

# Govt-linked entities hold key to Sunway's bid for IJM

## Takeover requires 75% of IJM shares for delisting

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MBSB Research

**PETALING JAYA:** Government-linked shareholders will make or break Sunway Bhd’s plan to delist IJM Corp Bhd, following its takeover offer announced on Monday.

The RM11bil voluntary takeover requires at least 75% of IJM shares to trigger the delisting.

For now, nearly half of IJM’s shareholding – 45.6% to be exact – is in the hands of five government-linked entities: the Employees Provident Fund, Amanah Saham Nasional Bhd, Retirement Fund Inc, Urusharta Jamaah Sdn Bhd and Permodalan Nasional Bhd.

In the worst case scenario, where the government-linked shareholders reject Sunway’s offer while every other shareholder accepts, the IJM takeover could still take place, albeit without delisting. Both Sunway and IJM would then continue operating as separately listed entities.

In a note yesterday, Kenanga Research recommended IJM shareholders reject Sunway’s offer, saying the offer was unattractive and that the implied valuation was unfavourable.

Separately, Hong Leong Investment Bank Research (HLIB Research) said an ownership level above 75% would be the most favourable outcome for Sunway.

It would allow greater scope to streamline, integrate and potentially restructure overlapping operations between IJM and Sunway, especially in the construction segment.

On Monday, Sunway launched a

proposed conditional voluntary take-over offer to acquire IJM at RM3.15 per share via a mixed consideration of 10% cash and 90% new Sunway shares.

This implies a consideration of about RM11bil on full acceptance.

The transaction is conditional on Sunway securing more than 50% ownership and relevant approvals, with potential delisting or full privatisation at higher acceptance levels.

Sunway does not intend to maintain IJM’s listing status, therefore it will not be taking any measures to address any shortfall in IJM’s public shareholding spread.

Bursa Malaysia generally requires listed companies to maintain at least 25% of total listed

shares in the hands of public shareholders.

However, the stock exchange operator can accept a lower public shareholding spread if it is satisfied that the reduced level is still sufficient to support a liquid, orderly market.

Generally, analysts are advising IJM shareholders to accept the offer, although MBSB Research said Sunway’s offer was “not great”.

“The offer price of RM3.15 is a 14.5% premium from IJM’s previous close and values the counter at a forward price-earnings multiple of 21.1 times, based on our estimates for 2027.

“This is in line with its five-year mean at 21.4 times. The offer price

is also close to IJM’s net tangible assets per share of RM3.17.

“While the offer price of RM3.15 is not great and a slight 4.3% discount to our revised fair value, we believe it is fair, based on the above comparisons,” MBSB Research said.

HLIB Research, meanwhile, said the offer represents a reasonable premium over book value, noting that a significant portion of IJM’s land is carried at historical cost, which understates its market value.

“This valuation is further supported by the potential synergies and cost efficiencies within the enlarged group.”

RHB Research said the acquisition of IJM would, among other

things, effectively double the scale of the business, with pro-forma revenue of RM17.1bil for the trailing 12-month period ended last September.

“Additionally, the deal enables streamlined management of underlying businesses via a consolidated platform and improving coordination across all operational layers. A larger market capitalisation and free float may provide potential to attract further institutional investors, driving higher trading liquidity.”

The proposed Sunway-IJM integration would create Malaysia’s largest property and construction conglomerate. The exercise is expected to be completed by the third quarter of this year.

The takeover has a “net benefit” for Sunway, said Kenanga Research.

“Our estimates for this year’s earnings for Sunway and IJM are RM1.36bil and RM540mil, respectively. Incorporating IJM into Sunway would result in an earnings per share expansion from 20.3 sen to between 24.7 sen (up 22% at the minimum) and 21.8 sen (up 7% at the maximum),” the research house said.