IJM Corporation

Offer Not Compelling; REJECT

OUTPERFORM ↔

Price: RM2.75

Target Price: RM3.40 ↔

By Teh Kian Yeong / tehky@kenanga.com.my

IJM has received a conditional voluntary takeover offer from SUNWAY (UP; TP: RM4.73) to acquire all outstanding shares at RM3.15, comprising 10% cash and 90% consideration via new SUNWAY shares issued at RM5.65. We view the offer as unattractive, as it is below our TP of RM3.40, while the share-swap component values SUNWAY at a lofty CY26F PER of 27.6x vs. 19.4x for IJM. Accordingly, we recommend IJM shareholders to REJECT the offer. OUTPERFORM maintained at TP of RM3.40.

Acquisition offer at RM3.15 per share. Yesterday, IJM announced that it had received a conditional voluntary takeover offer from SUNWAY (UP; TP: RM4.73) to acquire all outstanding IJM shares at an offer price of RM3.15 per share. The consideration comprises: (i) 10% or RM0.315 per share in cash, and (ii) 90% or RM2.835 per share via the issuance of new SUNWAY shares at an issue price of RM5.65. SUNWAY does not intend to maintain IJM's listing status should the public shareholding spread requirement is not met. Completion of the exercise is expected by 3QCY26.

Offer price lacks attractiveness. In our view, the offer price of RM3.15 is unattractive for IJM shareholders, as it is below our fair value estimate of RM3.40. In addition, the implied valuation is unfavourable, with SUNWAY's issue price of RM5.65 translating into a lofty CY26F PER of 27.6x, compared with 19.4x CY26F PER implied by the RM3.15 offer for IJM. Based on our SUNWAY's TP of RM4.73, the implied value of the offer for IJM is only RM2.69, which is below both the current share price of RM2.75 and our TP of RM3.40. While we are unfavourably inclined towards the offer price, we acknowledge that the enlarged entity could enhance operational efficiency, potentially improving IJM's construction margins, alongside possible synergies across the property and industrial manufacturing segments.

Outlook. IJM targets RM6b–RM8b in order book replenishment for FY26, underpinned by multiple large-scale opportunities including three data centre jobs, two industrial projects, and the >RM1b Nusantara civil servant housing project. Management expects to secure another hyperscaler data centre contract by end-FY26. Other key prospects include the Penang LRT Mutiara Line (Package 2), Menara 118's block, Penang Airport expansion, and road projects in Sarawak.

Forecasts: Maintain our earnings forecasts which assume job wins of RM5b each in FY26 and FY27.

Valuations. We maintain our SoP-based TP to RM3.40 (see Page 2). Our valuation for the construction segment remains unchanged at 22x CY27F PER, consistent with our approach for large-cap peers such as **GAMUDA (OP; TP: RM6.13)** and **SUNCON (OP; TP: RM6.50).** No ESG-related adjustment is made to our TP, in line with our 3-star ESG rating (see Page 5).

Investment case. We like IJM as: (i) it is poised to garner a slice of action in the Penang LRT Mutiara Line given its involvement in the previous LRT projects, (ii) its strong earnings visibility is underpinned by an outstanding construction order book of RM9.3b and new property sales of RM187m in 1QFY26, (iii) its Kuantan Port is the largest port in the East Coast, capturing export and import activities growth, and (iv) the potential divestment of its toll road to lighten its balance sheet and recycle capital could act as a re-rating catalyst. However, given the unattractive offer price of RM3.15, **we recommend that shareholders reject SUNWAY's offer,** and maintain our target price of RM3.40. **OUTPERFORM** maintained.

Risks to our call include: (i) sustained weak construction job flow, (ii) project cost overrun and liabilities arising from liquidated ascertained damages (LAD), and (iii) rising cost of building materials.

Share Price Performance

KLCI	1,695.44
YTD KLCI chg	0.9%
YTD stock price chg	21.1%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	IJM MK EQUITY
Market Cap (RM m)	9,639.2
Shares Outstanding	3,505.2
52-week range (H)	3.13
52-week range (L)	1.79
3-mth avg. daily vol.	7,946,548
Free Float	80%
Beta	1.1

Major Shareholders

Employees Provident Fund	18.4%
Amanah Saham Nasional	12.9%
Kumpulan Wang Persaraan	9.6%

Summary Earnings Table

FY Mar (RM m)	2025A	2026F	2027F
Turnover	6252.0	6453.8	6941.8
EBIT	1059.6	1155.3	1234.0
PBT	791.1	929.6	1013.6
Net Profit (NP)	**403.4**	**526.5**	**579.5**
Core Net Profit	**470.9**	**526.5**	**579.5**
Consensus (NP)	-	482.5	562.6
Earnings Revision (%)	-	-	-
Core EPS (sen)	12.9	14.4	15.9
Core EPS Growth (%)	-8.2	11.8	10.1
NDPS (sen)	8.0	8.0	8.0
BVPS (RM)	2.82	2.88	2.96
NTA/share (RM)	2.79	2.85	2.93
PER (x)	16.3	19.1	17.3
PBV (x)	0.75	0.96	0.93
P/NTA (x)	0.75	0.97	0.94
Net Gearing (x)	0.33	0.28	0.30
Net Div. Yield (%)	3.8	2.9	2.9

IJM's Data Centre Project

	Date	Effective Contract Value (RM b)	Client	Remark
1	Jun 2024	0.33	TM Technology	DC in Iskandar Puteri
2	Aug 2024	0.25	Undisclosed	50:50 JV with Woh Hup to build a DC from an international DC developer
3	Feb 2025	0.26	Undisclosed	60% JV to build a DC in Johor
4	Aug 2025	1.40	Undisclosed	DC in Pulai
5	Oct 2025	1.26	SIMEPROP	Pearl Computing DC in Elmina Business Park (C&S package)
6	Oct 2025	0.87	Pearl Computing	Pearl Computing DC in Elmina Business Park (M&E package)

Source: Company, Kenanga Research

IJM's Sum-of-Parts Valuation

	Valuation (RM m)	Basis
Construction & Building Materials	6,691.5	22x CY26 PER
Property	3,839.1	50% discount to RNAV
Ports (60% ownership)	1,276.1	20x CY26 PER
Toll-way Concessions	1,773.0	DCF Equity value
Net Debts	-1,162.9	Estimated FY27F
SoP	12,416.8	
SoP (RM/share)	**3.40**	

Source: Company, Kenanga Research

IJM's Property RNAV

Project	Remaining land bank (acres)	Outstanding GDV (RM m)	NPV of profit (RM m)
Land banks (as of FY23)			
Penang	160	11,674	162.5
Klang Valley	964	15,437	214.8
Johor	387	4,315	60.1
Seremban	890	5,207	72.5
Pahang	1,083	453	6.3
Sabah	215	3,078	42.8
Overseas	0.45	724	36.7
	3,699	**40,889**	**595.6**
Unbilled Sales (as of FY23)		3,000	**278.0**
Property NAV (as of FY21)			**6,804.6**
Total RNAV			**7,678.2**
Discount to RNAV			50%
Discounted RNAV			**3,839.1**

Source: Company, Kenanga Research

Income Statement

FY Mar (RM m)	2023A	2024A	2025A	2026F	2027F
Revenue	4409	5919	6252	6454	6942
EBITDA	986	1380	1329	1427	1519
Depreciation	-367	-301	-269	-272	-285
EBIT	619	1079	1060	1155	1234
Interest Expense	-188	-307	-283	-280	-271
Associate	-64	-31	-55	-62	-64
Exceptional	535	87	-68	0	0
PBT	1068	964	791	930	1014
Taxation	-183	-299	-324	-325	-355
Perpetual Sukuk	-47	-47	-50	-60	-60
Minority Interest	-44	-18	-14	-18	-20
Net Profit	795	600	403	527	580
Core Net Profit	260	513	471	527	580

Balance Sheet

FY Mar (RM m)	2023A	2024A	2025A	2026F	2027F
Fixed Assets	979	1098	1232	1245	1257
Associates	941	1262	1387	1387	1387
JV	550	607	715	715	715
Intangibles	94	125	112	112	112
Other FA	6112	6120	5936	6032	6254
Inventories	6673	6297	6454	6197	6685
Receivables	1262	1752	2265	2118	2278
Other CA	1075	1183	1175	1213	1305
Cash	2825	2870	2494	2694	2016
Total Assets	20511	21315	21769	21714	22010
Payables	2680	2758	3131	3042	3277
ST Borrowings	1704	1724	1874	1811	1358
Other ST Liability	417	533	519	536	576
LT Borrowings	3630	3792	3961	3782	3879
Other LT Liability	1119	1190	954	984	1059
Perpetual Sukuk	848	848	851	850	850
Minority Int.	269	255	203	210	226
Net Assets	**9844**	**10217**	**10276**	**10498**	**10786**
Share Capital	6132	6132	6132	6132	6132
Reserves	3711	4084	4144	4366	4653
Equity	**9844**	**10217**	**10276**	**10498**	**10786**

Cashflow Statement

FY Mar (RM m)	2023A	2024A	2025A	2026F	2027F
Operating CF	1075	1167	574	834	70
Investing CF	-159	-295	-766	-100	-100
Financing CF	-1001	-835	-173	-534	-648
Change In Cash	-86	37	-364	200	-678
Free CF	916	872	-191	734	-30

Financial Data & Ratios

FY Mar	2023A	2024A	2025A	2026F	2027F
Growth (%)					
Revenue	-21.6	34.2	5.6	3.2	7.6
EBITDA	-29.3	40.0	-3.7	7.4	6.5
Operating Income	-36.9	74.3	-1.8	9.0	6.8
Pre-tax Income	37.0	-9.7	-18.0	17.5	9.0
Net Income	84.1	-24.5	-32.8	30.5	10.1
Core Net Income	-45.5	97.3	-8.2	11.8	10.1
Profitability (%)					
EBITDA Margin	22.4	23.3	21.3	22.1	21.9
Operating Margin	14.0	18.2	16.9	17.9	17.8
PBT Margin	24.2	16.3	12.7	14.4	14.6
Net Margin	18.0	10.1	6.5	8.2	8.3
Core Net Margin	5.9	8.7	7.5	8.2	8.3
Effective Tax Rate	17.1	31.0	40.9	35.0	35.0
ROE	1.7	2.6	2.4	3.7	3.9
ROA	1.6	6.0	3.9	5.1	5.4
DuPont Analysis					
Net margin (%)	5.9	8.7	7.5	8.2	8.3
Assets Turnover (x)	0.2	0.3	0.3	0.3	0.3
Leverage Factor (x)	2.1	2.1	2.1	2.1	2.0
ROE (%)	2.6	5.0	4.6	5.0	5.4
Leverage					
Debt/Asset (x)	0.26	0.26	0.27	0.26	0.24
Debt/Equity (x)	0.54	0.54	0.57	0.53	0.49
Net Debt/(Cash)	-2509	-2645	-3341	-2899	-3221
Net Debt/Equity (x)	0.25	0.26	0.33	0.28	0.30
Valuations					
Core EPS (sen)	9.6	14.1	12.9	14.4	15.9
NDPS (sen)	8.0	8.0	8.0	8.0	8.0
BV/share (RM)	2.80	2.80	2.82	2.88	2.96
NTA/share (RM)	2.77	2.77	2.79	2.85	2.93
Core PER (x)	16.6	17.3	16.3	19.1	17.3
Net Div. Yield (%)	5.0	3.3	3.8	2.9	2.9
PBV (x)	0.57	0.87	0.75	0.96	0.93
P/NTA (x)	0.58	0.88	0.75	0.97	0.94
EV/EBITDA (x)	7.3	8.3	8.3	9.1	8.7

Source: Kenanga Research

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net. Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
GAMUDA	OP	4.86	6.13	26.1%	28,682.1	Y	07/2026	23.8	33.7	37.3%	41.6%	20.4	14.4	2.2	11.0%	10.0	2.1%
IJM	OP	2.75	3.40	23.6%	9,639.2	Y	03/2026	14.4	15.9	11.8%	10.1%	19.1	17.3	1.0	5.1%	8.0	2.9%
KERJAYA	OP	2.68	3.05	13.8%	3,369.7	Y	12/2025	16.7	18.9	29.8%	13.2%	16.0	14.2	2.8	17.8%	12.0	4.5%
KIMLUN	OP	1.40	1.50	7.1%	544.2	Y	12/2025	21.8	20.3	70.1%	-6.8%	6.4	6.9	0.6	10.3%	2.0	1.4%
SUNCON	OP	6.17	6.50	5.3%	8,153.2	Y	12/2025	27.0	28.1	115.4%	3.9%	22.8	22.0	12.6	46.2%	48.0	7.8%
WCT	OP	0.640	1.25	95.3%	997.7	Y	12/2025	5.0	5.6	67.4%	12.7%	12.8	11.4	0.3	2.1%	0.5	0.8%
Sector Aggregate					**51,386.1**					**45.1%**	**25.6%**	**19.6**	**15.6**	**1.7**	**8.8%**		**3.2%**

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	☆		
	Corporate Social Responsibility	★	★	★	☆	
	Management/Workforce Diversity	★	★	★		
	Accessibility & Transparency	★	★	★		
	Corruption-Free Pledge	★	★	★		
	Carbon-Neutral Initiatives	★	★	★	★	
SPECIFIC	Migrant Worker Welfare	★	★	★	☆	
	Waste Disposal/Pollution Control	★	★	★		
	Work Site Safety	★	★	★	☆	
	Environmentally Friendly Construction Technology	★	★	★	☆	
	Supply Chain Auditing	★	★	★		
	Energy Efficiency	★	★	★	★	
	OVERALL	★	★	★		

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

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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KENANGA INVESTMENT BANK BERHAD (15678-H)
Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my