

Company Updates

03 May 2017

Ikhmas Jaya Group Berhad

BUY

Pileup of another piling works worth RM62.4m

Maintained

Share Price	RM0.675
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)	351.00
52-week price Range	RM0.57-0.82
Beta (against KLCI)	0.99
3-m Average Daily Volume	1.10m
3-m Average Daily Value	RM0.69m

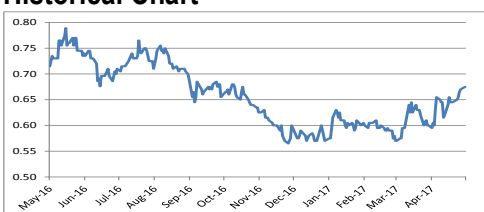
Share Performance

	1m	3m	12m
Absolute (%)	13.4	12.5	-6.9
Relative (%-pts)	11.3	6.6	-13.5

Major Shareholders

	%
IJ Holdings	65.0
Lembaga Tabung Haji	5.46
AIA Bhd	3.41
Aminvestment Services Bhd	1.06
RHB Unit Trust Management Bhd	0.56

Historical Chart



Source: Bloomberg

The Research Team

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What's new

- The Group has announced that it has on 2 May 2017 agreed and accepted the terms and conditions of the Letter of Award from Pelaburan Hartanah Berhad, to carry out site clearance, earthworks, piling (bore) and pile cap works for a shopping complex in Terengganu worth RM62.4m.

Comment

- We understand that the duration of the mentioned contract is 12 months from its commencement date, i.e. 9 May 2017 to 8 May 2018. Therefore, earnings are expected to kick in second half of FY17.
- The current outstanding orderbook stands at RM684.3m after taking into account this newly clinched contract.** The outstanding orderbook provides an earnings visibility of 2.25x FY15 earnings assuming a net profit margin of 8%.
- The group has successfully replenished its orderbook of RM144.3m year to date,** which is accounted for 36.1% of our RM400m estimated target orderbook for FY17.

Earnings Outlook/ Revision

- We retain our earnings forecast for FY17 and FY18** as this contract win falls within our target order book of RM400m for FY17.

Valuation/Recommendation

- Maintain BUY with an 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.
- We 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	2016	2017F	2018F
Items	RM'M	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	242.57	391.65	370.04
Gross Profit	27.35	37.63	53.58	57.9	67.34	56.18	89.30	88.44
Other income	1.49	1.46	0.22	0.26	0.38	0.25	1.00	1.00
Administration expenses	-6.86	-7.07	-6.62	-8.98	-10.81	-12.59	-16.45	-15.54
Other operating expenses	-5.88	-8.04	-7.87	-7.15	-8.42	-8.14	-10.00	-10.00
EBITDA	16.1	23.98	39.31	42.03	48.49	35.70	63.85	63.90
Operating Profit	12.45	19.26	32.03	33.43	37.57	21.58	48.85	48.90
Finance income	0.08	0.33	0.53	0.69	0.91	0.71	1.20	1.20
Finance Costs	-1.25	-2.26	-3.54	-5.28	-5.71	-7.18	-8.70	-8.70
PBT	11.45	17.34	29.03	28.84	32.77	15.12	41.35	41.40
Taxes	-3.07	-3.85	-7.57	-7.43	-8.46	-4.91	-10.75	-10.76
Profit for the year	8.38	13.49	21.46	21.41	24.30	10.21	30.60	30.63
Net Income(to shareholders)	8.38	13.34	21.44	21.55	25.16	11.28	30.59	30.90
EPS	0.016	0.026	0.041	0.041	0.048	0.022	0.059	0.059
Growth								
Revenue Growth	-	39.5%	1.2%	42.9%	-8.5%	-9.7%	61.5%	-5.5%
EBITDA Growth	-	48.9%	63.9%	6.9%	15.4%	-26.4%	78.8%	0.1%
Operating Profit Growth	-	54.7%	66.3%	4.4%	12.4%	-42.5%	126.3%	0.1%
PBT Growth	-	51.4%	67.4%	-0.7%	13.6%	-53.8%	173.4%	0.1%
Net Profit Growth	-	59.2%	60.7%	0.5%	16.7%	-55.2%	171.2%	1.0%
Margin								
Gross Margin	18.8%	18.5%	26.1%	19.7%	25.1%	23.2%	22.8%	23.9%
EBITDA Margin	11.1%	11.8%	19.1%	14.3%	18.1%	14.7%	16.3%	17.3%
Operating Margin	8.6%	9.5%	15.6%	11.4%	14.0%	8.9%	12.5%	13.2%
Pretax Margin	7.9%	8.5%	14.1%	9.8%	12.2%	6.2%	10.6%	11.2%
PAT Margin	5.8%	6.6%	10.5%	7.3%	9.0%	4.2%	7.8%	8.3%
Net Margin (to shareholders)	5.8%	6.6%	10.4%	7.3%	9.4%	5.3%	7.8%	8.4%

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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