

**IOI Corporation Berhad**

(1961 | IOI MK) Main | Plantation

The Outlook Remains Firm**KEY INVESTMENT HIGHLIGHTS**

- **Upstream; CPO production and OER remain intact**
- **Downstream stabilised**
- **Earnings estimates; Tweaked higher**
- **Maintain BUY call with an unchanged TP of RM4.50**

Above expectations. IOI's 9MFY24 core PATAMI of RM855.6m (-30.7%yoy) came in above our estimates, after adjusting for EIs amounted RM121.0m that mainly contributed from loss on biological assets and derivative financial instruments, reversal of impairment loss on receivables and gain on other investments. Operating profit maintains its stability at RM860.9m, with the margin maintained above 10% level at 11.4%, banking on elevated CPO and PK prices realized, and higher OER during the dry weather days. Broadly, reported core PATAMI posted above our however below consensus expectations, making up 85% and 65% of FY24F estimates respectively.

Plantation. During the quarter, the segment continues generated healthy sales and operating profit amounted RM674.0m (+10.3yoy) and RM216.8m (+10.3yoy), respectively. Profit was kept at RM248.6m (+9.7yoy), stemming from steady margin circa 36.9% riding on decent average CPO price realized of RM3,882/Mt.

Operationally, the total planted area now reduced by -0.9%yoy to 172,341 ha due to replanting program carried out, but the harvestable area remains intact at 148,016 c. 86% (vs 3Q23: 84%). The FFB and CPO production, on the other hand, softer to 606,105 Mt (-3.5%yoy) and 132,904 Mt (+0.9%yoy) respectively, amid low crop seasonality, however OER strengthened to 21.79% on better FFB evacuation activities due to dry weather.

RBM. Its profit continues to bounce, although at single digit growth, circa RM101.7, which is quite admirable compared to its peers that mostly have small to negative margin for Oleo and refinery – high operation cost in Europe and sluggish demand from China.

Earnings Forecast. In respond to the continued profit momentum for both upstream and downstream divisions, we tweak our earnings estimate +10%/+22% higher for FY24/25F. Our revision is taking into consideration the higher operating profit for both divisions backed by i) recovery in FFB Yield 19.5-20.0Mt, ii) FFB production growth +1.0 and iii) 5.0%, lower cost of production. Meanwhile, operating profit for downstream estimated to return to pre-pandemic to above RM300m with a stable margin of 3.0-4.0% coming from better cost efficiency within its Oleo plants and refinery.

Maintain BUY**Unchanged Target Price: RM4.50****RETURN STATISTICS**

Price @ 24 th May 2024 (RM)	3.98
Expected share price return (%)	+13.0
Expected dividend yield (%)	+1.6
Expected total return (%)	+14.6

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	11,345.2	11,027.0	11,040.0
EBITDA	1,755.8	1,965.8	2,149.5
Profit Before Tax	1,471.4	1,628.7	1,817.7
Core PATAMI	1,108.9	1,205.5	1,340.9
Core EPS	17.9	16.0	14.8
DPS	7.5	6.5	6.5
Dividend Yield	1.9%	1.6%	1.6%

KEY STATISTICS

FBM KLCI	1,619.4
Issue shares (m)	6208.7
Estimated free float (%)	22.0
Market Capitalisation (RM'm)	24,710.6
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

Recommendation. We are maintaining our **BUY** call with a **TP** of **RM4.50** based rollover valuation base year of FY25F EPS of 16.0sen, pegged to a PE valuation of 28.1x nearly 5-year historical mean. 

IOI Corp: 3Q24 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulative		
Income Statement	3Q23	2Q24	3Q24	QoQ	YoY	9M23	9M24	Ytd
Revenue	2,661.0	2,396.8	2,463.0	2.8	-7.4	9,633.1	7,064.0	-26.7
Operating profit	281.5	331.3	280.8	-15.2	-0.2	1,433.2	860.9	-39.9
Associates	55.5	57.6	77.1	33.9	38.9	170.9	260.2	52.3
Net Finance cost	-27.7	-28.3	-29.5	4.2	6.5	-85.7	-89.0	NM
PBT	260.8	417.9	184.3	-55.9	-29.3	1,432.9	970.0	-32.3
Tax expense	-59.3	-78.8	-60.6	NM	NM	-343.3	-201.4	NM
PATAMI	197.4	335.4	123.1	-63.3	-37.6	1,077.0	762.5	-29.2
Core PATAMI	199.0	321.7	244.1	-24.1	22.7	1,235.2	855.6	-30.7
Core EPS	3.2	5.2	3.9	-24.1	22.8	19.9	13.8	-30.7
				-/+pts				
Operating margin (%)	10.6	13.8	11.4	-2.4	0.8	14.9	12.2	-2.7
PBT margin (%)	9.8	17.4	7.5	-10.0	-2.3	14.9	13.7	-1.1
Core PATAMI margin (%)	7.5	13.4	9.9	-3.5	2.4	12.8	12.1	-0.7

*NM Not Meaningful

SEGMENTAL BREAKDOWN & OPERATIONAL STATS.

FYE June (RM'm)	Quarterly					Cumulative		
Revenue	3Q23	2Q24	3Q24	QoQ	YoY	9M23	9M24	Ytd
Plantation	611.3	751.2	674.0	-10.3	10.3	2,091.3	2,103.9	0.6
Resource-based Manufacturing	2,580.0	2,285.5	2,354.8	3.0	-8.7	9,376.0	6,730.3	-28.2
Other Operations	4.0	3.6	4.7	30.6	17.5	15.8	14.2	-10.1
Operating profit								
Plantation	185.5	291.5	216.8	-25.6	16.9	804.8	737.1	-8.4
Resource-based Manufacturing	96.3	33.2	55.3	66.6	-42.6	651.6	103.8	-84.1
Other Operations	-1.6	-1.0	0.8	>100	>100	0.9	1.2	33.3
Segmental results before FV adj.								
Plantation	226.6	330.0	248.6	-24.7	9.7	913.7	893.1	-2.3
Resource-based Manufacturing	111.1	53.5	101.7	90.1	-8.5	714.3	211.6	-70.4
Other Operations	-1.6	-1.0	0.8	>100	>100	0.9	1.2	33.3
Results before FV adj. Margin %								
Plantation	37.1	43.9	36.9	-7.0	-0.2	43.7	42.4	-1.2
Resource-based Manufacturing	4.3	2.3	4.3	2.0	0.0	7.6	3.1	-4.5
Other Operations	-40.0	-27.8	17.0	44.8	57.0	5.7	8.5	2.8

Source: IOI Corp, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	15,578.7	11,583.8	11,345.2	11,027.0	11,040.0
EBITDA	2,511.6	1,914.9	1,755.8	1,965.8	2,149.5
PBT	2,352.6	1,526.0	1,471.4	1,628.7	1,817.7
PATAMI	1,725.3	1,114.2	1,108.9	1,205.5	1,340.9
Core PATAMI	1,979.9	1,471.0	1,108.9	1,205.5	1,340.9
EPS (sen)	31.8	23.7	17.9	16.0	14.8
PER (x)	12.5	16.8	22.3	24.9	26.9
DPS (sen)	14.0	11.0	7.5	6.5	6.5
Dividend yield (%)	3.5%	2.8%	1.9%	1.6%	1.6%
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	1,334.7	1,297.3	1,298.8
Trade receivables	1,607.6	1,307.1	1,418.2	1,378.4	1,380.0
Derivative assets	534.5	50.6	50.6	50.6	50.6
Current assets	6,679.4	4,926.3	5,258.9	5,815.1	6,601.5
Total Assets	19,167.8	17,581.9	18,163.1	18,900.2	19,858.8
Loans & borrowings	2,155.4	861.5	861.5	861.5	861.5
Trade & other payables	940.8	711.1	756.3	735.1	736.0
Current liabilities	2,826.6	2,895.7	2,895.7	2,895.7	2,895.7
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	12,206.6	12,964.9	13,922.6
Liabilities & equity	19,167.8	17,581.9	18,163.1	18,900.2	19,858.8
Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	2,352.6	1,526.0	1,471.4	1,628.7	1,817.7
Cash flow from operations	1,799.9	2,073.2	1,043.5	1,552.0	1,639.9
Cash flow from investing	-222.8	89.5	-450.0	-450.0	-450.0
Cash flow from financing	-1,059.2	-2,503.3	-589.8	-465.7	-403.6
Net cash flow	517.9	-340.6	3.7	636.3	786.3
Net cash/(debt) b/f	2,024.9	2,552.9	2,235.0	2,238.7	2,875.1
Net cash/(debt) c/f	2,552.9	2,235.0	2,238.7	2,875.1	3,661.4
Profitability Margins	2022A	2023A	2024E	2025F	2026F
EBITDA margin	16.1%	16.5%	15.5%	17.8%	19.5%
PBT margin	15.1%	13.2%	13.0%	14.8%	16.5%
Core PATAMI margin	12.7%	12.7%	9.8%	10.9%	12.1%

Source: Company, 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