

17 May 2018 | 3QFY18 Results Review

## IOI Corporation

*9MFY18 core earnings is within expectation*

### INVESTMENT HIGHLIGHTS

- **9MFY18 earnings in line**
- **9MFY18 CNP grew by 12% yoy to RM925m**
- **Lack of catalyst going forward**
- **Earnings estimate maintained**
- **Maintain NEUTRAL with TP of RM4.50**

**9MFY18 earnings in line.** IOI Corporation Berhad (IOICORP) 9MFY18 core net profit (CNP) of RM925m is within our expectation at 75% of our full year forecast. It was above consensus (81% of consensus estimate) as consensus may have underestimated the FFB growth for IOICORP. As expected, no dividend is announced in 3Q.

**9MFY18 CNP grew by 12% yoy to RM925m** as FFB volume improved 17% yoy to 2.75m tonnes. This has more than offset the 6% decline CPO price to RM2,593 per tonne. However, 3QFY18 CNP declined 26% yoy to RM209m as CPO price was down by 21% yoy to RM2471 per tonne.

**Lack of catalysts going forward.** As the special dividend of 11.5 sen has gone ex on 16-March-2018, we believe that there will be limited catalyst going forward.

**Earnings estimate maintained.** We maintain our FY18 CNP of RM1.23b. We also maintain our FY19 CNP of RM1.26b.

**Maintain NEUTRAL with TP of RM4.50:** Our TP is based on 26.3x PE on FY18 EPS reflecting +1.0SD valuation. IOICORP share price is supported by its strong fundamentals with good FFB growth and improvement in balance sheet post the 70% stake sale in Loders Croklaan.



**Maintain NEUTRAL**

**Unchanged Target Price: RM4.50**

RETURN STATS	
Price (16 May 2018)	RM4.75
Target Price	RM4.50
Expected Share Price Return	-5.3%
Expected Dividend Yield	+2.1%
<b>Expected Total Return</b>	<b>-3.2%</b>

STOCK INFO	
KLCI	1858.26
Bursa / Bloomberg	1961 / IOI MK
Board / Sector	Main / Plantation
Syariah Compliant	Yes
Issued shares (mil)	6283.86
Market cap. (RM'm)	29,005.07
Price over NA	3.27
52-wk price Range	RM4.20 - RM4.81
Beta (against KLCI)	0.88
3-mth Avg Daily Vol	3.41m
3-mth Avg Daily Value	RM16.2m
Major Shareholders	
VERTICAL CAPACITY S/B	48.88%
EPF	12.91%

## INVESTMENT STATISTICS

FYE Jun	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	11,542	11,739	14,127	14,050	13,915
EBIT	1,142	1,355	1,560	1,654	1,712
PBT	316	966	1,087	1,570	1,635
Net Income	52	630	733	1,232	3,790
Core Net Income	1,134	1,176	1,007	1,232	1,258
EPS (sen)	0.82	9.99	11.65	19.60	60.29
Core EPS (sen)	17.83	18.66	16.00	19.60	20.01
Net DPS (sen)	9.00	8.00	9.50	22.80	10.01
Net Dvd Yield	1.9%	1.7%	2.0%	4.8%	2.1%
Core PER	26.6	25.5	29.7	24.2	23.7
NTA/share (RM)	1.04	1.05	1.10	1.26	1.76
P/NTA	4.57	4.53	4.31	3.77	2.70
ROE	0.7%	8.8%	9.8%	14.6%	32.7%
ROA	0.3%	3.6%	4.1%	7.3%	22.4%

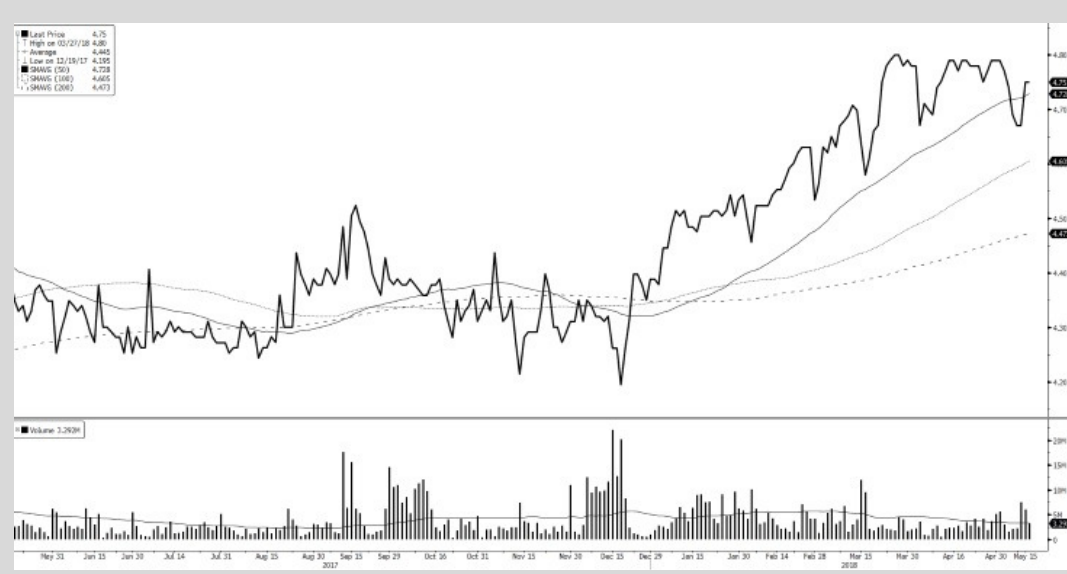
Source: Company, MIDF Research Forecast

## IOICORP: 3QFY18 RESULTS SUMMARY

FYE Jun (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	3QFY18	%YoY	%QoQ	9MFY18	%YoY	
Revenue	2723.3	-22%	-26%	10174.1	-2%	Higher revenue from plantation division.
EBIT	382.3	10%	-25%	1333.9	4%	
PBT	479.9	22%	-16%	1503.7	158%	
Net Income	2068.8	578%	247%	3024.7	611%	
Core Net Income	208.9	-26%	937%	925.3	12%	CNP excludes: i) RM1.66b gains related to sale of 70% stake in Loders, ii) RM462m forex gain and iii) RM23m other one off item.
EPS (sen)	32.92	577%	247%	48.13	611%	Earnings is within our expectation at 75% of our full year forecast. It was above consensus as consensus may have underestimated the FFB growth for IOICORP.
Core EPS (sen)	3.32	-26%	937%	14.72	12%	
Net DPS (sen)	0.0	NA	NA	16.0	256%	
CPO Price (RM/MT)	2471	-21%	-7%	2593	-6%	
FFB Volume ('k MT)	867	32%	-15%	2753	17%	
EBIT Margin	14.0%	NA	NA	13.1%	NA	
PBT Margin	17.6%	NA	NA	14.8%	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.