COVER STORY

Poser over IJM's intrinsic value

BY LEE WENG KHUEN

As a potential merger between the largest construction and property giants on Bursa Malaysia takes shape, a key question being asked is whether IJM Corp Bhd (KL:IJM) could be worth more than offered by Sunway Bhd (KL:SUNWAY) under a proposed cash-and-shares takeover deal.

A merged Sunway-IJM entity would become the eighth-largest company by market capitalisation on the local bourse, with an estimated value of RM48 billion.

Following IJM's disposal of its 56.2% stake in IJM Plantations Bhd to Kuala Lumpur Kepong Bhd (KL:KLK) in 2021, the group remains broadly diversified, with exposure spanning construction, property development, manufacturing and toll road concessions.

In assessing IJM's value, Astramina Advisory Sdn Bhd founder and managing director Datin Wong Muh Rong says the takeover offer appears to be driven largely by a valuation based on price-earnings ratio (PER) rather than on a comprehensive sum-of-parts (SOP).

"This approach has understated IJM's long-term intrinsic value, particularly given the embedded optionality in its highway concessions and future infrastructure pipeline. The offer therefore reflects more of a present-value pricing exercise rather than a full assessment of IJM's longer-term earnings power and asset value," she tells *The Edge*.

Wong notes that from a valuation standpoint, the offer is unlikely to be considered "fair" to minority shareholders if measured strictly against IJM's intrinsic value at the conglomerate level. "Having said that, within the broader context of the Malaysian capital market, the transaction can still be viewed as reasonable," she adds.

"Large-scale M&A (mergers and acquisitions) transactions — particularly those involving industry peers willing to offer a mix of cash and shares consideration — are relatively rare. In that sense, the deal carries strategic merit beyond pure valuation considerations," says Wong, noting that IJM shareholders could ride on Sunway's future growth should they accept the offer.

Nevertheless, she cautions that delistings and privatisations represent a form of value disruption unless they clearly lead to higher value creation in the public market.

"Minority shareholders who exit at privatisation prices may later see value re-emerge through relisting or restructuring, raising legitimate questions of fairness. If excess value exists post-privatisation, why was it not shared with the exiting shareholders?" she emphasises.

Wong observes that alternative structures can also achieve Sunway's strategic objectives without the delisting of IJM.

"For instance, Sunway could acquire IJM's construction and property divisions via a defined consideration comprising cash and new Sunway shares, based on agreed valuations — PER-based for construction and revalued net asset value for property. IJM could then distribute the proceeds to its shareholders while retaining its listing status as a pure-play highway concession company, similar to a business trust or infrastructure platform," she suggests.

In this scenario, IJM would still own and manage the Kajang-Seremban Highway (LEKAS), Sungai Besi Expressway (Besraya) and New Pantai Expressway, with the flexibility to pursue future highway concession acquisitions, she adds.

Embedded value of 15 sen–18 sen per share from Sunway Healthcare

Nomura Research believes Sunway might have a preliminary idea of the comprehensive value unlocking road map for IJM, with restructuring timelines dependent on final acceptance levels. This would allow for flexible strategic implementation over long-, medium- and short-term horizons.

At current market prices, IJM shareholders are sitting on a paper gain, even after adjusting for the exclusion of Sunway Healthcare Holdings' (SHH) dividend-in-specie from the offer price, says the research house.

"Assuming an SHH IPO price of RM1.50, each Sunway share currently contains an embedded value of 15 sen (based on the 1:10 dividend-in-specie ratio). Since IJM shareholders receive 0.501 Sunway shares per IJM share, they forfeit 7.5 sen of value (0.501 × 15 sen), reducing the effective offer price from RM3.15 to RM3.075 per share," Nomura explains.

Meanwhile, Hong Leong Investment Bank (HLIB) Research estimates the dividend-in-specie to be worth about 18 sen per Sunway share. Sunway has said IJM shareholders will not be entitled to the dividend-in-specie related to the listing of its healthcare business due to the difference in timing.

Share price volatility

From a share price perspective, Nomura considers the RM3.15 offer price "attractive", noting that IJM's share price has remained range-bound over the past decade and has struggled to convincingly break above the RM3.60 to RM3.67 high reached in April 2016 and July 2024.

"Without this transaction, IJM's share price could potentially decline given the company's conglomerate structure and resulting volatile quarterly earnings (evidenced by recent 1Q and 2QFY2026 misses)," it notes.

For the six months ended Sept 30, 2025 (1HFY2026), IJM's net profit was flat at RM161.39 million versus RM161.09 million in the same period a year earlier, while revenue was up 16.7% to RM3.41 billion from RM2.92 billion. Its outstanding construction order book stood at RM14.4 billion (including share of associates) and it had RM1.59 billion in unbilled property sales.

Consequences of between 50% and 75% acceptance

For Sunway, the most favourable outcome would be to secure more than 75% of IJM, which would enable it to proceed with a delisting by opting not to address the public shareholding spread requirement. Under Bursa's listing requirements, companies have to maintain a minimum public shareholding spread of 25%.

HLIB Research says ownership of at least 75% would provide Sunway with greater scope to streamline, integrate and potentially restructure overlapping operations, especially in construction.

However, what if Sunway achieves statutory control — more than 50% — but falls short of the 75% threshold?

Sunway already undertakes construction activities through its 55%-owned Sunway Construction Group Bhd (KL:SUNCON). In such a scenario, how would it manage potential overlaps and conflicts between the two construction businesses?

An analyst tells *The Edge* that the situation could be "tricky" should Sunway fail to secure more than 75% of IJM while retaining control. "Sunway would need to ensure strong corporate governance in managing two construction entities, and it could be challenging to ensure that neither is advantaged when bidding for projects," he points out.

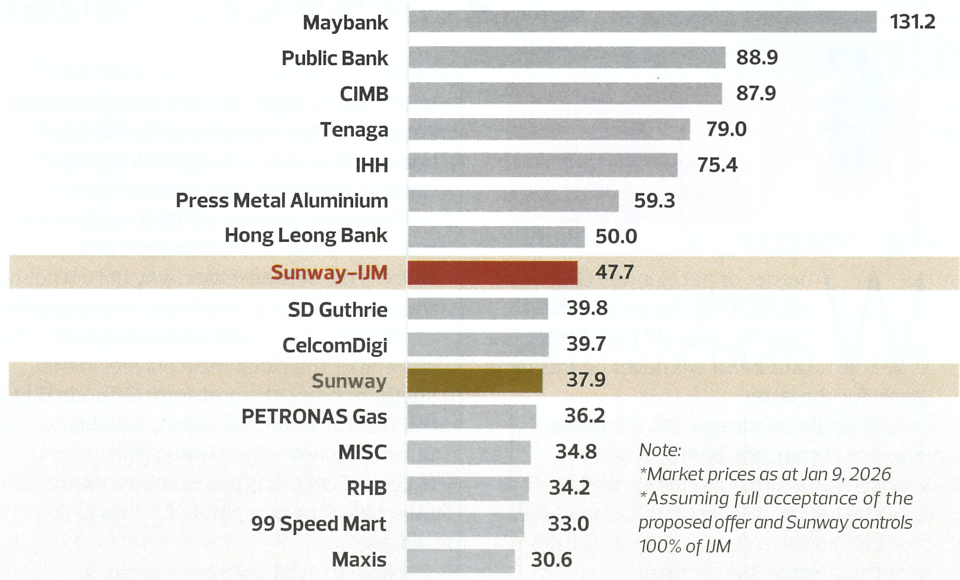
It is worth noting that the RM3.15 offer price for IJM is below the target price of most analysts, with CIMB Securities and MBSB Research the most bullish at RM3.60.

Kenanga Research is the sole outfit to advise rejecting Sunway's offer, which it says is "unattractive" as the share swap component only values IJM at a 2026 PER of 19.4 times, compared with Sunway's 27.6 times.

In addition to construction, property and healthcare, Sunway also has a 44% stake in Sunway Real Estate Investment Trust (KL:SUNREIT). ■

SUNWAY

A merged Sunway-IJM would become the eighth-largest counter on Bursa (RM bil)



Note:
*Market prices as at Jan 9, 2026
*Assuming full acceptance of the proposed offer and Sunway controls 100% of IJM

RESEARCH REPORTS

Sunway's sum-of-parts valuation

DIVISION	STAKE (%)	RM/SHARE
Sunway Construction	55	0.67–0.76
Sunway REIT	41	0.48–0.53
Property development & investment	100	1.95–3.39
Healthcare	84	1.44–2.56
Trading and manufacturing	100	0.04–0.09
Quarrying and others	100	0.04–0.26

IJM's sum-of-parts valuation

DIVISION	STAKE (%)	RM/SHARE
Construction	100	1.19–1.34
Manufacturing	100	0.53–0.85
Property	100	1.05–2.30
Toll concessions	Various	0.49–0.63
Port	60	0.26–0.35
WCE Holdings	28.16	0.18

BLOOMBERG

Target prices for Sunway

RESEARCH HOUSE	TARGET PRICE (RM)
UOB Kay Hian	6.10
RHB Research	6.08
Hong Leong Investment Bank Research	6.05
TA Securities	6.04
CGS International	5.90
Nomura	5.80
Consensus	**5.71**
Citi Investment Research	5.70
Maybank Investment Bank Research	5.61
CIMB Securities	5.60
Affin Hwang Investment Bank	5.55
MBSB Research	5.34
Kenanga Research	4.73
CLSA Securities	4.40

Target prices for IJM

RESEARCH HOUSE	TARGET PRICE (RM)
CIMB Securities	3.60
MBSB Research	3.60
Public Investment Bank Research	3.50
CGS International	3.50
TA Securities	3.46
RHB Research	3.43
Kenanga Research	3.40
Hong Leong Investment Bank Research	3.40
Citi Investment Research	3.40
Consensus	**3.18**
Maybank Investment Bank Research	3.18
Affin Hwang Investment Bank	3.05
Nomura	2.90
AmInvestment Bank Research	2.80
UOB Kay Hian	2.72
JP Morgan	2.60
CLSA Securities	2.42

Note: Prior to Sunway's takeover offer