



IOI Corporation Berhad

(1961 | IOI MK) Main | Plantation

Maintain BUY

Strong Recovery in Upstream Activities

Unchanged Target Price: RM4.45

KEY INVESTMENT HIGHLIGHTS

- **Within expectation**
- **Upstream; profit dragged by lower CPO ASP realised**
- **Lower margins from oleochemical and refining sub-segments**
- **Earnings estimates; Maintained**
- **Maintain BUY call with unchanged TP of RM4.45**


Within expectations. IOI's 1QFY24 core PATAMI of RM280.6m (-54.6%yoy) came in within our estimates following higher contribution from associates of RM125.5m recorded. While operating profit eased by -59.0%yoy to RM248.8m with margin fell to +11.3% (-5.3ppt), dragged by lower CPO and PK prices realized, partially cushioned by higher FFB production. Overall, reported PATAMI meets our but below consensus expectations, making up 28% and 19% of FY24F estimates respectively.

Plantation. The sales and profitability of RM108.3m (+33.5yoy) and RM330.8m (-6.0yoy) remain intact for the upstream subsegment, steaming high FFB production recorded that nearly reached 734,000 fruits during the quarter. Meanwhile, the operating margin for the segment turn to negative mainly due high cost of production incurred amid lower price effects.

Operationally, total planted area now reduced by -1.0%yoy to 173,574 ha but harvestable area remains a big chunk of its c. 84%. The FFB and CPO production on the other hand, surged to 734,000 Mt (+10.3%yoy) and 165,301 Mt (+13.5%yoy) respectively, thanks to strengthened OER of 21.82% and decent FFB yield of 5.04 tonne /mature ha recorded. Note that, average CPO and PK selling prices were lowered to RM3,789 per Mt (1Q23; 4,496 per Mt) and RM2,100 per Mt (1Q23; 2,254 per Mt) respectively.

RBM. Surprisingly, although the resource-based manufacturing's (RBM) top-line fell by -41.7%yoy, PBIT wise, remain profitable at RM57.7m, as across the downstream subsector, most of its peers are having negative margin for Oleo and refinery.

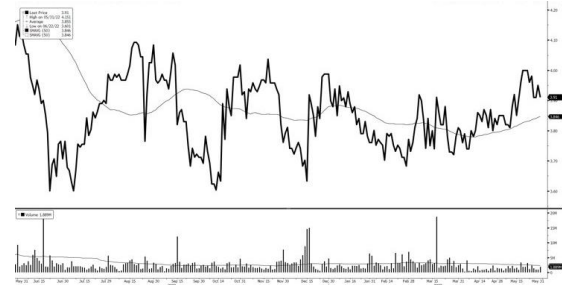
Earnings forecast. Maintain.

Recommendation. Despite the fact that its RBM subsegment reported profits volatility currently, upstream company has shown substantial recovery in estate activity. We anticipate that the company's robust recovery in harvesting activities will help it gain high CPO ASP attained during the El Nino event in FY24-25, paving the way for near-term profitability. Hence, we are maintaining our **BUY** call with **TP of RM4.45** based on PER of 25.0x nearly mean 5-year historical avg pegged on FY24F EPS of 16.0sen. 

RETURN STATISTICS

Price @ 28 th Nov 2023 (RM)	3.99
Expected share price return (%)	+11.48
Expected dividend yield (%)	+2.63
Expected total return (%)	+14.11

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.5	-3.1
3 months	8.6	-0.5
12 months	-3.3	-1.3

INVESTMENT STATISTICS

FYE Mar	2023A	2024F	2025F
Revenue	11,583.8	11,585.4	10,159.9
EBITDA	1,915.4	1,531.7	1,487.5
Profit Before Tax	1,526.0	1,300.3	1,208.2
Core PATAMI	1,596.8	1,008.0	928.8
Core EPS	25.7	16.0	14.8
DPS	12.0	10.5	8.0
Dividend Yield	3.0%	2.6%	2.0%

KEY STATISTICS

FBM KLCI	1,448.0
Issue shares (m)	6285.20
Estimated free float (%)	22.0
Market Capitalisation (RM'm)	25,125.0
52-wk price range	RM3.59 - RM4.24
3-mth average daily volume (m)	2.3
3-mth average daily value (RM'm)	9.2
Top Shareholders (%)	
Progressive Holdings Sdn Bhd	50.5
EPF	11.1
Amanah Saham Nasional Bhd	7.0

MIDF Research Team
research@midf.com.my

IOICorp: 1Q24 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly							
	1Q23	4Q23	1Q24	QoQ	YoY	3M23	3M24	Ytd
Income Statement								
Revenue	3,668.7	1,950.7	570.4	-70.8	-84.5	3,668.7	570.4	-84.5
Operating profit	607.3	180.9	248.8	37.5	-59.0	607.3	248.8	-59.0
Net Finance cost	-28.7	-29.3	-31.2	6.5	8.7	-28.7	-31.2	NM
PBT	315.1	93.1	367.8	>100	16.7	315.1	367.8	16.7
Tax expense	-142.1	-52.7	-62.0	NM	NM	-142.1	-62.0	NM
PATAMI	167.5	37.2	304.0	>100	81.5	167.5	304.0	81.5
Core PATAMI	618.5	234.8	280.6	19.5	-54.6	618.5	280.6	-54.6
Core EPS	10.0	3.8	4.5	19.5	-54.6	10.0	4.5	-54.6
				-/+pts				
Operating margin (%)	14.4	9.3	43.6	34.3	29.3	16.6	43.6	27.1
PBT margin (%)	12.3	4.8	64.5	59.7	52.2	8.6	64.5	55.9
Core PATAMI margin (%)	11.9	12.0	49.2	37.2	37.3	16.9	49.2	32.3

SEGMENTAL BREAKDOWN & OPERATIONAL STATS.

FYE Dec (RM'm)	Quarterly							
	1Q23	4Q23	1Q24	QoQ	YoY	3M23	3M24	Ytd
Revenue								
Plantation	81.1	70.7	108.3	53.2	33.5	81.1	-1,525.5	NM
Resource-based Manufacturing	3,582.6	1,876.2	2,090.0	11.4	-41.7	3,582.6	2,090.0	-41.7
Other Operations	5.0	3.8	5.9	55.3	18.0	5.0	5.9	18.0
Operating Profit								
Plantation	294.5	175.5	228.8	30.4	-22.3	294.5	228.8	-22.3
Resource-based Manufacturing	307.2	9.0	15.3	70.0	-95.0	307.2	15.3	-95.0
Other Operations	0.4	-2.0	1.4	>100	>100	0.4	1.4	>100
Operating Margin %								
Plantation	363.1	248.2	-15.0	-263.2	-378.1	363.1	-15.0	-378.1
Resource-based Manufacturing	8.6	0.5	0.7	0.3	-7.8	8.6	0.7	-7.8
Other Operations	8.0	-52.6	23.7	76.4	15.7	8.0	23.7	15.7
CPO Price realised (RM/Mt)								
CPO	4,496	4,118	3,789	-8.0	-15.7	4,496	3,789	-15.7
PK	2,524	2,233	2,100	-6.0	-16.8	2,524	2,100	-16.8

Source: IOI Corp, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023A	2024F	2025F
Revenue	11,251.7	15,578.7	11,583.8	11,585.4	10,159.9
EBITDA	1,572.3	2,511.6	1,915.4	1,531.7	1,487.5
PBT	1,739.8	2,352.6	1,526.0	1,300.3	1,208.2
PATAMI	1,394.3	1,725.3	1,145.8	1,008.0	928.8
Core PATAMI	1,101.0	1,979.9	1,596.8	1,008.0	928.8
EPS (sen)	17.5	31.8	25.7	16.0	14.8
PER (x)	22.8x	12.5x	15.5x	24.9	27.0
DPS (sen)	10.5	14.0	12.0	10.5	8.0
Dividend yield (%)	2.6%	3.5%	3.0%	2.6%	2.0%

Balance Sheet (RM'm)	2021A	2022A	2023A	2024F	2025F
PPE	8,608.7	8,709.2	8,995.2	8,759.5	8,764.4
Intangible Assets	423.4	416.0	414.8	399.2	390.8
Deferred tax assets	22.4	39.3	18.6	95.1	95.1
Non-current assets	12,317.9	12,488.4	12,655.6	13,203.9	13,464.1
Inventories	1,296.6	1,601.5	1,113.9	1,363.0	1,195.3
Trade receivables	1,427.2	1,607.6	1,307.1	1,448.2	1,270.0
Derivative assets	372.3	534.5	50.6	534.5	534.5
Current assets	5,337.8	6,679.4	4,926.3	6,978.6	7,063.4
Total Assets	17,655.7	19,167.8	17,581.9	20,182.5	20,527.5
Loans & borrowings	3,919.0	2,155.4	861.5	2,155.4	2,155.4
Trade & other payables	767.8	940.8	711.1	772.4	677.3
Current liabilities	5,037.6	3,751.6	1,675.5	6,799.0	6,658.2
Lease liabilities	58.2	56.9	54.9	56.9	56.9
Deferred tax liabilities	1,172.5	1,167.7	1,206.7	1,167.7	1,167.7
Non-current liabilities	2,303.7	4,131.7	4,235.8	4,131.7	4,131.7
Equity	10,314.4	11,284.5	11,670.6	12,467.6	12,907.7
Liabilities & equity	17,655.7	19,167.8	17,581.9	20,182.5	20,527.5

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	1,739.8	2,352.6	1,526.0	1,300.3	1,208.2
Cash flow from operations	671.6	1,799.9	2,081.0	1,374.2	1,386.5
Cash flow from investing	-276.2	-222.8	81.7	-450.0	-450.0
Cash flow from financing	-682.4	-1,059.2	-2,503.3	-502.8	-502.8
Net cash flow	-287.0	517.9	-340.6	421.4	433.7
Net cash/(debt) b/f	2,313.0	2,024.9	2,552.9	2,834.7	3,256.0
Net cash/(debt) c/f	2,024.9	2,552.9	2,235.0	3,256.0	3,689.7

Profitability Margins	2021A	2022A	2023E	2024F	2025F
EBITDA margin	14.0%	16.1%	16.5%	13.2%	14.6%
PBT margin	15.5%	15.1%	13.2%	11.2%	11.9%
Core PATAMI margin	9.8%	12.7%	13.8%	8.7%	9.1%

Source: Bloomberg, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 – X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related BNM and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loss, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such BNM mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

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	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.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology