

20 August 2018 | 4QFY18 Results Review

IOI Corporation

FY18 core earnings is below expectation

Maintain NEUTRAL

Adjusted Target Price: RM4.45
(Previously RM4.48)

INVESTMENT HIGHLIGHTS

- **FY18 earnings below expectations**
- **FY18 CNP grew 3% yoy to RM1.03b**
- **Earnings estimate reduced**
- **Maintain NEUTRAL with lower TP of RM4.45**

FY18 earnings below expectations. IOI Corporation Berhad (IOICORP) FY18 core net profit (CNP) of RM1.03b was below expectations at 84% and 86% of our and consensus' forecast respectively. FFB volume was weaker than expected as it declined -5%yoy in 4QFY18. A final dividend of 4.5 sen was announced and this was within expectation.

In our Core Net Profit (CNP) calculation, we excluded: i) RM1.68b gains related to sale of 70% stake in Loders, ii) RM391m forex gain and iii) RM43m other one-off item.

FY18 CNP grew 3% yoy to RM1.03b as earnings from downstream division improved significantly. For its "Resource Based Manufacturing" segment, PBT jumped 107% to RM384m as operating margin improved to 4.9% in FY18 (from 2.3% in FY17). However, plantation division PBT declined due to lower CPO price.

Earnings estimate reduced. We have lowered our FY19 CNP slightly to RM1.22b (from RM1.23b). We have reduced our FFB volume assumption slightly for FY19.

Maintain NEUTRAL with lower TP of RM4.45: Our TP is based on 23.0x PE on FY19 EPS reflecting mean valuation. The decline in Target Price is in line with lower earnings forecast for FY19. Despite this, we believe that IOICORP share price is supported by its strong fundamentals with stable FFB growth and improvement in balance sheet post the 70% stake sale in Loders Croklaan.



RETURN STATS	
Price (17 August 2018)	RM4.57
Target Price	RM4.48
Expected Share Price Return	-2.0%
Expected Dividend Yield	+2.1%
Expected Total Return	+0.1%

STOCK INFO	
KLCI	1783.47
Bursa / Bloomberg	1961 / IOI MK
Board / Sector	Main / Plantation
Syariah Compliant	Yes
Issued shares (mil)	6283.86
Market cap. (RM'm)	28,717.24
Price over NA	3.12
52-wk price Range	RM4.20 - RM4.81
Beta (against KLCI)	0.83
3-mth Avg Daily Vol	4.15m
3-mth Avg Daily Value	RM19.4m
Major Shareholders	
VERTICAL CAPACITY S/B	49.06%
EPF	12.95%

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%	4.5%	2.1%	2.2%
Core PER	24.5	28.6	27.8	23.6	23.2
NTA/share (RM)	1.05	1.10	1.39	1.66	1.76
P/NTA	4.35	4.14	3.28	2.75	2.59
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: 4QFY18 RESULTS SUMMARY

FYE Jun (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	4QFY18	%YoY	%QoQ	FY18	%YoY	
Revenue	1936.4	-48%	-49%	12110.5	-14%	Lower revenue from plantation division.
EBIT	258.2	-15%	-42%	1592.1	2%	
PBT	67	-82%	-85%	1570.7	44%	
Net Income	35.8	-89%	-90%	3060.5	318%	
Core Net Income	107.8	3968%	435%	1033.1	3%	CNP excludes: i) RM1.68b gains related to sale of 70% stake in Loders, ii) RM391m forex gain and iii) RM43m other one off item.
EPS (sen)	0.57	-89%	-98%	48.7	318%	Earnings is below our expectation at 84%/86% of our and consensus forecast. FFB volume was weaker than expected as it declined 5%yoy in 4QFY18.
Core EPS (sen)	1.72	3972%	435%	16.44	3%	
Net DPS (sen)	4.5	NA	NA	20.5	116%	
CPO Price (RM/MT)	2409	-14%	-3%	2549	-8%	
FFB Volume ('k MT)	762	-5%	-12%	3515	11%	
EBIT Margin	13.3%	NA	NA	13.1%	NA	
PBT Margin	3.5%	NA	NA	13.0%	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.