Corporate Update| Monday, 08 August 2022

IOI Corporation Berhad

(1961 | IOI MK) Main | Plantation

***Maintain* BUY**

Another 10% disposal of Bunge Loders

***Unchanged* Target Price: RM6.00**

KEY INVESTMENT HIGHLIGHTS

- **With the completion of the share sale, the company's equity interest in BLC has reduced from 30% to 20%**
- **If 80% of RM466m latest proceeds to be use for debt settlement purpose, we could see the group's gearing improving down to 25.6% onwards versus 29.2% in 9MFY22**
- **Maintain our FY22-FY23 earnings forecast**
- **Maintain BUY call with TP of RM6.00**

Disposal of 10% group's equity in Bunge Loders Croklaan Group B.V. IOICorp announced it has completed the sale of 1,800 shares, which representing 10% shareholdings in Bunge Loders Croklaan Group B.V. (BLC) to Koninklijke Bunge B.V (KBBV) for a total consideration sale price of USD84m plus EUR19m c. RM376.3m and RM89.9m respectively. With 10% share sale, IOICorp's interest on BLC is now reduced to 20%. Additionally, the estimated loss arising from the Share Sale is approximately RM50m of which mostly is fair value loss from derecognition of the terminated Put and Call options.

Previous proceeds were raised for mixed purpose. To recap, on 1st March 2018, the Group completed the disposal of 70% equity interest in BLC with a preliminary disposal consideration of USD595.0m plus EUR303.4m (total approximately RM3,784.7m). On 23 October 2018, the company had received a net adjustment amount of EUR11.5m (approximately RM55.0m) upon finalisation of the intermediate disposal consideration in accordance with the terms of the sale and purchase agreement. The status of utilisation of proceeds raised from the Corporate proposal as at May 2022 as follows:

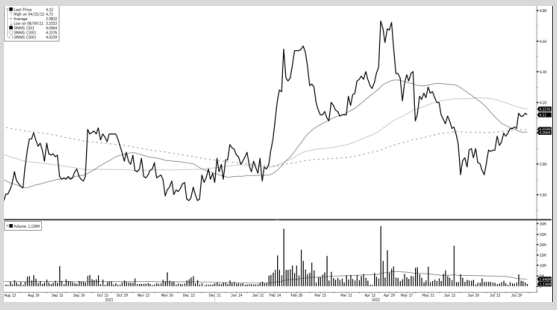
Purpose	Proposed Utilisation		Actual Utilisation	
	(%)	RM'm	(%)	RM'm
Future investment	25	959.9	26	253.4
Dividend to shareholders	20	767.9	100	767.9
Repayment of borrowings	50	1,919.9	100	1,919.9
General working capital	4.75	182.4	100	182.4
Transaction expenses	0.25	9.6	100	9.6
Total	100	3,839.7	82	3,133.2

Source: Company, MIDFR

We saw previous proceeds were raised for mixed purpose such as future investment (25%), dividend payment (20%), working cap (4.75%) and transaction expenses (0.25%). Since c. 50% out of it was used for repayment of borrowings, if 80% of RM466m latest proceeds also to be use for debt settlement purpose, we could see the group's gearing improving down to 25.6% onwards versus 29.2% in 9MFY22.

RETURN STATISTICS	
Price @5th August 2022 (RM)	4.12
Expected share price return (%)	45.6
Expected dividend yield (%)	2.0
Expected total return (%)	**+47.6**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	8.4	3.0
3 months	7.3	-5.9
12 months	11.1	10.2

KEY STATISTICS	
FBM KLCI	1,501.55
Syariah compliant	Yes
Issue shares (m)	897.20
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆☆
Estimated free float (%)	22.23
Market Capitalisation (RM'm)	25,594.92
52-wk price range	RM3.57 - RM4.76
Beta vs FBM KLCI (x)	0.99
Monthly velocity (%)	0.00
Monthly volatility (%)	9.09
3-mth average daily volume (m)	3.64
3-mth average daily value (RM'm)	15.08
Top Shareholders (%)	
PROGRESSIVE HLDS SDN BHD	50.38
EPF	10.75
ASNB	8.22

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Earnings estimates. We make no changes to our earnings forecast for now.

Maintain BUY. We continue like IOICorp premised on its integrated business where the manufacturing segment which makes up c. 35% of group profit will help cushion any pullback of ASP for CPO – hence, reducing earnings volatility. We are maintaining our **BUY** call with **TP of RM6.00** by pegging its FY23 EPS of 25.4sen to PER of 23.6x nearly mean of its 2-year historical average.

INCOME STATEMENT

Financial year ending 31st June (in RM'm, unless otherwise stated)	2020	2021	2022F	2023F	2024F
Revenue	**7,802.2**	**11,251.7**	**13,650.4**	**12,452.1**	**11,221.0**
EBIT	786.7	1,337.2	2,276.0	1,906.2	1,430.1
PBT	826.7	1,416.3	2,412.0	1,427,0	1,532.8
PATANCI	**600.9**	**1,394.3**	**1,580.3**	**1,230.0**	**970.4**
Normalized PATANCI	**755.1**	**1,242.2**	**1,580.3**	**1,230.0**	**970.4**
Normalized EPS (sen)	12.0	19.8	25.2	19.3	10.4
Normalized EPS Growth (%)	8.9	65.0	27.2	-24.1	-45.8
PER (x)	34.3	20.8	16.3	21.5	39.7
DPS (sen)	8.0	10.5	12.0	10.0	8.0
Dividend yield (%)	1.9	2.5	2.9	2.4	1.9

Source: MIDFR, Company

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(Bank Pelaburan)

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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 *rise* 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 *fall* 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