

Company Updates

10 April 2018

Ikhmas Jaya Group Berhad

BUY

RM257.5m contracts secured

Upgraded

Share Price	RM0.35
Target Price	RM0.55

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)	545.35
Par Value (RM)	0.25
Market cap. (RM'm)	190.87
52-week price Range	RM0.33-0.75
Beta (against KLCI)	1.26
3-m Average Daily Volume	0.29
3-m Average Daily Value	RM0.14m

Share Performance

	1m	3m	12m
Absolute (%)	-22.2	-6.7	-46.6
Relative (%-pts)	-22.5	-41.4	-49.7

Major Shareholders

	%
IJ Holdings	60.14
Lembaga Tabung Haji	6.43
Oversea Chinese Banking	4.58

Historical Chart



Source: Bloomberg

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What's new

- Ikhmas Jaya** has received a Letter of Award of RM 58.7m from Putrajaya Ventures Sdn Bhd for the proposed demolition works of existing 3 storeys office building, proposed construction and completion of substructure works consist of 2 level parking area on Lot 155, Jalan Ampang.
- Furthermore, the Group also received another Letter of Award from Naluri Rezeki Sdn Bhd for a total contract value of RM198.9m to design, construct, testing, commissioning, maintaining and complete for the Hospital Kajang project.

Comment

- The duration of the above mentioned project from Putrajaya Ventures Sdn Bhd is 18 months from the date of site possession. The date for site possession to be determined soon.
- Similarly, the duration of project from Naluri Rezeki Sdn Bhd is about of 36 months and defect liability period is 24 months from the date of letter of award.
- Year-to-date, the Group has successfully secured total contracts of RM297.6m**, accounting for 59.5% of our RM500 estimated orderbook replenishment for FY18F.
- The current outstanding orderbook stands at RM928.6m after taking into account of these newly secured contracts.** As such, we believe that the outstanding orderbook could provide earnings visibility of 4.8x FY17 earnings assuming a net profit margin of 7.5%.

Earnings Outlook/ Revision

- We retain our earnings forecast for FY18 and FY19** as the contracts win fall within our new orderbook target of RM500m for FY18F.
- Major risk to our earnings forecast is any unforeseen delay in execution and recognition of construction progress.**

Valuation/Recommendation

- Upgrade to BUY from HOLD with an unchanged target price of RM0.55** as we believe its value re-emerges following recent decline in share price. We derived our valuation, pegging at 10.3x FY18F PE (+1.0 SD) based on EPS of 53 sen.

Figure 1: Financial Summary

Year ending 31 December	FY14 RMm	FY15 RMm	FY16 RMm	FY17 RMm	FY18F RMm	FY19F RMm
Revenue	293.5	268.7	242.6	299.5	368.9	470.1
Gross profit	57.9	57.9	67.3	40.9	88.9	120.1
EBIT	33.4	37.6	21.6	25.4	45.4	58.3
PBT	28.8	32.8	15.2	17.8	37.8	50.3
PAT	21.4	24.3	10.2	13.5	26.5	38.3
Net profit	21.5	25.2	11.3	14.3	28.0	38.4
Growth (%)						
Revenue	30.0%	-9.2%	-10.8%	19.0%	18.8%	21.5%
Gross Profit	7.5%	14.0%	-19.9%	-37.4%	54.0%	26.0%
EBIT	4.2%	11.0%	-73.8%	14.9%	44.1%	22.0%
PBT	-0.6%	12.0%	-116.2%	14.8%	53.0%	24.7%
PAT	-0.2%	11.9%	-137.2%	24.0%	49.1%	30.7%
Net profit	0.5%	14.4%	-123.1%	21.1%	48.9%	27.0%
Margin (%)						
Gross margin	19.7%	25.1%	23.2%	13.7%	24.1%	25.5%
EBIT	11.4%	14.0%	8.9%	8.5%	12.3%	12.4%
PBT	9.8%	12.2%	6.3%	5.9%	10.3%	10.7%
PAT	7.3%	9.0%	4.2%	4.5%	7.2%	8.1%
Net profit	7.3%	9.4%	4.7%	4.8%	7.6%	8.2%
Net gearing	52%	22%	39%	50%	42%	47%
EPS (sen)	3.94	4.62	2.07	2.62	5.13	7.03
ROE	22.3%	11.4%	13.0%	5.3%	6.7%	13.0%
ROA	22.4%	13.3%	5.8%	6.7%	13.1%	17.7%
DPS (sen)	-	-	0.01	0.005	0.01	0.01
Dividend payout (%)	-	-	20.6%	21.0%	20%	20%
Dividend yield (%)	-	-	1.5%	0.9%	1.5%	1.5%

Source: Company, JF Apex

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JF APEX SECURITIES - RESEARCH RECOMMENDATION FRAMEWORK
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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