



IOI Corporation Berhad

(1961 | IOI MK) Main | Plantation

Maintain to BUY

Recovery in Downstream Subsegment Continues

Revised Target Price: RM4.50
(Previously RM4.45)

KEY INVESTMENT HIGHLIGHTS

- **Upstream; FFB and CPO production remain intact**
- **Downstream stabilised**
- **Earnings estimates; Maintained**
- **Maintain BUY call with revised TP of RM4.50**

Within expectations. IOI's 2QFY24 core PATAMI of RM321.7m (+7.1%qoq) came in within our estimates following the better contribution from its RBM segments. Operating profit also showed some stability at RM331.3m, with the margin inching by +2.5pts to 13.8%, due to elevated CPO and PK prices realized, and lower cost of production. Overall, reported PATAMI meets our but below consensus expectations, making up 62% and 44% of FY24F estimates respectively.

Plantation. The segment generated decent performance as the sales stabilized at RM107.7m (+29.4yoy), meanwhile operating profit remain reasonable at RM291.5m (-10.3yoy), stemming from an increase in estates productivity that generally had boost the FFB and CPO production.

Operationally, the total planted area now reduced by -2.0%yoy to 172,760 ha due to replanting program carried out, but the harvestable area remained intact at 145,116 c. 83%. The FFB and CPO production, on the other hand, surged to 819,000 Mt (+5.9%yoy) and 184,000 Mt (+11.0%yoy) respectively due to the strengthened OER of 21.91% and the decent FFB yield of 5.7 tonne /mature ha recorded. Note that, average CPO and PK selling prices were lowered to RM3,736 per Mt (1H23; 4,294 per Mt) and RM2,085 per Mt (1H23; 2,330 per Mt) respectively.

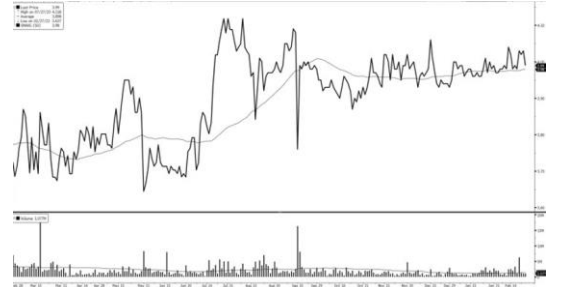
RBM. Its RBM subsegment saw some rebound, with profit of RM291.5m registered, which was quite excellent compared to its peers that mostly have small to negative margin for Oleo and refinery. Nonetheless, compared to 2QFY23 results, it was pretty much lower due to strong customer demand driven by global supply chain disruptions. In addition, Indonesia's policy restricting CPO exports during that period also contributed to the better margins.

Recommendation. We are of the view that its RBM profits volatility to persist on slower recovery in demand for palm-based products, however 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 2QFY24, paving the way for near-term profitability. Hence, we are maintaining our **BUY** call with a revised **TP** of **RM4.50** based on PER of 27.8x nearly mean 5-year historical avg pegged on FY24F EPS of 16.2sen.

RETURN STATISTICS

Price @ 23 rd Feb 2024 (RM)	3.99
Expected share price return (%)	+12.87
Expected dividend yield (%)	+2.63
Expected total return (%)	+15.50

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	2024E	2025F	2026F
Revenue	9,400.4	9,126.2	8,826.7
EBITDA	1,635.4	1,682.6	1,560.8
Profit Before Tax	1,328.4	1,324.0	1,193.5
Core PATAMI	1,007.6	989.4	898.2
Core EPS	16.2	16.0	14.8
DPS	10.5	8.0	8.0
Dividend Yield	2.6%	2.0%	2.0%

KEY STATISTICS

FBM KLCI	1,549.11
Issue shares (m)	6285.20
Estimated free float (%)	22.0
Market Capitalisation (RM'm)	25,077.9
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

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IOICorp: 2Q24 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly							Ytd
	2Q23	1Q24	2Q24	QoQ	YoY	1H23	1H24	
Income Statement								
Revenue	3,303.4	2,204.2	2,396.8	8.7	-27.4	6,972.1	4,601.0	-34.0
Operating profit	544.4	248.8	331.3	33.2	-39.1	1,151.7	580.1	-49.6
Net Finance cost	-29.3	-31.2	-28.3	-9.3	-3.4	-58.0	-59.5	NM
PBT	857.0	367.8	417.9	13.6	-51.2	1,172.1	785.7	-33.0
Tax expense	-141.9	-62.0	-78.8	NM	NM	-284.0	-140.8	NM
PATAMI	712.1	304.0	335.4	10.3	-52.9	879.6	639.4	-27.3
Core PATAMI	486.4	300.3	321.7	7.1	-33.9	1,104.9	622.0	-43.7
Core EPS	7.8	4.8	5.2	7.2	-33.8	17.8	10.0	-43.6
				-/+pts				
Operating margin (%)	16.5	11.3	13.8	2.5	-2.7	16.5	12.6	-3.9
PBT margin (%)	25.9	16.7	17.4	0.7	-8.5	16.8	17.1	0.3
Core PATAMI margin (%)	14.7	13.6	13.4	-0.2	-1.3	15.8	13.5	-2.3

SEGMENTAL BREAKDOWN & OPERATIONAL STATS.

FYE June (RM'm)	Quarterly							Ytd
	2Q23	1Q24	2Q24	QoQ	YoY	1H23	1H24	
Revenue								
Plantation	83.2	108.3	107.7	-0.6	29.4	164.3	216.0	31.5
Resource-based Manufacturing	3,213.4	2,090.0	2,285.5	9.4	-28.9	6,796.0	4,375.5	-35.6
Other Operations	6.8	5.9	3.6	-39.0	-47.1	11.8	9.5	-19.5
Operating Profit								
Plantation	324.8	228.8	291.5	27.4	-10.3	619.3	520.3	-16.0
Resource-based Manufacturing	248.1	15.3	33.2	>100	-86.6	555.3	48.5	-91.3
Other Operations	2.1	1.4	-1.0	NM	NM	2.5	0.4	-84.0
Operating Margin %								
Plantation	328.2	330.8	319.4	-3.4	-2.7	680.0	650.2	-4.4
Resource-based Manufacturing	464.3	57.7	85.0	47.3	-81.7	592.8	142.7	-75.9
Other Operations	2.1	1.4	-1.0	NM	NM	2.5	0.4	-84.0

Source: IOI Corp, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	15,578.7	11,583.8	9,400.4	9,126.2	8,826.7
EBITDA	2,511.6	1,915.4	1,635.4	1,682.6	1,560.8
PBT	2,352.6	1,526.0	1,328.4	1,324.0	1,193.5
PATAMI	1,725.3	1,114.2	1,007.6	989.4	898.2
Core PATAMI	1,979.9	1,565.2	1,007.6	989.4	898.2
EPS (sen)	31.8	25.2	16.2	16.0	14.8
PER (x)	12.5	15.8	24.6	24.9	27.0
DPS (sen)	14.0	11.0	10.5	8.0	8.0
Dividend yield (%)	3.5%	2.8%	2.6%	2.0%	2.0%

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
PPE	8,709.2	8,995.2	9,012.0	9,015.3	9,005.1
Intangible Assets	416.0	414.8	406.4	398.0	389.6
Deferred tax assets	39.3	18.6	18.6	18.6	18.6
Non-current assets	12,488.4	12,655.6	12,904.2	13,085.1	13,257.3
Inventories	1,601.5	1,113.9	1,105.9	1,073.7	1,038.4
Trade receivables	1,607.6	1,307.1	1,175.1	1,140.8	1,103.3
Derivative assets	534.5	50.6	50.6	50.6	50.6
Current assets	6,679.4	4,926.3	5,026.4	5,303.9	5,496.0
Total Assets	19,167.8	17,581.9	17,930.6	18,389.0	18,753.3
Loans & borrowings	2,155.4	861.5	861.5	861.5	861.5
Trade & other payables	940.8	711.1	626.7	608.4	588.4
Current liabilities	3,751.6	1,675.5	1,591.1	1,572.8	1,552.8
Lease liabilities	56.9	54.9	54.9	54.9	54.9
Deferred tax liabilities	1,167.7	1,206.7	1,206.7	1,206.7	1,206.7
Non-current liabilities	4,131.7	4,235.8	4,235.8	4,235.8	4,235.8
Equity	11,284.5	11,670.6	12,103.7	12,580.4	12,964.7
Liabilities & equity	19,167.8	17,581.9	17,930.6	18,389.0	18,753.3

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	2,352.6	1,526.0	1,328.4	1,324.0	1,193.5
Cash flow from operations	1,799.9	2,081.0	1,282.9	1,324.8	1,245.5
Cash flow from investing	-222.8	81.7	-450.0	-450.0	-450.0
Cash flow from financing	-1,059.2	-2,503.3	-589.8	-527.7	-527.7
Net cash flow	517.9	-340.6	243.1	347.1	267.8
Net cash/(debt) b/f	2,024.9	2,552.9	2,235.0	2,478.1	2,825.1
Net cash/(debt) c/f	2,552.9	2,235.0	2,478.1	2,825.1	3,093.0

Profitability Margins	2022A	2023E	2024F	2025F	2026F
EBITDA margin	16.1%	16.5%	13.2%	14.6%	
PBT margin	15.1%	13.2%	11.2%	11.9%	
Core PATAMI margin	12.7%	13.8%	8.7%	9.1%	

Source: Bloomberg, MIDFR

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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	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