

Company Updates

20 April 2018

Ikhmas Jaya Group Berhad

BUY

Bags another RM101.8m contract

Maintained

Share Price	RM0.39
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)	212.69
52-week price Range	RM0.33-0.75
Beta (against KLCI)	1.43
3-m Average Daily Volume	0.36
3-m Average Daily Value	RM0.16m

Share Performance

	1m	3m	12m
Absolute (%)	2.6	4.0	-39.5
Relative (%-pts)	0.1	-34.0	-44.5

Major Shareholders

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

Historical Chart



Source: Bloomberg

SIAU LI SHEN

03-87361118, ext. 753

lssiau@jfapex.com.my

What's new

- Ikhmas Jaya has received a Letter of Award of RM 101.8m from Ministry of Natural Resources and Environment/Department of Irrigation and Drainage Malaysia to undertake the project "Rancangan Tebatan Banjir Sungai Choras/Sungai Salad dan Struktur-struktur serta Kerja-kerja Berkaitan".

Comment

- We learnt that the duration of the above mentioned project from Ministry of Natural Resources and Environment is about 36 months and the executed date will be determined at a later date.
- Year-to-date, the Group has successfully secured total contracts of RM399.4m**, accounting for 79.8% of our RM500 estimated orderbook replenishment for FY18F.
- The current outstanding orderbook stands at RM1030.5m after taking into account of this newly secured contract.** As such, we believe that the outstanding orderbook could provide earnings visibility of 5.4x FY17 earnings assuming a net profit margin of 7.5%.

Earnings Outlook/ Revision

- We retain our earnings forecast for FY18 and FY19** as the contract win falls within our target orderbook of RM500m for FY18F.
- Major risk to our earnings forecast is any unforeseen delay in execution and hence impacting our recognition of billing progress.**

Valuation/Recommendation

- Maintain BUY with an unchanged target price of RM0.55.** We like the Group for its: a) sizeable outstanding orderbook, and b) strong contract win. We derived our valuation, which is pegged 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

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

6th 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:

15th 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:

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

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)
Nursuhaiza Hashim (ext 752)
Siau Li Shen (ext 753)

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

JF APEX SECURITIES BERHAD - DISCLAIMER

Disclaimer: The report is for internal and private circulation only and shall not be reproduced either in part or otherwise without the prior written consent of JF Apex Securities Berhad. The opinions and information contained herein are based on available data believed to be reliable. It is not to be construed as an offer, invitation or solicitation to buy or sell the securities covered by this report.

Opinions, estimates and projections in this report constitute the current judgment of the author. They do not necessarily reflect the opinion of JF Apex Securities Berhad and are subject to change without notice. JF Apex Securities Berhad has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

JF Apex Securities Berhad does not warrant the accuracy of anything stated herein in any manner whatsoever and no reliance upon such statement by anyone shall give rise to any claim whatsoever against JF Apex Securities Berhad. JF Apex Securities Berhad may from time to time have an interest in the company mentioned by this report. This report may not be reproduced, copied or circulated without the prior written approval of JF Apex Securities Berhad.

Published & Printed by:

JF Apex Securities Berhad (47680-X)

(A Participating Organisation of Bursa Malaysia Securities Berhad)