

**AmInvestment Bank****Company report****Joshua Ng**

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IKHMAS JAYA GROUP

(IJGB MK EQUITY, IJGB KL)

CONSTRUCTION

05 Jan 2017

*Bags RM38mil Piling Job In Bandar Sunway***BUY**

(Maintained)

Rationale for report: Company update

Price RM0.58
 Fair Value RM0.76
 52-week High/Low RM0.82/RM0.57

Key Changes

Fair value ⇄
 EPS ⇄

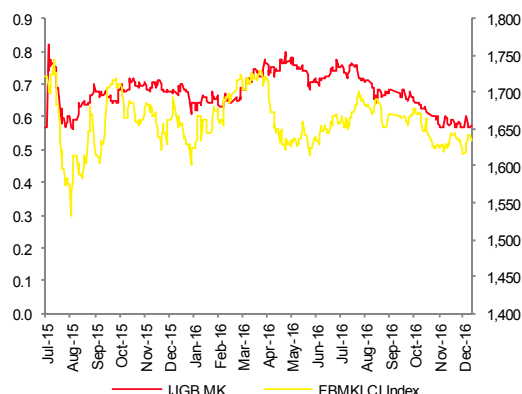
YE to Dec	FY15	FY16F	FY17F	FY18F
Revenue (RM mil)	268.7	272.8	395.4	480.1
Core net profit (RM mil)	25.2	14.2	30.5	40.7
FD Core EPS (sen)	4.8	2.7	5.9	7.8
FD Core EPS growth (%)	16.8	(43.6)	115.0	33.3
Consensus Net Profit (RM mil)	-	13.9	30.6	40.7
DPS (sen)	1.0	1.5	1.5	1.8
PE (x)	11.9	21.1	9.8	7.4
EV/EBITDA (x)	7.0	11.9	6.2	4.5
Div yield (%)	1.7	2.6	2.6	3.1
ROE (%)	17.7	7.3	14.6	17.2
Net Gearing (%)	21.6	29.7	16.3	0.9

Stock and Financial Data

Shares Outstanding (million)	520.0
Market Cap (RMmil)	299.0
Book Value (RM/share)	0.36
P/BV (x)	1.6
ROE (%)	17.7
Net Gearing (%)	21.6
Major Shareholders	IJ Holdings (65.0%)

Free Float	34.3
Avg Daily Value (RMmil)	0.3

Price performance	3mth	6mth	12mth
Absolute (%)	(13.5)	(19.6)	(13.5)
Relative (%)	(12.8)	(19.2)	(13.2)

**Investment Highlights**

- We maintain our forecasts, BUY call and FV of RM0.76 based on 13x FY17F EPS of 5.9sen, at a slight premium to our 1-year forward target PE of 10-12x for small-cap construction stocks, to reflect a relatively less competitive piling segment vis-à-vis general contracting.
- Ikhmas has been awarded by Symphony Crescent Sdn Bhd a RM37.7mil contract for piling and substructure works of two commercial blocks in Bandar Sunway, Selangor.
- The contract period is 15.5 months ending Apr 2018.
- We are positive on this latest development. The contract is the very first Ikhmas has secured in FY17F (our forecasts assume job replenishment of RM500mil annually in FY17-18F) and has boosted its outstanding construction orderbook by 6% to RM685mil (Exhibit 1).
- We project earnings of Ikhmas to contract by 43.6% in FY16F due to various issues, but more than double by +115.0% in FY17F from the low base.
- We believe our FY17F earnings forecast is highly achievable, backed by a sizeable order backlog.
- We like Ikhmas as it is a good proxy to the booming local construction sector. Its prospects for job wins in 2017 are strong with piling/foundation sub-contracts from MRT2, Pan Borneo Highway, SUKE and DASH starting to hit the market over the next six months.

EXHIBIT 1: OUTSTANDING ORDERBOOK

Project	Outstanding Value (RMmil)
Service apartment, Persiaran Stonor	162.5
Opus, Jalan Talalla	143.1
Mixed development, PJ Sentral	125.3
MITC Bridge, Melaka	65.3
TTDI KL Metropolis	57.9
Symphony Crescent, Bandar Sunway	37.7
Parcel D, KL Eco City	25.6
MRCB's Cyberjaya project	20.5
Subang Skypark railway track	15.1
5-storey flats, Pulau Redang	10.4
Others	21.7
Total	685.1

Source: Company, AmlInvestment Bank

EXHIBIT 2: PB BAND CHART

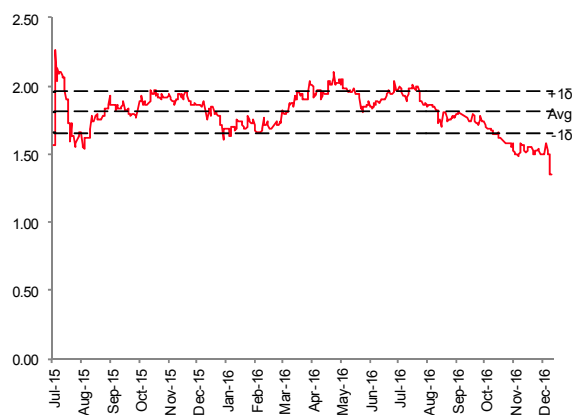


EXHIBIT 3: PE BAND CHART

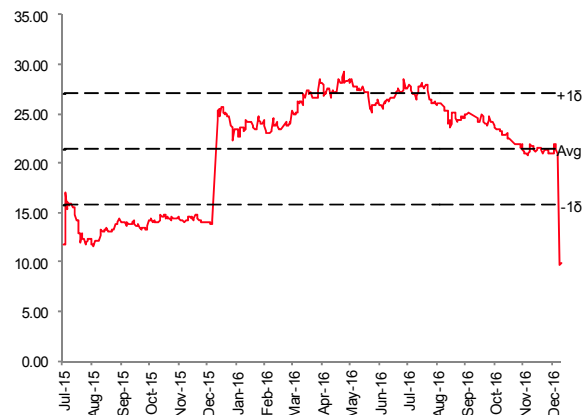


EXHIBIT 4: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY14	FY15	FY16F	FY17F	FY18F
Revenue	293.5	268.7	272.8	395.4	480.1
EBITDA	42.0	48.5	30.0	53.6	66.8
Depreciation/Amortisation	(8.6)	(10.9)	(9.9)	(12.0)	(12.8)
Operating income (EBIT)	33.4	37.6	20.2	41.6	54.1
Other income & associates	-	-	-	-	-
Net interest	(4.6)	(4.8)	(1.5)	(1.4)	(0.6)
Exceptional items	-	-	-	-	-
Pretax profit	28.8	32.8	18.7	40.1	53.5
Taxation	(7.4)	(8.5)	(4.5)	(9.6)	(12.8)
Minorities/pref dividends	0.1	0.9	-	-	-
Net profit	21.5	25.2	14.2	30.5	40.7
Core net profit	21.5	25.2	14.2	30.5	40.7
Balance Sheet (RMmil, YE 31 Dec)	FY14	FY15	FY16F	FY17F	FY18F
Fixed assets	79.5	102.2	109.1	109.1	108.3
Intangible assets	-	-	-	-	-
Other long-term assets	2.4	3.3	3.3	3.3	3.3
Total non-current assets	81.9	105.4	112.4	112.3	111.6
Cash & equivalent	27.1	35.7	17.8	40.5	74.1
Stock	0.2	0.4	0.4	0.4	0.4
Trade debtors	178.2	223.8	223.8	223.8	223.8
Other current assets	0.1	0.5	0.5	0.5	0.5
Total current assets	205.6	260.4	242.5	265.2	298.9
Trade creditors	102.5	91.3	71.3	71.3	71.3
Short-term borrowings	57.3	61.1	61.1	61.1	61.1
Other current liabilities	6.1	1.3	1.3	1.3	1.3
Total current liabilities	165.9	153.7	133.7	133.7	133.7
Long-term borrowings	19.9	15.4	15.4	15.4	15.4
Other long-term liabilities	5.6	8.1	8.1	8.1	8.1
Total long-term liabilities	25.4	23.4	23.4	23.4	23.4
Shareholders' funds	95.9	188.7	197.7	220.4	253.3
Minority interests	0.2	-	-	-	-
BV/share (RM)	0.18	0.36	0.38	0.42	0.49
Cash Flow (RMmil, YE 31 Dec)	FY14	FY15	FY16F	FY17F	FY18F
Pretax profit	28.8	32.8	18.7	40.1	53.5
Depreciation/Amortisation	8.6	10.9	9.9	12.0	12.8
Net change in working capital	(20.7)	(57.0)	(20.0)	-	-
Others	(5.7)	(12.1)	(3.0)	(8.2)	(12.3)
Cash flow from operations	11.1	(25.4)	5.6	44.0	54.0
Capital expenditure	(4.2)	(27.1)	(16.8)	(12.0)	(12.0)
Net investments & sale of fixed assets	0.6	0.5	-	-	-
Others	(0.9)	0.1	-	-	-
Cash flow from investing	(4.5)	(26.5)	(16.8)	(12.0)	(12.0)
Debt raised/(repaid)	(19.2)	(6.5)	-	-	-
Equity raised/(repaid)	0.2	68.2	-	-	-
Dividends paid	-	-	(5.2)	(7.8)	(7.8)
Others	12.9	0.3	(1.5)	(1.4)	(0.6)
Cash flow from financing	(6.1)	62.1	(6.7)	(9.2)	(8.4)
Net cash flow	0.4	10.1	(17.9)	22.7	33.6
Net cash/(debt) b/f	(10.3)	(9.8)	0.3	(17.6)	5.1
Net cash/(debt) c/f	(9.8)	0.3	(17.6)	5.1	38.7
Key Ratios (YE 31 Dec)	FY14	FY15	FY16F	FY17F	FY18F
Revenue growth (%)	-	(8.5)	1.5	44.9	21.4
EBITDA growth (%)	-	15.4	(38.1)	78.4	24.7
Pretax margin (%)	9.8	12.2	6.8	10.2	11.1
Net profit margin (%)	7.3	9.4	5.2	7.7	8.5
Interest cover (x)	7.3	7.8	13.5	29.3	94.2
Effective tax rate (%)	25.8	25.8	24.0	24.0	24.0
Dividend payout (%)	-	20.7	55.0	25.6	23.0
Debtors turnover (days)	111	273	299	207	170
Stock turnover (days)	-	-	1	-	-
Creditors turnover (days)	64	132	109	66	54

Source: Company, AmlInvestment Bank Bhd estimates

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