Corporate Update | Monday, 14 June 2021

IJM Plantations Berhad

(2216 | IJMP MK) Plantation | Plantation

ACCEPT OFFER

Attractive offer on the table

***Offer Price:* RM3.10**

KEY INVESTMENT HIGHLIGHTS

- **IJM Corp's board accepts KLK's offer for its 56% stake in IJM Plantations (IJMP)**
- **Mandatory offer on the cards for IJMP's minority shareholders**
- **Attractive offer price at 19x PER presents good exit opportunity**
- **We recommend minority shareholders accept the takeover offer of RM3.10/share**

IJM Corp accepts KLK's offer for its plantation business. IJM Corp announced that its board has accepted KLK's offer for its 56% stake in IJM Plantations at the offer price of RM3.10/share. We do note that KLK will subsequently serve a mandatory offer for the rest of IJMP's minority shareholders at the same offer price. On a side note, an interim dividend of RM0.10 per share was declared by IJMP on 27 May 2021 and will be paid on 30 July 2021.

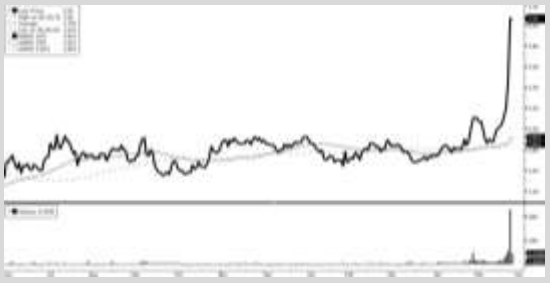
Attractive offer price. The offer of RM3.10/share values IJMP at 19x PER – at a premium to our valuation of RM2.62 which is based on FY22 PER of 16x (between the range of 14x-17x of its peers). We opine that the deal is fair for KLK to obtain a controlling stake in IJMP and is more likely to appear attractive enough for IJMP's minorities to accept.

A good opportunity to exit. Based on our observation, IJMP has been registering losses for the past few years and only managed to return to profitability since FY20. Given the erratic earnings trend at IJMP, we think this is a good opportunity for IJMP shareholders to exit. Furthermore, after peaking in 2016, IJMP's share price and valuations have been languishing prior to this offer, and coupled with ESG concerns, we think it is unlikely for IJMP's share price to return to its prior peak levels.

Accept offer with offer price of RM3.10. We do note that the group's improvement in recent earnings have largely been contributed by the advancement in commodity prices. Nonetheless, due to the group's earnings fluctuation in the past few years we opine the offer by KLK presents a good opportunity for IJMP shareholders to exit. We recommend investors to accept the mandatory offer by KLK at RM3.10/share, once it is served.

RETURN STATISTICS	
Price@ 11th June 2021 (RM)	3.06
Expected share price return (%)	+1.3
Expected dividend yield (%)	+2.9
Expected total return (%)	**+4.2**

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	1,575.16
Syariah compliant	No
F4BGM Index	No
ESG Grading Band (Star rating)	-
Issue shares (m)	880.58
Estimated free float (%)	16.29
Market Capitalisation (RM'm)	2,694.58
52-wk price range (RM)	RM1.52 - RM3.07
Beta vs FBM KLCI (x)	1.28
Monthly velocity (%)	0.00
Monthly volatility (%)	26.50
3-mth average daily volume (m)	1.27
3-mth average daily value (RM'm)	3.01
Top Shareholders (%)	
IJM Corp Bhd	56.20
EPF	12.63
KWAP	4.72

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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	2.9	2.9

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