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# Once lucrative, now unattractive

THE independent adviser (IA) appointed by IJM Corp Bhd to advise its shareholders on the voluntary takeover offer (VTO) has taken the view that the offer made by Sunway Bhd is neither fair nor reasonable.

While the IA is entitled to their opinion and one must respect the view taken by them, one can always challenge the assumptions and method used in arriving at their conclusion.

With the offer still open until 5pm on Monday, April 6, IJM shareholders can make an informed decision, irrespective of the advice given by the IA.

## Sunway's offer

Sunway's offer at RM3.15 per share now comprises 32.5 sen in cash (an increase of one sen to take into account the distribution of a dividend of two sen per Sunway share) and 501 Sunway shares valued at RM5.65 each for every 1,000 IJM shares.

The mix of cash and shares has sparked debate over whether the consideration is fair or should be all cash.

It is obvious that for most shareholders, an all-cash deal will be much better, as their risk tolerance may differ – especially since Sunway's business interest mirrors IJM, except in a few sectors.

Sunway has a strong healthcare arm, while IJM holds long-dated concessions in highways and ports. Both companies remain strong in their key sectors, which are construction and property.

At RM3.15 per share, Sunway's offer values IJM at around RM11bil, or approximately 26.3 times price-to-earnings ratio (PER) multiple for the financial year ending March 31, 2026, and at 22.6 times next financial year's projected earnings (based on consensus estimates).

The price also represents about 1.09 times IJM's latest net asset value (NAV) of RM2.89 per share.

## Valuing IJM

Being a diversified business entity, IJM has interests in construction, property, manufacturing and quarrying, highway tolls, port operations, and investments.

The easiest method to value such a conglomerate is to assess each business separately – using comparative valuation for similar businesses, discounted cash flow (DCF) for concession assets, and revalued NAV (RNAV) for property development.

In the IA report, IJM's construction business was valued using the sector average PER of 25.5

times based on IJM's last 12 months' profit after tax of RM87.9mil, resulting in a fair value of RM2.24bil.

The flaw in this approach is that companies like Gamuda Bhd and Malaysian Resources Corp Bhd are not pure-play construction firms – they also have property and concession segments.

Using MRCB's historical PER of 44.7 times further skewed the average.

A more logical comparison would be Sunway Construction Group Bhd and Kerjaya Prospek Group Bhd, with a weighted average PER of 15.4 times, which would reduce IJM's construction business valuation to RM1.35bil to RM0.89bil lower.

As for the property segment, the IA applied a full RNAV to derive a fair value of RM10bil, without applying any discount.

This contrasts with other listed property companies, which typically trade at 0.3 to 0.5 times RNAV.

After all, a full RNAV for IJM's property business doesn't make sense, as it implies the buyer – or in this case, the offeror – is paying the full fair value upfront, leaving no upside.

Applying a 0.5 times RNAV would reduce the property business's fair value by RM5bil.

The valuation of IJM's concrete business was also inflated as the IA used Press Metal Aluminium Holdings Bhd (PMAH) as a comparison alongside two cement/concrete companies, but PMAH operates in a very different sector.

Using only the two relevant companies would reduce the fair value of IJM's concrete business by RM0.67bil to just RM1.71bil.

As for the concession assets, the independent valuer applied the free cash flow to equity meth-

od, yielding a valuation range of RM6.52bil to RM8.75bil.

Assuming the fair value is RM7.64bil, the DCF suggests that this is the intrinsic value of the assets in question, but for takeover purposes, surely a fair amount of upside is expected.

Hence, assuming a 20% discount to the intrinsic value, this implies a fair equity value of RM6.11bil for the concession assets.

## RM3.09 fair value

After taking into consideration IJM's net debt of RM3.33bil (total debt of RM6.23bil minus cash and financial assets at fair value worth RM2.8bil) as at the end of December 2025, IJM's fair value is approximately RM10.84bil or RM3.09 per share.

This is far lower than the range provided by the IA at between RM5.84 and RM6.48 per share.

Hence, Sunway's offer of RM3.15 per share can be said to be fair as it is just about a 2% premium to the fair value derived from the above analysis.

## Not reasonable

The IA has deemed the offer as "not reasonable" due to the liquid nature of IJM shares relative to the benchmark index.

Surely, this argument is weak, as being a liquid stock does not negate whether the offer is reasonable or otherwise.

The IA's second point was that the offeror holds no IJM shares

and that there are no competing bids, suggesting shareholders would be better off holding IJM shares for the potential future upside.

While this is a valid point, the fact that the market has reacted negatively to the IA's advice that the offer is not fair and not reasonable suggests uncertainty in terms of IJM's ability to unlock the value of its assets.

The third argument is that Sunway's offer would leave IJM shareholders as minorities, which can easily be countered as IJM itself presently does not have a dominant shareholder, with key institutions holding 48% collectively, and the Employees Provident Fund as the largest at 20.5%.

In essence, what was initially seen as an attractive offer by the market – endorsed by analysts – has now turned into an unattractive proposition after the IA's "not fair and not reasonable" opinion.

Even major shareholders are not accumulating shares in the open market despite the IA's high valuation.

With Sunway shareholders having given the consent for the VTO, the decision now rests with IJM shareholders.

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