

Company Updates

28 November 2016

Ikhmas Jaya Group Berhad

BUY

Secures piling contract worth RM58m

Maintained

Share Price	RM0.57
Target Price	RM0.76

Company Description

Ikhmas Jaya Group Berhad specializes in engineering and construction services. The Company designs, engineers and constructs piling and foundation, bridges and buildings.

Stock Data

Bursa / Bloomberg code	5268 / IJGB MK
Board / Sector	Main / Ind-Prod
Syariah Compliant status	Yes
Issued shares (m)	520
Par Value (RM)	0.25
Market cap. (RM'm)	312.00
52-week price Range	RM0.57-0.82
Beta (against KLCI)	N.A
3-m Average Daily Volume	0.89m
3-m Average Daily Value	RM0.59m

Share Performance

	1m	3m	12m
Absolute (%)	-10.9	-13.0	-16.8
Relative (%-pts)	-8.6	-17.0	-14.0

Major Shareholders

	%
IJ Holdings	65.0
Lembaga Tabung Haji	5.41
Aminvestment Services Bhd	1.18
Prudential Unit Trusts	0.95
KAF Investment Funds Bhd	0.82

Historical Chart



Source: Bloomberg

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What's new

- The group has announced that it bagged an Earthwork and Pile Cap, contiguous bored pile and substructure works from TTDI KL Metropolis Sdn Bhd worth RM57.94m for a service apartment located at Mukim Batu Daerah Kuala Lumpur.

Comment

- We learnt that the duration in respect of the service apartment foundation/pile caps/Lowest Slab takes 8 months and slated to be in full completion by 17 July 2017. Meanwhile, all other works are spanning for 15 months and expected to be completed by 17 February 2018. Therefore, earnings will only account beyond FY16.
- Year to date, the group has replenished order book amounting to RM630m with current outstanding orderbook stands at RM578m after taking into account this newly clinched contract.** The outstanding orderbook provides an earnings visibility of 1.8x FY15 earnings assuming a net profit margin of 8%.

Earnings Outlook/ Revision

- We retain our earnings forecast for FY16 and FY17 as this contract win falls within our target order book of RM400m for FY17.

Valuation/Recommendation

- Maintain BUY with unchanged target price of RM0.76. We derived our valuation by pegging at 13x FY2017F PE.** The target PE assigned is at the range of upcycle PE for small-and-mid cap contractors amid current booming infrastructure works.
- Despite the recent earnings cut, we still maintain our positive view on the Group as bored piling and fundamental works still remain vibrant.** We believe the Group will resume its growth trajectory in FY17 given more construction works in the pipeline, especially under government's initiative such as ETP, TOD (Transit-Oriented Development) and the Corridor and City Transformation Programmes that would render job opportunities to Ikhmas Jaya.

Figure 1: Financial Summary

Financial Year	2011	2012	2013	2014	2015	2016F	2017F
Items	RM'M	RM'M	RM'M	RM'M	RM'M	RM'M	RM'M
Revenue	145.4	202.87	205.34	293.51	268.66	252.96	391.65
Gross Profit	27.35	37.63	53.58	57.9	67.34	56.06	89.30
Other income	1.49	1.46	0.22	0.26	0.38	1.00	1.00
Administration expenses	-6.86	-7.07	-6.62	-8.98	-10.81	-10.12	-16.45
Other operating expenses	-5.88	-8.04	-7.87	-7.15	-8.42	-9.00	-10.00
EBITDA	16.1	23.98	39.31	42.03	48.49	37.94	63.85
Operating Profit	12.45	19.26	32.03	33.43	37.57	23.94	48.85
Finance income	0.08	0.33	0.53	0.69	0.91	0.90	1.20
Finance Costs	-1.25	-2.26	-3.54	-5.28	-5.71	-6.60	-8.70
PBT	11.45	17.34	29.03	28.84	32.77	18.24	41.35
Taxes	-3.07	-3.85	-7.57	-7.43	-8.46	-4.74	-10.75
Profit for the year	8.38	13.49	21.46	21.41	24.30	13.50	30.60
Net Income(to shareholders)	8.38	13.34	21.44	21.55	25.16	13.51	30.59
EPS	0.016	0.026	0.041	0.041	0.048	0.026	0.059
Growth							
Revenue Growth	-	39.5%	1.2%	42.9%	-8.5%	-5.8%	54.8%
EBITDA Growth	-	48.9%	63.9%	6.9%	15.4%	-21.8%	68.3%
Operating Profit Growth	-	54.7%	66.3%	4.4%	12.4%	-36.3%	104.0%
PBT Growth	-	51.4%	67.4%	-0.7%	13.6%	-44.3%	126.6%
Net Profit Growth	-	59.2%	60.7%	0.5%	16.7%	-46.3%	126.4%
Margin							
Gross Margin	18.8%	18.5%	26.1%	19.7%	25.1%	22.2%	22.8%
EBITDA Margin	11.1%	11.8%	19.1%	14.3%	18.1%	15.0%	16.3%
Operating Margin	8.6%	9.5%	15.6%	11.4%	14.0%	9.5%	12.5%
Pretax Margin	7.9%	8.5%	14.1%	9.8%	12.2%	7.2%	10.6%
PAT Margin	5.8%	6.6%	10.5%	7.3%	9.0%	5.3%	7.8%
Net Margin (to shareholders)	5.8%	6.6%	10.4%	7.3%	9.4%	5.3%	7.8%

Source: Company, JF Apex

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STOCK RECOMMENDATIONS

- BUY** : The stock's total returns* are expected to exceed 10% within the next 12 months.
- HOLD** : The stock's total returns* are expected to be within +10% to – 10% within the next 12 months.
- SELL** : The stock's total returns* are expected to be below -10% within the next 12 months.
- TRADING BUY** : The stock's total returns* are expected to exceed 10% within the next 3 months.
- TRADING SELL** : The stock's total returns* are expected to be below -10% within the next 3 months.

SECTOR RECOMMENDATIONS

- OVERWEIGHT** : The industry as defined by the analyst is expected to exceed 10% within the next 12 months.
- MARKETWEIGHT** : The industry as defined by the analyst is expected to be within +10% to – 10% within the next 12 months.
- UNDERWEIGHT** : The industry as defined by the analyst, is expected to be below -10% within the next 12 months.

*capital gain + dividend yield

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