

15 March 2018 | Corporate Update

IOI Corporation

Special and interim dividends to go ex tomorrow

INVESTMENT HIGHLIGHTS


- **Total dividend of 16.0 sen to go ex tomorrow**
- **Lack of catalysts going forward**
- **Healthy FFB growth in the first 8 months**
- **Earnings estimate maintained**
- **Downgrade to NEUTRAL with TP of RM4.80**

Total dividend of 16.0 sen to go ex tomorrow. On 16-March, we expect IOI Corporation Berhad (IOICORP) share price to adjust for special dividend of 11.5 sen and first interim dividend of 4.5 sen. Note that IOICORP has announced the special dividend of 11.5 sen on 5-March after the completion of the divestment of 70% stake in Loders Croklaan (Loders) on 1-March. The first interim dividend of 4.5 sen was announced on 23-February during the 2QFY18 result release. The payment date will be 30-March for both dividends.

Lack of catalysts going forward. As the special dividend of 11.5 sen has gone ex, we believe that there will be limited catalyst going forward. In the next quarter earnings release expected in May-2018, we do not expect IOICORP to announce any dividend in line with its historical practice.

Healthy FFB growth in the first 8 months. In the first 8 months of FY18, IOICORP produced 2.47m tonnes of Fresh Fruit Bunches (FFB). This represents a healthy 16% growth yoy against the same period last year mainly due to recovery from El Nino. Despite the strong double digit FFB growth expected in FY18, we expect its FFB growth to return to single digit in FY19.

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

Downgrade to NEUTRAL with TP of RM4.80: We have reduced our Target Price to RM4.80 based on 23.0x PE (mean valuation) on FY18 EPS. Previously, our Target Price was RM5.50 based on 26.3x PE (+1.0 Standard Deviation valuation). Our reduction in PE is to reflect the absence of major catalysts post the special dividend ex-date. Despite the downgrade, IOICORP share price is supported by its decent fundamentals with good FFB growth and improvement in balance sheet post the 70% stake sale in Loders Croklaan. 

Downgrade to NEUTRAL

***Adjusted Target Price: RM4.80
(Previously RM5.50)***

RETURN STATS	
Price (14 Mar 2018)	RM4.86
Target Price	RM4.80
Expected Share Price Return	-1.2%
Expected Dividend Yield	+4.8%
Expected Total Return	+3.6%

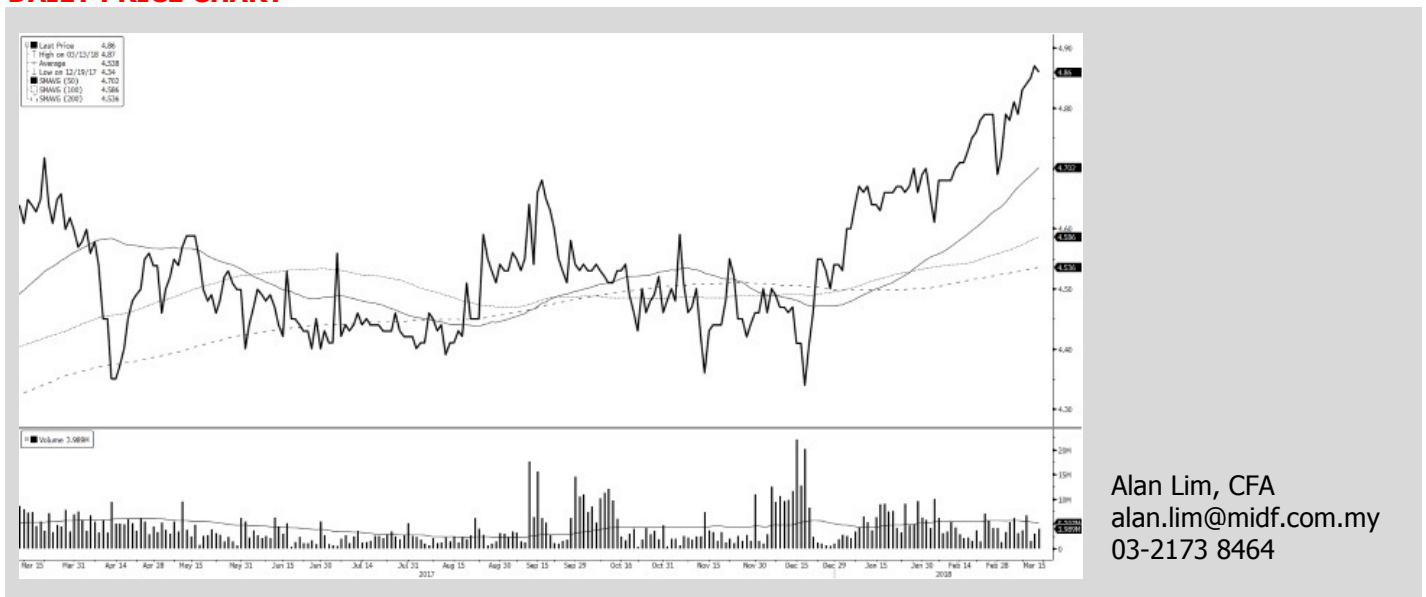
STOCK INFO	
KLCI	1857.06
Bursa / Bloomberg	1961 / IOI MK
Board / Sector	Main / Plantation
Syariah Compliant	Yes
Issued shares (mil)	6283.86
Market cap. (RM'm)	30,539.56
Price over NA	4.77
52-wk price Range	RM4.31 - RM4.88
Beta (against KLCI)	0.92
3-mth Avg Daily Vol	5.20m
3-mth Avg Daily Value	RM24.0m
Major Shareholders	
VERTICAL CAPACITY S/B	47.50%
EPF	11.87%

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%	1.6%	2.0%	4.8%	2.1%
Core PER	27.3	26.0	30.4	23.2	23.3
NTA/share (RM)	1.04	1.05	1.10	1.27	1.77
P/NTA	4.67	4.63	4.40	3.84	2.74
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

DAILY PRICE CHART



Alan Lim, CFA
 alan.lim@midf.com.my
 03-2173 8464

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.