

# Sunway

## Offering to Acquire IJM

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SUNWAY has proposed a conditional voluntary take-over offer to acquire all 3,505,166,120 ordinary shares of IJM at an offer price of RM3.15 per share, to be satisfied by both cash and new share issuances. With a minimum valid acceptance of >50%, the offer may result in a dilution of 13%-26% to SUNWAY shareholders. That said, given IJM's solid earnings track record and a higher issuance price of RM5.65 for SUNWAY, the group could still see a net increase to its fully diluted EPS by 7%-22%, adjusted for further debt raised to fund the said portion. Assuming the deal goes through, this will create a national construction and property leader. We would also anticipate our fair value uplifted to RM5.05-RM5.30 based on the combined operations, where we have given some benefit to improved property segment valuations. We maintain our UNDERPERFORM call and SoP-TP of RM4.73, as we believe IJM shareholders may likely REJECT said offer, premised on the offer price being lower than our TP of RM3.40 for the stock (see note on IJM published concurrently). On the other hand, we believe SUNWAY shareholders would vote positively for the proposed exercise as it is a net benefit to SUNWAY as a group.

**An offer of shares and cash.** SUNWAY's proposed offer price of RM3.15 per share implies a 7.5% premium to IJM's NAV per share of RM2.93 and 28% of its 1-month VWAMP. This is notably lower than our TP of RM3.40 from an applied 22x FY26 PER, similar to SUNCON.

The consideration of the offer consists of 10% cash payment and 90% in issuance of new SUNWAY shares valued at RM5.65. Given IJM's total implied market cap of RM11b, alongside a 50%+1 share ownership scenario being required to trigger the voluntary take-over, we could see the issuance of **879.4m (minimum scenario) to 1.76b (maximum scenario)** new SUNWAY shares (i.e. 13%-26% dilution). Meanwhile, we understood that the cash consideration (up to RM1.1b) would be funded by borrowings and internal funds.

The proposed exercise is expected to be completed by 3QCY26. If 75% shareholder acceptance is met or exceeded, SUNWAY has indicated that it will seek to delist IJM, otherwise it will keep IJM listed. If a 90% threshold is achieved, SUNWAY will proceed with compulsory acquisition of IJM shares it does not own prior to then delisting IJM.

**Net benefit throughout for SUNWAY.** Our in-house estimates for CY26F earnings for SUNWAY and IJM are RM1.36b and RM540m, respectively. Incorporating IJM into SUNWAY would result in an **EPS expansion from 20.3 sen to between 24.7 sen** (+22%, minimum scenario) and **21.8 sen** (+7%, maximum scenario). This accounts for potential additional borrowings of up to RM1.1b to fulfil the abovementioned cash consideration.

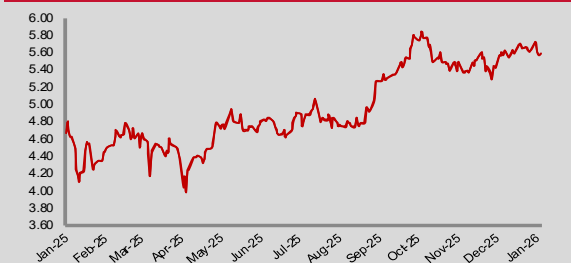
Given that the two groups have overlapping sectors, it is possible for the consolidated entity to enjoy synergistic gains via better PPE utilisation, better optimisation of expertise and land banking, as well as stronger brand equity utilisation, tapping on the more prominent SUNWAY brand. Meanwhile, IJM would provide SUNWAY exposure into previously untapped segments such as ports management (via a 60%-stake in Kuantan Ports) as well as highway toll-concessions.

On the other hand, both groups operate separate quarry mining business, with SUNWAY largely dealing with asphalt and IJM with granite and other building materials, thereby able to complement each other's supply chain.

# UNDERPERFORM ↔

**Price :** RM5.60  
**Target Price :** RM4.73 ↔

### Share Price Performance



KLCI	1,697.24
YTD KLCI chg	1.0%
YTD stock price chg	-0.4%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SWB MK Equity
Market Cap (RM m)	37,858.4
Shares Outstanding	6,760.4
52-week range (H)	5.85
52-week range (L)	3.98
3-mth avg daily vol:	7,540,671
Free Float	48%
Beta	1.13

### Major Shareholders

Sungei Way Corp Sdn Bhd	47.2%
Jef-San Enterprise Sdn Bhd	9.5%
Employee Provident Fund	8.6%

### Summary Earnings Table

FYE Dec (RM m)	2024A	2025F	2026F
<b>Turnover</b>	7,883	12,790	10,721
Operating Profit	887	1,825	1,453
Profit Before Tax	1,524	2,217	1,807
<b>Net Profit</b>	<b>1,155</b>	<b>1,676</b>	<b>1,366</b>
<b>Core Net Profit</b>	<b>1,006</b>	<b>1,676</b>	<b>1,366</b>
Consensus (NP)	-	1,200	1,301
Earnings Revision (%)	-	-	-
Core EPS (sen)	15.1	25.1	20.5
Core EPS Growth (%)	47.2	66.6	(18.5)
NDPS (sen)	6.0	6.5	6.5
BVPS (RM)	2.25	2.43	2.57
PER (x)	37.1	22.3	27.3
PBV (x)	2.49	2.30	2.18
Net Gearing (x)	0.44	0.72	0.55
Net Div. Yield (%)	1.1	1.2	1.2

\* Defined as core earnings attributable to ordinary shareholders excluding preferential dividends owing to ICPS issuances



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**Enlarged value would also be a boon to TP, albeit still lower than the offered RM5.65 per share.** (refer to the overleaf for our detailed analysis of additional TP accretion)

Between SUNWAY and IJM (which is also based on a SoP-TP), we believe there could be additional valuation rerating, in particular with regards to its **property development sector, which we could realign to SUNWAY's 40% RNAV discount from IJM's existing 50%-discount.** Between the minimum and maximum scenario, our TP to be revalued to **RM5.05-RM5.30** with the take-over's completion. This would imply a FY26F PER of 20x-24x between minimum and maximum scenarios, respectively.

With regards to the upcoming listing of Sunway Healthcare Holdings, we derive a RM11.6b valuation which is derived from a 20x FY26F EV/EBITDA, resulting in an effective 84%-SoP market cap contribution of RM9.7b. Assuming its eventual listing valuation is greater-than-expected, we opine that every RM1b additional market cap value would increase our post-IPO TP by c.9 sen.

**Forecast.** We leave our forecast unchanged for now, pending the completion of the deal, should it achieve its minimum subscription scenario.

**Maintain UNDERPERFORM and SoP-TP of RM4.73,** as we had not consolidated IJM into the group's operations and valuations as of this report. That said, even at the higher-end TP of RM5.30, we would still see a 5% capital downside from SUNWAY's current share price.

We like SUNWAY for: (i) having an eye for good land parcels, enabling it to execute quick turnaround for its property projects, (ii) its growing private health-care business backed by a pipeline of new medical centres within brownfield townships, (iii) a diversified range of investment assets that provides recurring incomes, and (iv) its well-established *Sunway* brand. However, its valuations appear excessive following the run-up in its share prices. A strong rerating could be in a higher-than-expected listing valuation for its healthcare unit in the planned pipeline.

**Risks to our call include:** (i) a strong pick-up in the property, hospitality, and MICE sectors, (ii) improvements to affordability, and (iii) improved spending confidence, prompting consumers to buy big-ticket items including properties.

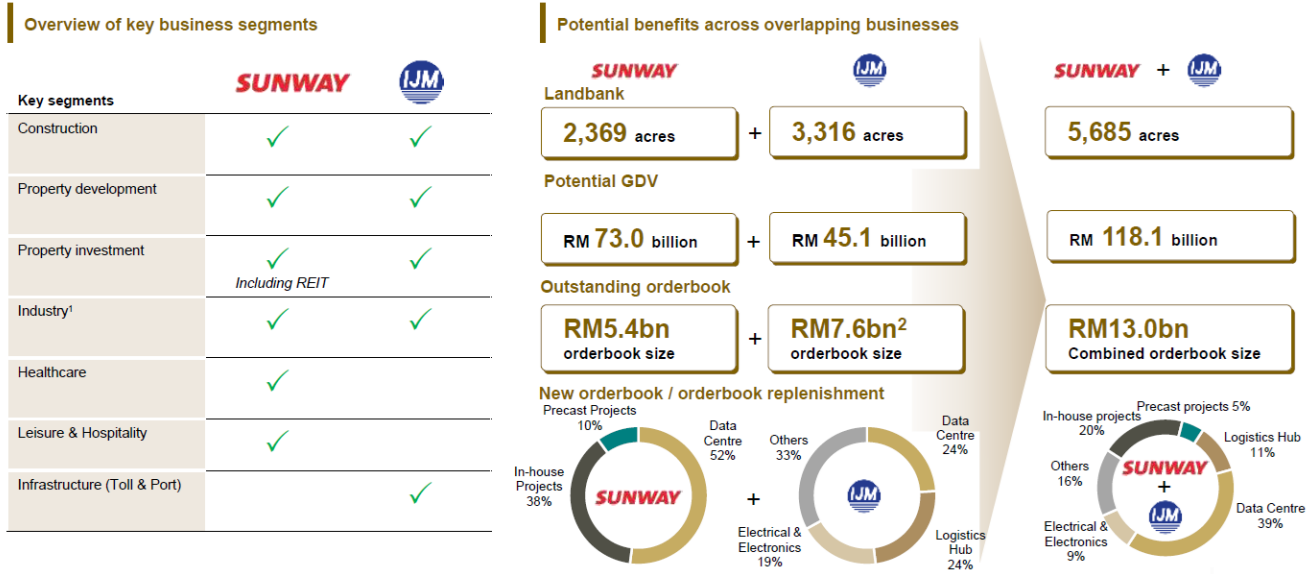
## Appendix

**Fig 1: Proposed Take-Over Offer and Indicative Dilution to Shares**

IJM's Entire Share Base		3,505.17
	Offer Value Per Share	Total Offer Value (RM m)
	<b>3.150</b>	<b>11,041.27</b>
Cash (10%)	0.315	1,104.13
SUNWAY shares (90%)	2.835	9,937.15
	<b>Issue Price (RM)</b>	5.650
	<b>Maximum New SUNWAY Shares (m)</b>	<b>1,758.79</b>
	<b>SUNWAY's Current Share base (m)</b>	6,714.25
	<b>Maximum Enlarged Share Base (m)</b>	<b>8,473.04</b>
	<b>% threshold</b>	<b>New Sunway Shares</b>
		<b>Dilution</b>
Minimum Scenario (50%+1)	879.39	13.1%
Max Scenario (100%)	1,758.79	26.2%
	<b>% threshold</b>	<b>Est. Interest Cost</b>
		<b>Additional Interest Cost (RM m)</b>
Minimum Scenario (50%+1)	5.0%	27.60
Max Scenario (100%)	5.0%	55.21
	<b>CY26F Net Earnings</b>	<b>Earnings per Share (sen)</b>
		<b>Pre-IJM</b>
		<b>Min Scenario</b>
		<b>Max Scenario</b>
<b>SUNWAY</b>	1,366.2	
<b>IJM</b>	539.8	
<b>Combined</b>	1,906.0	
		<b>20.3</b>
		<b>24.7</b>
		<b>21.8</b>
		21.6%
		7.3%

Source: Company

**Fig 2: SUNWAY, IJM's Combined Business Overview**



Source: Company

**Fig 3: SUNWAY-IJM's Consolidated SoP Valuation**

SUNWAY's sum-of-parts valuation			Additional value from IJM	
Segment	Value (RM m)	Valuation basis	Value (RM m)	Valuation basis
Property Development	10,920.4	40% discount to RNAV	4,606.9	Rebased Property RNAV discount to 40% from 50%
Real estate investment trust	3,462.1	Kenanga's TP of RM2.22 for SUNREIT		
Property Investment (Ex-SUNREIT)	2,508.1	1.0x PBV based on FY24		
Construction	4,576.1	Kenanga's TP of RM6.50 for SUNCON	6,691.5	
Trading & Manufacturing	504.1	P/E of 10x on FY26 earnings		
Quarry	126.2	P/E of 12x on FY26 earnings		
Healthcare	9,703.6	20x on FY26 EV/EBITDA		
Investment Holdings & Others	245.0	P/E of 7x on FY26 earnings		
Ports (60% ownership)			1,276.1	20x CY26 PER
Toll-way concessions			1,773.0	DCF valuation
Net cash / (debt) at holding company level	(315.0)	As at 31 Dec 2024	(1,162.9)	
<b>Aggregate Valuation</b>	<b>31,730.6</b>		<b>13,184.6</b>	
No of shares (m)	6,714.3			
<b>FV per share (RM)</b>	<b>4.73</b>			

Source: Company

**Fig 4: SUNWAY-IJM's Consolidated TP**

Segment	Min Scenario	Max Scenario
Property Development	13,223.9	15,527.4
Real estate investment trust	3,462.1	3,462.1
Property Investment (Ex-SUNREIT)	2,508.1	2,508.1
Construction	7,921.8	11,267.6
Trading & Manufacturing	504.1	504.1
Quarry	126.2	126.2
Healthcare	9,703.6	9,703.6
Investment Holdings & Others	245.0	245.0
Ports (60% ownership)	638.1	1,276.1
Toll-way concessions	886.5	1,773.0
Net cash / (debt) at holding company level	(896.5)	(1,477.9)
<b>Aggregate Valuation</b>	<b>38,322.9</b>	<b>44,915.2</b>
No of shares (m)	7,593.64	8,473.04
<b>FV per share (RM)</b>	<b>5.05</b>	<b>5.30</b>

Source: Company

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**Income Statement**

FY Dec (RM m)	2022A	2023A	2024A	2025F	2026F
<b>Revenue</b>	<b>5,195</b>	<b>6,140</b>	<b>7,883</b>	<b>12,790</b>	<b>10,721</b>
<b>Operating Profit</b>	583	664	887	1,825	1,453
Depreciation	-130	-141	-144	-160	-175
Interest Inc/(Exp)	-14	-71	-6	-154	-220
Associate Earnings	351	397	643	546	575
<b>Profit Before Tax</b>	<b>920</b>	<b>990</b>	<b>1,524</b>	<b>2,217</b>	<b>1,807</b>
Taxation	-167	-138	-242	-355	-289
Minority Interest	-76	-118	-128	-186	-152
<b>PATAMI</b>	<b>677</b>	<b>735</b>	<b>1,155</b>	<b>1,676</b>	<b>1,366</b>
<b>Core PATAMI</b>	<b>626</b>	<b>684</b>	<b>1,006</b>	<b>1,676</b>	<b>1,366</b>

**Balance Sheet**

FY Dec (RM m)	2022A	2023A	2024A	2025F	2026F
<b>Fixed Assets</b>	1,265	1,358	1,472	1,612	1,738
Intangible Assets	378	388	388	388	388
Other Fixed Assets	16,079	16,893	16,754	21,554	21,554
Inventories	3,280	3,425	4,124	6,658	5,581
Receivables	1,969	1,900	2,431	4,731	3,965
Other Current Assets	1,135	2,322	2,012	2,012	2,012
Cash	1,958	2,297	4,336	-842	1,124
<b>Total Assets</b>	<b>26,063</b>	<b>28,584</b>	<b>31,518</b>	<b>36,113</b>	<b>36,363</b>
Payables	1,312	1,565	2,520	3,560	3,056
ST Borrowings	5,361	6,017	5,971	8,371	8,371
Other ST Liability	1,360	1,659	1,531	1,531	1,531
LT Borrowings	3,095	3,624	4,904	4,904	4,904
Other LT Liability	1,384	718	652	652	652
<b>Net Assets</b>	<b>13,551</b>	<b>15,000</b>	<b>15,938</b>	<b>17,094</b>	<b>17,848</b>
Shareholders' Equity	12,520	13,850	14,991	16,146	16,901
Minority Interests	1,032	1,150	947	947	947
<b>Total Equity</b>	<b>13,551</b>	<b>15,000</b>	<b>15,938</b>	<b>17,094</b>	<b>17,848</b>

**Cashflow Statement**

FY Dec (RM m)	2022A	2023A	2024A	2025F	2026F
Operating CF	337	459	1,343	-2,322	2,581
Investing CF	-845	-558	188	-4,555	274
Financing CF	-325	416	570	1,698	-888
Change In Cash	-832	316	2,101	-5,179	1,967
Free CF	245	344	1,042	-2,623	2,281

**Financial Data & Ratios**

FY Dec (RM m)	2022A	2023A	2024A	2025F	2026F
<b>Growth (%)</b>					
Turnover	39.8%	18.2%	28.4%	62.3%	-16.2%
EBITDA	31.0%	-688.5%	36.5%	-134.6%	-18.0%
Operating Profit	78.0%	13.9%	33.4%	105.8%	-20.4%
PBT	98.3%	7.7%	53.9%	52.8%	-12.5%
Core Net Profit	113.1%	9.3%	47.2%	75.0%	-12.5%
<b>Profitability (%)</b>					
Operating Margin	11.2%	10.8%	11.2%	14.3%	13.6%
PBT Margin	17.7%	16.1%	19.3%	18.2%	19.0%
Core Net Margin	12.0%	11.1%	12.8%	13.8%	14.4%
Effective Tax Rate	18.1%	13.9%	15.9%	16.0%	16.0%
ROA	2.6%	2.7%	3.8%	5.2%	4.2%
ROE	5.5%	5.6%	8.0%	11.2%	9.1%
<b>DuPont Analysis</b>					
Net Margin (%)	12.0%	11.1%	12.8%	13.8%	14.4%
Assets Turnover (x)	0.2	0.2	0.3	0.4	0.3
Leverage Factor (x)	2.1	2.1	2.1	2.2	2.1
ROE (%)	5.5%	5.6%	8.0%	11.2%	9.1%
<b>Leverage</b>					
Debt/Asset (x)	0.3	0.3	0.3	0.4	0.4
Debt/Equity (x)	0.7	0.7	0.7	0.8	0.8
Net (Cash)/Debt	6,498	7,344	6,539	9,149	6,832
Net Debt/Equity (x)	0.5	0.5	0.4	0.6	0.4
<b>Valuations</b>					
Core EPS (sen)	9.4	10.3	15.1	26.4	23.1
NDPS (sen)	5.0	5.5	6.0	6.5	6.5
BV/sh (RM)	1.9	2.1	2.2	2.4	2.6
PER (x)	59.7	54.6	37.1	21.2	24.2
Div. Yield (%)	0.9%	1.0%	1.1%	1.2%	1.2%
PBV (x)	3.0	2.7	2.5	2.3	2.1

Source: Kenanga Research

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## 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.				
<b>PROPERTY DEVELOPERS</b>																	
Eco World Development Group	OP	2.21	2.24	1.4%	7,100	Y	10/2026	15.9	16.2	14.9%	1.4%	13.9	13.7	1.0	7.7%	7.5	3.4%
IOI Properties Group Bhd	MP	2.94	2.30	-21.8%	16,188	Y	06/2026	11.2	12.4	112.2%	10.1%	26.2	23.8	0.6	4.5%	5.0	1.7%
LBS Bina Bhd	OP	0.405	0.640	58.0%	622	Y	12/2025	6.2	7.6	45.7%	23.3%	6.6	5.3	0.3	5.4%	2.3	5.7%
Mah Sing Group Bhd	OP	1.12	1.78	58.9%	2,867	Y	12/2025	10.5	11.0	12.0%	4.7%	10.7	10.2	0.7	6.4%	5.0	4.5%
Malaysian Resources Corp Bhd	MP	0.400	0.560	40.0%	1,787.0	Y	12/2025	1.8	1.4	19.2%	-18.9%	56.3	30.3	0.4	1.7%	1.0	2.5%
Paramount Corporation Bhd	OP	1.04	1.49	43.3%	648	Y	12/2025	17.9	21.3	8.6%	19.3%	5.8	4.9	0.4	7.5%	8.5	8.2%
S P Setia Bhd	OP	0.850	1.43	68.2%	4,253	Y	12/2025	6.1	7.3	-33.3%	18.9%	13.9	11.7	0.2	2.4%	2.0	2.4%
Sime Darby Property Bhd	OP	1.45	1.97	35.9%	9,861	Y	12/2025	8.3	8.6	11.9%	4.6%	17.5	16.8	0.9	5.3%	3.0	2.1%
Sunway Bhd	UP	5.60	4.73	-15.5%	37,858	Y	12/2025	25.0	20.3	66.6%	-18.5%	22.4	27.5	2.2	10.1%	6.5	1.2%
UOA Development Bhd	OP	1.88	1.94	3.2%	4,991	Y	12/2025	14.5	15.3	59.0%	5.4%	12.9	12.3	0.9	6.8%	13.0	6.9%
<b>SECTOR AGGREGATE</b>					<b>86,175</b>					<b>45.1%</b>	<b>-2.6%</b>	<b>21.1</b>	<b>21.7</b>	<b>0.7</b>	<b>5.6%</b>		<b>3.9%</b>

Source: Kenanga Research

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**Stock ESG Ratings:**

	Criterion	Rating				
<b>GENERAL</b>	Earnings Sustainability & Quality	★	★	★		
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	☆		
	Anti-Corruption Policy	★	★	☆		
	Emissions Management	★	★	☆		
<b>SPECIFIC</b>	Product Quality & Safety	★	★	★	★	
	Effluent/Water Management	★	★	★		
	Waste Management	★	★	★		
	Biodiversity & Conservation	★	★	★	☆	
	Green Building	★	★	★		
	Supply Chain Management	★	★	★		
<b>OVERALL</b>		★	★	★		

☆ 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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