leading up to the construction listing is still largely intact. However, given that DC and semiconductor demand underpin its medium-term growth, a significant disruption may affect the group's ability to command upcycle valuations going forward. As the situation remains extremely fluid, we reserve final judgement until the extent of the impact becomes clearer.

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of RM3.15** as we widen our SOTP discount, erring on the side of caution in light of the recent disruptions. Our SOTP-based target price implies 19.2x FY27 PE, roughly +0.25SD to its five-year mean.

Earnings Revision/Risk

- **We raise our FY27/28/29 earnings forecasts by 23%/10%/8% respectively** as we impute the lumpy earnings and faster recognitions.

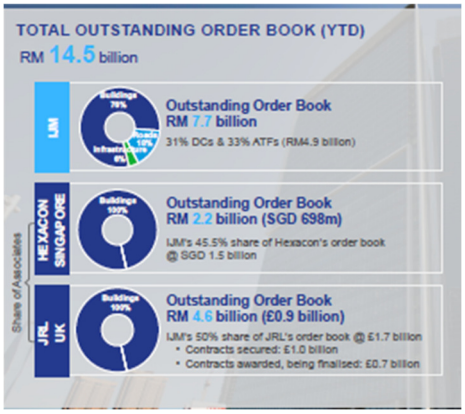
2QFY27 PBT Breakdown

	1QFY27 (RMm)	qoq % chg	yoy % chg
Construction*	117.1	59.8	213.9
Property dev.*	46.2	343.8	552.0
Industrial	71.4	15.7	35.9
Infrastructure	73.4	32.6	165.7
Others	2.8	172.4	174.8
Total	**310.9**	**54.1**	**157.4**
PBT Margins (%)		**+/-ppt**	**+/-ppt**
Construction	10.4	4.8	5.9
Property dev.	8.7	5.6	6.6
Industrial	14.2	0.3	(2.7)
Infrastructure	34.8	5.0	21.0

**Adjusted for unrealised forex losses*

Source: UOB Kay Hian

Outstanding Orderbook



Source: Bloomberg, UOB Kay Hian

SOTP Valuation

	Value (RMm)	Remarks
Construction	7,530	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	**16,003**	
Enlarged sharebase	3,648	
FD SOP/share	**4.39**	
Discount	28%	
Fair value/share (RM)	**3.15**	
Implied FY27F PE (x)	19.2	

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**	**8,739**	**9,658**	**9,932**
EBITDA	782	1,333	1,331	1,386
Deprec. & amort.	247	250	252	255
EBIT	535	1,083	1,079	1,131
Associate contributions	39	76	116	161
Net interest income/(expense)	**(276)**	**(343)**	**(385)**	**(426)**
Pre-tax profit	298	816	810	865
Tax	(301)	(196)	(194)	(208)
Minorities	**57**	**19**	**18**	**20**
Preferred dividends	(51)	(51)	(51)	(51)
Net profit	**3**	**587**	**583**	**626**
Net profit (adj.)	320	587	583	626

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	2,130	1,684	1,600
Other current assets	10,551	13,426	14,545	14,838
Total assets	**22,952**	**27,497**	**29,709**	**31,500**
ST debt	833	2,288	2,566	2,843
Other current liabilities	6,393	7,597	8,619	9,237
LT debt	3,770	5,339	5,986	6,634
Other LT liabilities	972	1,072	1,123	1,140
Shareholders' equity	10,845	11,080	11,313	11,564
Minority interest	139	121	102	82
Total liabilities & equity	**22,952**	**27,497**	**29,709**	**31,500**

Cash Flow

Year to 31 Mar (RMm)	2026	2027F	2028F	2029F
Operating	**288**	**1,021**	**404**	**792**
Pre-tax profit	298	816	810	865
Tax	(292)	(196)	(194)	(208)
Deprec. & amort.	247	250	252	255
Associates	(39)	(76)	(116)	(161)
Working capital changes	(39)	115	(461)	(72)
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**	**226**	**229**	**203**
Dividend payments	(280)	(352)	(350)	(376)
Proceeds from borrowings	925	925	925	925
Others/interest paid	(342)	(346)	(346)	(346)
Net cash inflow (outflow)	(462)	195	(420)	(58)
Beginning cash & cash equivalent	**2,450**	**1,962**	**2,130**	**1,684**
Changes due to forex impact	(26)	(26)	(26)	(26)
Ending cash & cash equivalent	1,962	2,130	1,684	1,600

Key Metric

Year to 31 Mar (%)	2026	2027F	2028F	2029F
Profitability				
EBITDA margin	11.4	15.3	13.8	14.0
Pre-tax margin	4.3	9.3	8.4	8.7
Net margin	0.0	6.7	6.0	6.3
ROA	0.0	2.3	2.0	2.0
ROE	0.0	5.3	5.2	5.4
Growth				
Turnover	9.7	27.4	10.5	2.8
EBITDA	(42.6)	70.5	(0.2)	4.1
Pre-tax profit	(62.3)	173.7	(0.7)	6.8
Net profit	(99.2)	17,980.7	(0.8)	7.4
Net profit (adj.)	(39.4)	83.8	(0.8)	7.4
EPS	(39.4)	83.8	(0.8)	7.4
Leverage				
Debt to total capital	41.9	68.1	74.9	81.4
Debt to equity	42.4	68.8	75.6	82.0
Net debt/(cash) to equity	24.4	49.6	60.7	68.1
Interest cover (x)	2.8	3.9	3.5	3.2

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