

14 June 2021

IJM Plantations

Proposed MGO Likely to Happen

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Pending shareholders' approval at an EGM, we think the votes are likely to be in favour of the disposal. This will then trigger an MGO and KLK will extend the same offer (RM3.10/share + RM0.10 DPS) to the remaining shareholders. We recommend ACCEPT OFFER given the premium valuations against closest peer – PER (41%), PBV (101%), and EV/planted Ha (39%).

Conditional SPA. IJM Corp (IJM) has agreed and entered into a conditional SPA with Kuala Lumpur Kepong's (KLK) for the disposal of the entire 56.2% stake in IJM Plantations (IJMP) for an offer price of RM3.10/share + RM0.10 DPS payable to IJM on 30 July 2021. The acquisition is still subject to shareholders' approvals at EGM which will be convened at a later date.

Fair price, attractive for shareholders. The offer price of RM3.10/share + RM0.10 DPS translates into an EV/planted Ha of c.RM54k (in line with market price). IJMP's estates are located in Sabah (41%) and Indonesia (59%) with an average EV/planted Ha of c.RM80k and c.RM40k, respectively – giving the aggregated estate an average market price of c.RM56k. Meanwhile, the implied FY22E PER/PBV is 23.6x/1.9x (41%/101% premium to closest upstream peer HSPLANT) which is highly attractive. EV/planted Ha for HSPLANT is c.RM39k. Operationally, we believe IJMP will benefit from the synergy of its operations in Sabah, East Kalimantan, and Sumatra as well as KLK's more efficient production cost structure.

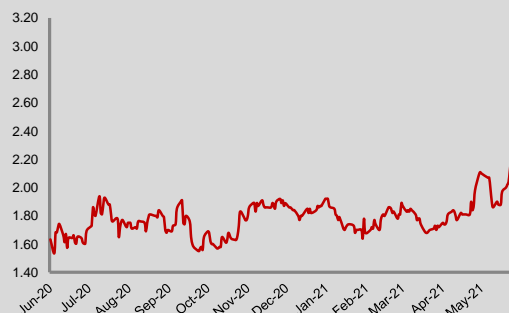
No changes to earnings estimate.

ACCEPT OFFER of RM3.10. We think shareholders are likely to vote in favour of the acquisition. Upon the SPA turning unconditional, this will trigger a MGO and KLK will extend the same offer to the remaining shareholders. KLK does not intend to maintain IJMP's listing status should they achieve 90% acceptance. We recommend IJMP shareholders to **accept the offer** given the attractive valuations against closest peer – PER (41% premium), PBV (101% premium), EV/planted Ha (39% premium).

ACCEPT OFFER

Price: RM3.06
Target Price: RM3.10

Share Price Performance



KLCI	1,575.16
YTD KLCI chg	-3.2%
YTD stock price chg	68.1%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	IJMP MK Equity
Market Cap (RM m)	2,694.6
Shares Outstanding	880.6
52-week range (H)	3.07
52-week range (L)	1.52
3-mth avg daily vol:	1,267,773
Free Float	16%
Beta	1.3

Major Shareholders

IJM Corporation Bhd	56.2%
Employees Provident Fund Board	12.6%
Kumpulan Wang Persaraan	4.7%

Summary Earnings Table

FY Mar (RM m)	2021A	2022E	2023E
Turnover	935.7	969.4	1,005.6
EBIT	289.5	227.9	244.0
PBT	272.1	173.2	187.7
Net Profit (NP)	205.1	119.2	130.1
Core NP	122.7	119.2	130.1
Consensus (CNP)	N.A.	141.9	128.7
Earnings Revision	N.A.	0%	0%
Core EPS (sen)	13.9	13.5	14.8
Core EPS grwth (%)	252.3	-2.8	9.1
NDPS (sen)	10.0	6.0	6.0
BV/Share (RM)	1.63	1.71	1.80
Core PER (x)	22.0	22.6	20.7
Price/BV (x)	1.88	1.79	1.70
Net Gearing (x)	0.3	0.3	0.2
Net Dvd Yield (%)	3.3	2.0	2.0

Income Statement

FY Mar (RM m)	2019A	2020	2021A	2022E	2023E
Revenue	631	739	936	969	1,006
EBITDA	119	123	406	352	368
Depreciation	(112)	(112)	(117)	(124)	(124)
Operating Profit	7	11	289	228	244
Total Financial Costs	(51)	(61)	(17)	(55)	(56)
JV & Associates	-	-	-	-	-
PBT	(43)	(50)	272	173	188
Taxation	(1)	(23)	(57)	(43)	(47)
Minority Interest	8	10	(10)	(11)	(11)
Net Profit	(36)	(63)	205	119	130
Core Net Profit	(11)	35	123	119	130

Balance Sheet

FY Mar (RM m)	2019A	2020	2021A	2022E	2023E
Fixed Assets	1,696	1,526	1,583	1,580	1,577
Intangible Assets	141	226	228	228	228
Other FA	155	157	149	149	149
Inventories	79	73	76	99	-
Receivables	47	58	91	81	-
Other CA	26	12	17	17	17
Cash	139	241	217	421	577
Total Assets	2,282	2,295	2,361	2,575	2,548
Payables	71	76	100	104	-
ST Borrowings	137	149	196	139	139
Other ST Liability	0	10	10	10	10
LT Borrowings	651	758	501	685	685
Other LT Liability	93	118	130	130	130
Minorities Int.	3	(6)	3	3	3
Net Assets	1,328	1,189	1,421	1,504	1,581
Share Capital	923	923	923	923	923
Reserves	405	266	514	581	659
Equity	1,328	1,189	1,437	1,504	1,581

Cashflow Statement

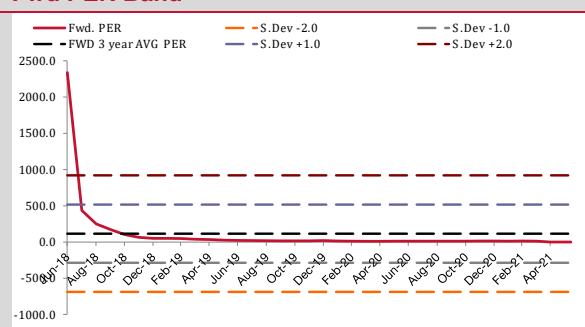
FY Mar (RM m)	2019A	2020	2021A	2022E	2023E
Operating CF	142	123	333	300	403
Investing CF	(173)	(182)	(103)	(121)	(121)
Financing CF	(108)	(89)	(30)	(167)	(169)
Change In Cash	(139)	(149)	200	13	114
Free CF	(30)	(60)	230	180	282

Source: Kenanga Research

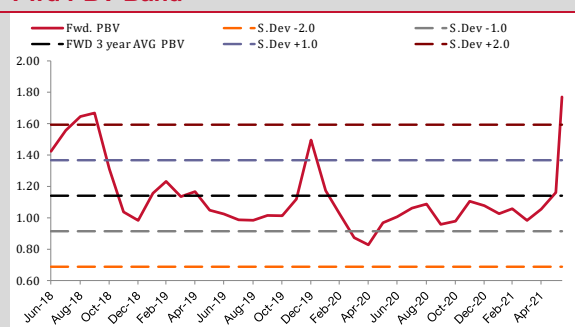
Financial Data & Ratios

FY Mar	2019A	2020A	2021A	2022E	2023E
Growth (%)					
Revenue	(15.6)	17.2	26.6	3.6	3.7
EBITDA	(41.6)	3.1	231.3	(13.4)	4.5
Operating Profit	(94.0)	45.1	2,582.6	(21.3)	7.0
Pre-tax Income	(156.0)	16.5	(639.2)	(36.3)	8.4
Core Net Income	(115.0)	(429.8)	252.3	(2.8)	9.1
Profitability (%)					
EBITDA Margin	18.9	16.6	43.4	36.3	36.6
Operating Margin	1.2	1.5	30.9	23.5	24.3
PBT Margin	(6.9)	(6.8)	29.1	17.9	18.7
Core Net Margin	(1.7)	4.7	13.1	12.3	12.9
Effective Tax Rate	(2.1)	(44.6)	21.0	25.0	25.0
ROE	(0.8)	2.9	8.5	7.9	8.2
ROA	(0.5)	1.5	5.1	4.6	5.1
DuPont Analysis					
Net Margin (%)	(1.7)	4.7	13.1	12.3	12.9
Assets T/over (x)	0.3	0.3	0.4	0.4	0.4
Leverage Factor(x)	1.7	1.9	1.7	1.7	1.6
ROE (%)	(0.8)	2.9	8.5	7.9	8.2
Leverage					
Debt/Asset (x)	34.5	39.5	29.2	32.0	32.3
Debt/Equity (x)	59.3	76.3	48.5	54.8	52.1
Net Cash/(Debt)	(648.5)	(666.3)	(480.5)	(402.7)	(247.3)
Net Debt/Equity (x)	0.5	0.6	0.3	0.3	0.2
Valuations					
EPS (sen)	(4.1)	(7.2)	23.3	13.5	14.8
Core EPS (sen)	(1.2)	4.0	13.9	13.5	14.8
NDPS (sen)	2.0	2.0	10.0	6.0	6.0
BVPS (RM)	1.5	1.3	1.6	1.7	1.8
PER (x)	(74.1)	(42.5)	13.1	22.6	20.7
Core PER (x)	(255.2)	77.4	22.0	22.6	20.7
Net Div. Yield (%)	0.7	0.7	3.3	2.0	2.0
P/BV (x)	2.0	2.3	1.9	1.8	1.7
EV/EBITDA (x)	28.1	27.4	7.8	8.8	8.0

Fwd PER Band



Fwd PBV Band



Source: Bloomberg, Kenanga Research

14 June 2021

Peer Comparison

Name	Last Price	Market Cap	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div. Yld. (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.		
STOCKS UNDER COVERAGE																	
FGV HOLDINGS BHD	1.32	4,815.6	Y	12/2021	5.5%	1.7%	18.3%	12.2%	93.5	23.8	18.8	1.2	1.1	6.7%	1.5%	1.30	MP
GENTING PLANTATIONS BHD	7.57	6,791.8	Y	12/2021	-1.7%	5.5%	31.2%	9.1%	28.5	21.7	19.9	1.4	1.3	6.3%	2.5%	8.65	MP
HAP SENG PLANTATIONS HLDGS	1.96	1,567.4	Y	12/2021	8.4%	4.2%	39.2%	6.5%	22.6	16.3	15.3	0.9	0.9	5.6%	3.6%	2.15	OP
IJM PLANTATIONS BHD	3.06	2,694.6	N	03/2022	3.6%	3.7%	-2.8%	9.1%	22.0	22.6	20.7	1.9	1.8	8.1%	2.0%	3.10	Accept Offer
IOI CORPORATION BHD	4.00	25,022.4	Y	06/2021	24.2%	6.2%	23.8%	5.6%	33.0	29.8	22.8	2.7	2.5	10.8%	2.1%	4.20	MP
KUALA LUMPUR KEPONG BHD	21.54	23,232.1	Y	09/2021	14.1%	2.5%	53.7%	3.5%	30.6	19.9	19.2	2.1	2.0	10.4%	2.6%	25.10	OP
PPB GROUP BERHAD	18.58	26,431.9	Y	12/2021	18.4%	11.1%	3.3%	7.9%	20.2	19.6	18.1	1.2	1.1	6.0%	2.2%	19.80	MP
SIME DARBY PLANTATION BHD	4.13	28,561.9	Y	12/2021	17.2%	5.0%	102.3%	4.7%	33.9	16.8	16.0	2.1	2.0	12.2%	3.9%	5.65	OP
TA ANN HOLDINGS BERHAD	2.88	1,268.5	Y	12/2021	6.2%	3.2%	60.7%	6.9%	19.9	12.4	11.6	0.9	0.8	6.9%	3.5%	3.05	MP
TSH RESOURCES BHD	1.09	1,504.4	Y	12/2021	19.8%	1.4%	7.5%	11.3%	20.9	19.4	17.5	1.0	0.9	7.8%	2.3%	0.970	UP
UNITED MALACCA BHD	5.18	1,086.6	Y	04/2021	38.8%	9.1%	72.9%	60.6%	N.A.	32.0	19.9	0.8	0.8	2.6%	1.7%	5.30	MP
Simple Average					14.0%	4.9%	37.3%	12.5%	32.5	21.3	18.2	1.5	1.4	7.6%	2.5%		

Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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