Corporate Update | Thursday, 10 June 2021

IJM Plantations Berhad

(2216 | IJMP MK) Plantation | Plantation

Maintain BUY

Attractive Buyout Offer

***Unchanged* Target Price: RM2.62**

KEY INVESTMENT HIGHLIGHTS

- **IJM Corporation, the major shareholder of IJM Plantation (IJMP), receives a take-over offer from KLK for its 56% stake in IJMP**
- **Attractive offer price at RM3.10/shar; at 19x forward earnings and 18% premium to our TP**
- **Likely to appear attractive enough for IJMP's minorities to accept, should the deal progress to a mandatory offer**
- **Maintain BUY at unchanged TP of RM2.62**

IJMP received a take-over offer from KLK. IJM Corporation, which is IJMP's major shareholder, has received an offer from KLK to buyout its entire stake (494.87m shares which represents a 56.2% equity stake) in IJM Plantation (IJMP) for RM1.53b cash, valuing IJMP at RM3.10 a per share. If IJMP accepts the offer, KLK will have to extend a mandatory offer for the rest of IJMP's minority shareholders.

Attractive offer price. The offer of RM3.10 per share values IJMP at 19x PER - above our valuation of RM2.62 which is based on FY22 PER valuation of 16x (between the range of 14x-17x of its peers' PE). The offer price translates to valuation of RM1.53b and if KLK extends the offer to all the remaining IJMP shares, the offer price will translate to valuation of RM2.7b. We opine that this offer price is reasonable given the current CPO price which has breached RM4000/tonne, which is also at an all-time high.

Should minorities accept the offer? We think that the deal is fair for KLK to obtain a controlling stake in IJMP (at 18% premium to our TP of RM2.62) and is more likely to appear attractive enough for IJMP's minorities to accept, should the deal progress to a mandatory offer for the rest of IJMP's shareholders.

Earnings estimates. We made no adjustments to our forward earnings and we leave our earnings estimates for FY21, FY22 and FY23 unchanged at RM152.6m, RM144.4m, and RM157.2m respectively

Target price. We are maintaining our target price of RM2.62 by pegging its FY22 EPS of 16.4sen to an unchanged PER valuation of 16x (between the range of 14x-17x of its peers' PE).

RETURN STATISTICS	
Price@ 9th June 2021 (RM)	2.46
Expected share price return (%)	+6.5
Expected dividend yield (%)	+3.7
Expected total return (%)	**+10.2**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	24.2	24.4
3 months	46.4	40.9
12 months	42.2	41.6

KEY STATISTICS	
FBM KLCI	1,581.48
Syariah compliant	No
F4BGM Index	No
ESG Grading Band (Star rating)	-
Issue shares (m)	880.58
Estimated free float (%)	15.84
Market Capitalisation (RM'm)	2,166.23
52-wk price range (RM)	RM1.52 - RM2.46
Beta vs FBM KLCI (x)	1.29
Monthly velocity (%)	0.00
Monthly volatility (%)	26.50
3-mth average daily volume (m)	0.84
3-mth average daily value (RM'm)	1.68
Top Shareholders (%)	
IJM Corp Bhd	56.20
EPF	12.94
KWAP	4.72

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Maintain BUY. The group's improvement in earnings have largely been contributed by the advancement in commodity prices. Moving forward, we expect the upstream division to continue performing well as we assume the CPO prices would remain favourable on the back of tight supplies and low production. Nevertheless, we remain concerned on slower growth rate for the FFB segment for both the Malaysian and Indonesian operation in view of labour shortage and adverse weather condition. In regards with the take-over offer we opine that this is the good deal for IJMP. We recommend IJMP to accept the offer as we think proposed exercise is a great opportunity for IJMP to cement its position as one of the big players in our local plantation sector. The downside risks to our call includes (1) rejection of the take-over offer by the shareholders and (2) revision on the offer price. All factors considered, we maintain **BUY** for IJMP. Our unchanged **TP** of **RM2.62** implies expected total return of +10.3%.

INVESTMENT STATISTICS

Financial year ending 31st Mar (in RM'm, unless otherwise stated)	**FY19**	**FY20**	**FY21**	**FY22F**	**FY23F**
Revenue	630.9	739.1	935.7	976.6	987.2
EBIT	2.6	5.8	286.0	197.3	210.4
PBT/(LBT)	-43.3	-50.5	272.1	175.5	181.2
PATAMI/(LATAMI)	(36.3)	(64.4)	205.1	144.4	157.2
Normalised PATAMI/(LATAMI)	**(18.0)**	**30.6**	**152.6**	**144.4**	**157.2**
Normalised EPS (sen)	(2.0)	3.5	17.3	16.4	17.9
PER (x)	(87.0)	53.5	14.2	15.0	13.8
Dividend Per Share (sen)	2.0	2.0	10.0	9.0	9.0
Dividend Yield (%)	1.1	1.1	4.1	3.7	3.7

Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
HOLD	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology