

13 November 2018 | 1QFY19 Results Review

IOI Corporation Berhad

Earnings in line

INVESTMENT HIGHLIGHTS

- **1QFY19 earnings within expectations**
- **Outlook by the Company is neutral**
- **Earnings estimate maintained**
- **Maintain NEUTRAL with TP of RM4.45**

1QFY19 earnings within expectations. IOI Corporation Berhad (IOICORP) 1QFY19 core net profit (CNP) of RM264m makes up 18%/20% of our/consensus FY19 full year estimate. The result is broadly within our expectation as we expect its downstream segment to register stronger earnings in the remaining quarters in view of low price of materials. In our core net profit calculation, we have excluded: i) net forex loss of RM65.4m, ii) RM8.9m changes in fair value of biological assets and iii) writedown of RM0.8m.

Outlook by the Company is neutral. IOICORP expects the current high palm oil inventories to persist in the near future. However, it also said that “the prevailing trade war between China and US will provide greater opportunity for Malaysia to increase its exports of palm oil to China during the 1QCY2019 when China’s soya bean stocks are drawn down. The current discount of palm oil price over mineral oil price resulting in greater demand for palm biodiesel is also a positive factor which will underpin palm oil price.” All said, the Company expect CPO price to be supported at between RM2,000 and RM2,250 per tonne until the beginning of next year.

Earnings estimate maintained. We maintain our FY19 CNP of RM1.22b. Key factors affecting IOICORP profit are CPO price and the performance of its downstream segment.

Maintain NEUTRAL with TP of RM4.45: Our TP is based on 23.0x PE on FY19 EPS reflecting mean valuation. The share price upside is likely to be capped due to low CPO price currently. However, its share price should be supported by the improvement in its balance sheet post the 70% stake sale in Lodders Croklaan.



Maintain NEUTRAL
Unchanged Target Price: RM4.45

RETURN STATS	
Price (12 Nov 2018)	RM4.49
Target Price	RM4.45
Expected Share Price Return	-0.9%
Expected Dividend Yield	+2.2%
Expected Total Return	+1.3%

STOCK INFO	
KLCI	1696.14
Bursa / Bloomberg	1961 / IOI MK
Board / Sector	Main / Plantation
Syariah Compliant	Yes
Issued shares (mil)	6106.50
Market cap. (RM'm)	27,418.18
Price over NA	3.06
52-wk price Range	RM4.20 - RM4.81
Beta (against KLCI)	0.75
3-mth Avg Daily Vol	2.25m
3-mth Avg Daily Value	RM10.2m
Major Shareholders	
VERTICAL CAPACITY S/B	50.81%
EPF	6.92%

INVESTMENT STATISTICS

FYE Jun	FY16A	FY17A	FY18A	FY19F	FY20F
Revenue	11,739	14,127	12,111	13,914	13,984
EBIT	1,355	1,560	1,592	1,630	1,648
PBT	966	1,087	1,571	1,553	1,577
Net Income	630	733	3,061	1,218	1,237
Core Net Income	1,176	1,007	1,033	1,218	1,237
EPS (sen)	9.99	11.65	48.70	19.38	19.69
Core EPS (sen)	18.66	16.00	16.44	19.38	19.69
Net DPS (sen)	8.00	9.50	20.50	9.69	9.85
Net Dvd Yield	1.8%	2.1%	4.6%	2.2%	2.2%
Core PER	24.1	28.1	27.3	23.2	22.8
NTA/share (RM)	1.05	1.10	1.39	1.66	1.76
P/NTA	4.28	4.07	3.22	2.70	2.55
ROE	8.8%	9.8%	33.4%	11.1%	10.7%
ROA	3.6%	4.1%	18.3%	7.2%	7.3%

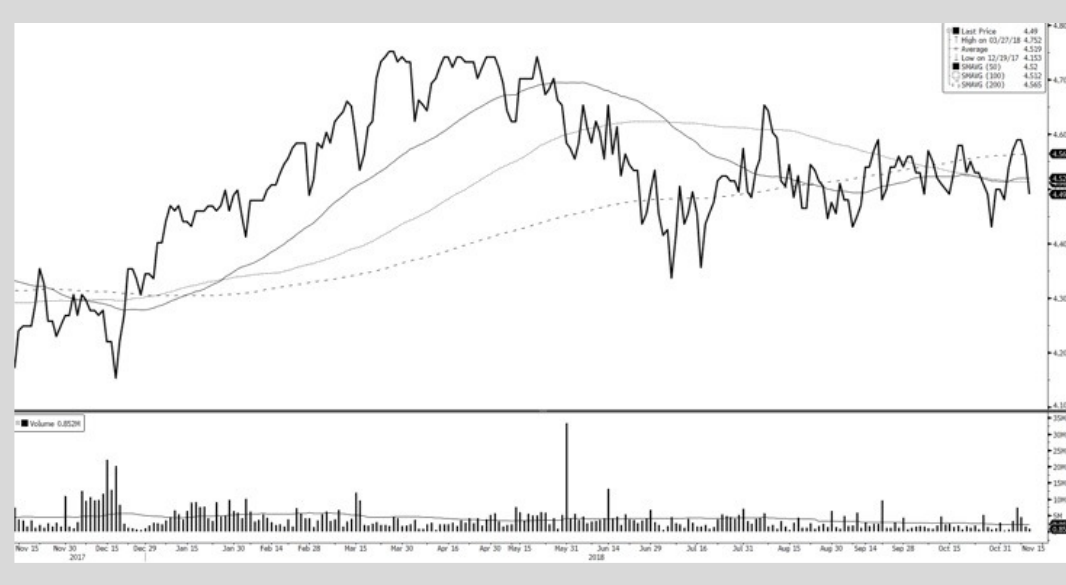
Source: Company, MIDF Research Forecast

IOICORP: 1QFY19 RESULTS SUMMARY

FYE Jun (RM'm, unless otherwise stated)	Quarterly Results			Comments
	1QFY19	%YoY	%QoQ	
Revenue	1875.7	-50%	-3%	
EBIT	235.5	-47%	-9%	
PBT	195.2	-57%	191%	
Net Income	143.8	-60%	302%	
Core Net Income	218.9	-24%	103%	Core Net Income excludes: i) net forex loss of RM65.4m, ii) RM8.9m changes in fair value of biological assets and iii) writedown of RM0.8m.
EPS (sen)	2.29	-60%	302%	The result is broadly within our expectation as we expect its downstream segment to register stronger earnings in the remaining quarters in view of low price of materials.
Core EPS (sen)	3.49	-24%	103%	
Net DPS (sen)	0.0	NA	NA	
CPO Price (RM/MT)	2255	-15%	-6%	
FFB Volume ('k MT)	713	-18%	-6%	
EBIT Margin	12.6%	NA	NA	
PBT Margin	10.4%	NA	NA	

Source: Company

DAILY PRICE CHART



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Source: Bloomberg

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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 <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	<i>Negative</i> total return is expected to be -10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> 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.