

## Company Updates

06 June 2017

# Ikhmas Jaya Group Berhad

**BUY**

Vibrant orderbook replenishment of RM333m YTD

**Maintained**

Share Price	RM0.695
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)	361.40
52-week price Range	RM0.57-0.82
Beta (against KLCI)	0.99
3-m Average Daily Volume	1.61m
3-m Average Daily Value	RM1.08m

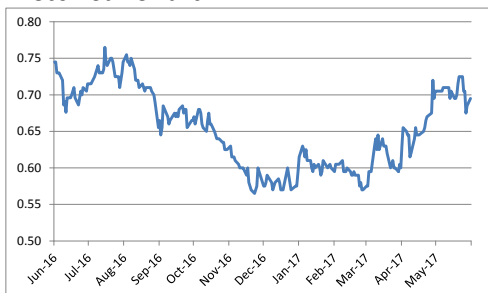
### Share Performance

	1m	3m	12m
Absolute (%)	-1.4	15.8	-7.9
Relative (%-pts)	-2.8	16.8	-15.1

### Major Shareholders

	%
IJ Holdings	65.0
Oversea Chinese Banking Corp Ltd	6.74
Lembaga Tabung Haji	5.34

### Historical Chart



Source: Bloomberg

### The Research Team

**03-87361118, ext. 754**

[zjlow@jfafpex.com.my](mailto:zjlow@jfafpex.com.my)

### What's new

- The Group has received a Letter of Award for a total contract value of RM 188.6m from BBCC Development Sdn Bhd for a construction project where the Pudu Prison was previously located.
- The Group will be carrying out the earthworks, pilling, diaphragm wall and reinforced concrete (RC) works for Substructure package B1 (Parcel 2 & 3) of mixed developments located in Lot PT143, Seksyen 56, Jalan Hang Tuah/Jalan Pudu.

### Comment

- We understand that the duration of the mentioned contract is 24 months from its commencement date and expects to commence on 8<sup>th</sup> June 2017. Therefore, earnings are expected to kick in 4QFY17.
- Year-to-date, the group has successfully secured contracts with a total value of RM333.3m**, which is accounted for 83.2% of our RM400m estimated target orderbook replenishment for FY17.
- The current outstanding orderbook stands at RM881.5m after taking into account this newly clinched contract.** The outstanding orderbook provides earnings visibility of 2.8x FY15 earnings assuming a net profit margin of 8%.

### Earnings Outlook/ Revision

- We retain our earnings forecast for FY17 and FY18** as this contract win falls within our new orders target 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 pilling 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
<b>Growth</b>								
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%
<b>Margin</b>								
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

**JF APEX SECURITIES BERHAD – CONTACT LIST**
**JF APEX SECURITIES BHD**
**Head Office:**

6<sup>th</sup> Floor, Menara Apex  
Off Jalan Semenyih  
Bukit Mewah  
43000 Kajang  
Selangor Darul Ehsan  
Malaysia

General Line: (603) 8736 1118  
Facsimile: (603) 8737 4532

**PJ Office:**

15<sup>th</sup> Floor, Menara Choy Fook On  
No. 1B, Jalan Yong Shook Lin  
46050 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

General Line: (603) 7620 1118  
Facsimile: (603) 7620 6388

**DEALING TEAM**
**Head Office:**

Kong Ming Ming (ext 3237)  
Shirley Chang (ext 3211)  
Norisam Bojo (ext 3233)

**Institutional Dealing Team:**

Lim Teck Seng  
Fathul Rahman Buyong (ext 741)  
Ahmad Mansor (ext 744)  
Zairul Azman (ext 746)

**PJ Office:**

Mervyn Wong (ext 363)  
Azfar Bin Abdul Aziz (Ext 822)  
Tan Heng Cheong (Ext 111)

**RESEARCH TEAM**
**Head Office:**

Lee Chung Cheng (ext 758)  
Lee Cherng Wee (ext 759)  
Low Zy Jing (ext 754)  
Nazhatul Shaza Binti Shukor (ext 755)  
Nursuhaiza Binti Hashim (ext 752)

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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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