IOI Corporation Berhad

(1961 | IOI MK) Plantation | Plantation

Maintain BUY

Driven by elevated ASP

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

KEY INVESTMENT HIGHLIGHTS

- **FY22 normalised earnings came in at RM1.8b, an increase of +49.9%yoy compared to RM1.2 in FY21**
- **This came in above our/consensus expectation**
- **Plantation segment profit surged +72%yoy to RM2.1b versus RM1.2b in corresponding period last year**
- **Maintain BUY with TP of RM6.00**

RETURN STATISTICS	
Price @ 23rd Aug 2022 (RM)	4.19
Expected share price return (%)	+45.12
Expected dividend yield (%)	+2.15
Expected total return (%)	+44.27

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-0.7	2.7
3 months	6.8	2.4
12 months	7.3	8.2

KEY STATISTICS	
FBM KLCI	1,482.57
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆☆
Issue shares (m)	6248.77
Estimated free float (%)	22.47
Market Capitalisation (RM'm)	26,029.79
52-wk price range (RM)	RM3.57 - RM4.76
Beta vs FBM KLCI (x)	1.02
Monthly velocity (%)	0.46
Monthly volatility (%)	23.39
3-mth average daily volume (m)	3.18
3-mth average daily value (RM'm)	12.93
Top Shareholders (%)	
Progressive Holdings Sdn Bhd	50.38
Employees Provident Fund	10.50
Amanah Saham Nasional Bhd	8.22

Above expectation. IOI's FY22 normalized PATANCI of RM1.8b was above our and consensus estimates. Sales inched higher by +38.5% to RM15.6b owing to stronger ASP of CPO and PK realized in spite of lower FFB production recorded. The resilient performance is attributed to significant contribution from RBM segment amounted RM15.1b (+38.5%yoy) compared to RM10.9b in in subsequent year on account of higher sales volume from the oleochemical and refining sub-segments.

Plantation. The segment profit for FY22 gained +72.0%yoy growth to RM2.1b versus RM1.2b in corresponding period last year. The main driver was largely due strong avg CPO and PK prices realized of RM4,688/mt (+52.4%yoy) and RM3,593/mt (+69.9%yoy) as well as higher contribution from associate, partly offset by lower FFB production.

RBM. The resource-based manufacturing performance continued sturdy during the year, with underlying earnings came in at RM560.6m, an increase c. +32% as opposed RM425.3m prior year, after excluding the fair value loss on derivative financial instruments of RM32.0m as well as impairment loss of RM55.3m. The surged in profit was mainly due higher margins from oleochemical and refining sub-segments.

Earnings forecast. We leave our earnings estimates unchanged for FY23/FY24 at this juncture.

Recommendation. Going forward, we reckon its plantation segment sales volume to perform better in-line with high cycle months and continue to reap higher ASP CPO price of avg RM4,000/mt. Additionally, its RBM segment to continue act as a buffer against any potential downside risk from plantation segment, hence reducing earnings instability. All factors considered, we are maintaining our **BUY** recommendation. Our unchanged TP of **RM6.00** based on PER of 31x nearly +1SD of its 2-year historical avg pegged on FY23F EPS of 19.6sen, implies expected total return of +44.3%.

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INVESTMENT STATISTICS

Financial year ending 30th June (in RM'm, unless otherwise stated)	2020	2021	2022	2023F	2024F
Revenue	**7,802.2**	**11,251.7**	**15,578.0**	**12,452.1**	**11,221.0**
EBIT	786.7	1,337.2	2,140.0	1,906.2	1,430.1
PBT	826.7	1,416.3	2,352.6	1,427,0	1,532.8
PATANCI	600.9	1,394.3	1,725.3	1,230.0	970.4
Normalised PATANCI	**755.1**	**1,242.2**	**1,862.6**	**1,230.0**	**970.4**
Normalised EPS (sen)	12.0	19.8	29.7	19.6	15.5
Normalised EPS Growth (%)	8.9	65.0	49.9	-34.0	-21.1
PER (x)	34.8	21.1	14.1	21.3	27.0
Dividend Per Share (sen)	8.0	10.5	14.0	10.0	8.0
Dividend yield (%)	1.9	2.5	3.3	2.4	1.9

Source: Company, MIDFR

IOI CORPORATION BHD: 4QFY22 RESULTS SUMMARY

FYE 30tt June (All in RM'm, unless otherwise stated)	Quarterly					Cumulative		
	4Q21	3Q22	4Q22	% QoQ	% YoY	FY22	FY21	% YoY
Revenue	**3,459.7**	**4,097.9**	**3,736.1**	**-8.8**	**8.0**	**15,578.0**	**11,251.7**	**38.5**
EBITDA	539.9	616.1	629.0	2.1	16.5	2,498.8	2,100.3	19.0
EBIT	447.4	526.6	539.5	2.4	20.6	2,140.0	1,739.8	23.0
PBT	473.7	580.9	658.4	13.3	39.0	2,352.6	1,739.8	35.2
PATANCI	359.4	411.2	541.8	31.8	50.8	1,725.3	1,394.3	23.7
Normalised PATANCI	**376.0**	**339.8**	**527.9**	**55.4**	**40.4**	**1,862.6**	**1,242.2**	**49.9**
Normalised EPS (sen)	6.0	5.5	8.5	41.4	41.4	29.9	19.8	51.0
					+/- ppts			+/- ppts
EBITDA margin (%)	15.6	15.0	16.8	55.4	1.2	16.0	18.7	-14.1
EBIT margin (%)	12.9	12.9	14.4	1.6	1.5	13.7	15.5	-11.2
Normalised PATAMI margin (%)	10.9	8.3	14.1	5.8	3.3	12.0	11.0	8.3
Effective tax rate (%)	22.3	27.5	16.5	-11.0	-5.8	24.8	18.6	33.4

Source: Company, 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 *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