

26 February 2018 | 2QFY18 Results Review

IOI Corporation

Expect special dividend in the next 6 to 7 months

INVESTMENT HIGHLIGHTS

- **1HFY18 earnings in line**
- **1HFY18 CNP grew by 17% yoy to RM716m**
- **Sale of 70% stake in Loders Croklaan should complete soon and this should lead to special dividend of 13.0 sen**
- **Earnings estimate maintained**
- **Maintain BUY with TP of RM5.50**

1HFY18 earnings in line. IOI Corporation Berhad (IOICORP) core net profit (CNP) of RM716m is within our expectation at 54% of our full year FY18 forecast. However, it is above consensus (62% of consensus estimate) as consensus may have underestimated the FFB growth for IOICORP. As expected, IOICORP announced a dividend of 4.5 sen (Ex-Date: 16-March-2018).

1HFY18 CNP grew by 17% yoy to RM716m as FFB volume improved 11% yoy to 1.89m tonnes and CPO price increase slightly by 1% yoy to RM2,650 per tonne. 2QFY8 CNP surged 23% yoy to RM427m as FFB volume jumped 23% yoy to 1.02m tonnes. This has more than offset the lower CPO price impact (-4% yoy to RM2,644 per tonne) in 2QFY18.

Sale of 70% stake in Loders Croklaan should complete soon and this should lead to special dividend of 13.0 sen. IOICORP mentioned that the divestment of 70% stake in Loders Croklaan (Loders) is expected to complete in 3QFY18. As IOICORP Financial Year End is June, we expect the deal to complete soon by end-March 2018. We are positive on the news as this should pave the way for the special dividend of 13.0 sen in which we expect it to be announced by end of September 2018.

Earnings estimate maintained. We maintain our FY18 CNP of RM1.32b. We also maintain our FY19 CNP of RM1.31b.

Maintain BUY with TP of RM5.50: Our TP is based on 26.3x PE on FY18 EPS reflecting +1.0SD valuation. We continue to like IOICORP for three reasons: i) we expect special dividend of 13.0 sen in the next 6 to 7 months, ii) its sale of low margin business is likely to result in investment in upstream plantation business which command much better margin and iii) substantial improvement in balance sheet after the 70% stake sale in Loders. IOICORP is our Top Pick for the plantation sector.



Maintain BUY

Unchanged Target Price: RM5.50

RETURN STATS	
Price (23 Feb 2018)	RM4.79
Target Price	RM5.50
Expected Share Price Return	+14.8%
Expected Dividend Yield	+4.9%
Expected Total Return	+19.7%

STOCK INFO	
KLCI	1861.50
Bursa / Bloomberg	1961 / IOI MK
Board / Sector	Main / Plantation
Syariah Compliant	Yes
Issued shares (mil)	6283.86
Market cap. (RM'm)	30,099.69
Price over NA	4.06
52-wk price Range	RM4.31 - RM4.81
Beta (against KLCI)	0.90
3-mth Avg Daily Vol	5.45m
3-mth Avg Daily Value	RM24.8m
Major Shareholders	
VERTICAL CAPACITY S/B	47.50%
EPF	11.65%

INVESTMENT STATISTICS

FYE Jun	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	11,542	11,739	14,127	14,850	15,231
EBIT	1,142	1,355	1,560	1,757	1,776
PBT	316	966	1,087	1,674	1,699
Net Income	52	630	733	1,315	3,841
Core Net Income	1,134	1,176	1,007	1,315	1,309
EPS (sen)	0.82	9.99	11.65	20.92	61.10
Core EPS (sen)	17.83	18.66	16.00	20.92	20.82
Net DPS (sen)	9.00	8.00	9.50	23.46	10.41
Net Dvd Yield	1.9%	1.7%	2.0%	4.9%	2.2%
Core PER	26.9	25.7	29.9	22.9	23.0
NTA/share (RM)	1.04	1.05	1.10	1.27	1.77
P/NTA	4.61	4.56	4.34	3.78	2.70
ROE	0.7%	8.8%	9.8%	15.5%	33.0%
ROA	0.3%	3.6%	4.1%	7.8%	22.5%

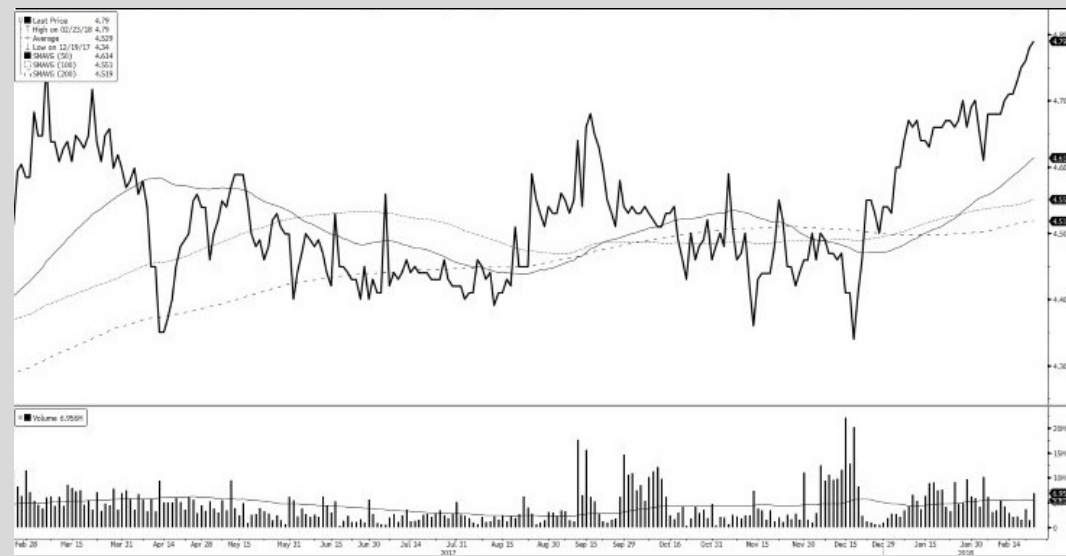
Source: Company, MIDF Research Forecast

IOICORP: 2QFY18 RESULTS SUMMARY

FYE Jun (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	2QFY18	%YoY	%QoQ	6MFY18	%YoY	
Revenue	3678.2	0%	-3%	7450.8	7%	Higher revenue from both the plantation and downstream divisions
EBIT	506.9	-10%	14%	951.6	-5%	
PBT	574.1	11%	28%	1023.8	10%	
Net Income	595.9	3720%	66%	955.9	769%	
Core Net Income	426.6	23%	48%	715.7	17%	CNP excludes: i) forex gain of RM247m, ii) fair value loss of RM10m and iii) RM2m inventory writeback.
EPS (sen)	9.48	3721%	65%	15.21	769%	Earnings is within our expectation at 54% of our full year forecast. It was above consensus as consensus may have underestimated the FFB growth for IOICORP.
Core EPS (sen)	6.79	24%	48%	11.39	17%	
Net DPS (sen)	4.5	0%	NA	4.5	NA	
CPO Price (RM/MT)	2644	-4%	0%	2650	1%	
FFB Volume ('k MT)	1016	23%	17%	1886	11%	
EBIT Margin	13.8%	NA	NA	12.8%	NA	
PBT Margin	15.6%	NA	NA	13.7%	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.