Corporate Update

IOI Corporation Berhad

(1961 | IOI MK) Main | Plantation

SHARIAH Compliant | FTSE4Good | ESG 4 Stars

Maintain BUY

Unchanged Target Price **RM4.42**

2QFY25 Results Review
Within Expectation

Maintain BUY with unchanged TP of RM4.42. We are maintaining our BUY call with an unchanged TP of RM4.42 based on FY26F EPS of 20.5sen pegged to a PER of 21.6x, at 5-year historical mean. With a low cost of production among its peers, circa estimated of RM1,900-2,100/Mt, the company's operating profit remains stable amid the erosion in the downstream subsegment.

Note that upstream operating profit accounts for 68-70% of the total group operating profit in FY25-27F. Therefore, any increase in the trajectory of CPO prices will significantly benefit the stock price.

Plantation. During the quarter, the segment continues generated solid sales and profitability amounted RM890.8m (+21.8%qoq, +18.6%yoy) and RM499.0m (+41.3%qoq, +51.2%yoy), respectively. The higher profit recorded was due to elevated CPO and PK prices realized despite softer FFB and CPO production registered.

Operationally, the total planted area now reduced by -0.6%yoy to 171,660 ha, with the harvestable mature area of 140,281 c. 82% (vs 2Q24: 84%) due to replanting program carried away. The FFB and CPO production, on the other hand, reduced to approximately 768,000 Mt (-6.2%yoy) and 168,000 Mt (-8.9%yoy), respectively, affected by poor set of crops were seen in eastern region.

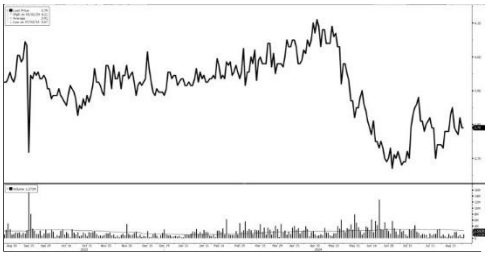
Notably, all-in cost of production continues moderated to estimated RM1,900/Mt (-6.5%yoy), on stabilised in fertilizer price components and FFB yield of 10.89 t/ha.

RBM. RBM. Smaller profit was registered, at RM33.4m (-35.7%yoy), mainly dragged by lower contribution from refining sub-segment with lower margins, partially mitigated by better operating profit from oleochemical sub-segment as well as higher share of associate results.

Earnings. We are maintaining our earnings estimate at this juncture, since the earnings came in within ours and consensus estimate, circa 57.5% and 48.7%. Earnings for the 2HFY25 expected to be softer on lower FFB and CPO production inline with pollination cycle months.

RETURN STATISTICS	
Price @ 25th Feb 2025 (RM)	3.82
Expected share price return (%)	+15.7
Expected dividend yield (%)	+2.2
Expected total return (%)	+17.9

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.3	-1.3
3months	2.4	-5.3
12 months	-5.7	-16.9

INVESTMENT STATISTICS

FYE June (RM'm)	2025E	2026F	2027F
Revenue	11,155.9	10,773.7	10,804.8
Operating Profit	1,425.3	1,497.1	1,487.2
PBT	1,549.9	1,693.3	1,691.4
PATAMI	1,165.3	1,269.1	1,270.0
EPS (sen)	18.8	20.5	20.5
DPS (sen)	8.5	8.5	8.5
Dividend Yield (%)	2.2%	2.2%	2.2%

KEY STATISTICS	
FBM KLCI	1,568.03
Issue shares (m)	6208.70
Estimated free float (%)	20.00
Market Capitalisation (RM'm)	23,717.20
52-wk price range	RM3.67 – RM4.14
3-mth average daily volume (m)	2.59
3-mth average daily value (RM'm)	9.81
Top Shareholders (%)	
Progressive Holdings Sdn Bhd	50.45
EPF	13.06
ASNB	6.99

Analyst

Research Team

reseach@midf.com.my

IOI Corp: 2QFY25 Results Summary

FYE Dec (RM'm)	Quarterly results					Cumulative results		
	2QFY24	1QFY25	2QFY25	QoQ (%)	YoY (%)	1HFY24	1HFY25	YoY (%)
Revenue	2,396.8	2,673.2	2,965.8	10.9	23.7	4,601.0	5,639.0	22.6
Operating profit	331.3	277.8	421.5	51.7	27.2	580.1	699.3	20.5
Associates	57.6	106.7	107.7	0.9	87.0	183.1	214.4	17.1
Net Finance Cost	-28.3	-29.5	-25.1	-14.9	-11.3	-59.5	-54.6	NM
PBT	417.9	808.6	220.8	-72.7	-47.2	785.7	1,029.4	31.0
Tax Expense	-78.8	-89.3	-105.6	NM	NM	-140.8	-194.9	NM
PATAMI	335.4	710.7	111.1	-84.4	-66.9	639.4	821.8	28.5
Core PATAMI	321.7	299.7	369.8	23.4	15.0	611.5	669.5	9.5
Core EPS (sen)	5.2	4.8	6.0	23.4	15.0	9.9	10.8	9.5
Growth & Margin (%)				+/- ppts				+/- ppts
OP margin (%)	13.8	10.4	14.2	3.8	0.4	12.6	12.4	-0.2
PBT margin (%)	17.4	30.2	7.4	-22.8	-10.0	17.1	18.3	1.2
Core PATAMI margin (%)	13.4	11.2	12.5	1.3	-1.0	13.3	11.9	-1.4
Effective tax rate (%)	-17.5	-10.5	-25.7	-15.2	-8.1	74.5	-57.0	-<100

Source: Company, MIDFR

IOI Corp: Segmental Breakdown & Operational Stats.

FYE Dec (RM'm)	Quarterly results					Cumulative results		
	2QFY24	1QFY25	2QFY25	QoQ (%)	YoY (%)	1HFY24	1HFY25	YoY (%)
Revenue (RM'm):								
Plantation	751.2	731.5	890.8	21.8	18.6	1,429.9	1,622.3	13.5
RBM	2,285.5	2,560.9	2,845.3	11.1	24.5	4,375.5	5,406.2	23.6
Other Operations	3.6	4.6	5.5	19.6	52.8	9.5	10.1	6.3
Operating Profit								
Plantation	291.5	300.8	419.6	39.5	43.9	520.3	720.4	38.5
RBM	33.2	-17.3	4.9	>100	-85.2	48.5	-12.4	NM
Other Operations	-1.0	0.3	0.3	0.0	>100	0.4	0.6	50.0
Segmental results before FV adj.								
Plantation	330.0	353.1	499.0	41.3	51.2	644.5	852.1	32.2
RBM	53.5	37.6	34.4	-8.5	-35.7	109.9	72.0	-34.5
Other Operations	-1.0	0.3	0.3	0.0	>100	0.4	0.6	50.0
Results before FV adj. Margin %								
Plantation	43.9	48.3	56.0	7.7	12.1	45.1	52.5	7.5
RBM	2.3	1.5	1.2	-0.3	-1.1	2.5	1.3	-1.2
Other Operations	-27.8	6.5	5.5	-1.1	33.2	4.2	5.9	1.7
Operational Stats								
FFB production ('000 mt)	819	760	768	1.1	-6.2	1,553	1,528	-1.6
CPO production ('000 mt)	184	166	168	1.0	-8.9	350	334	-4.5
Avg CPO Price Realised (RM/Mt)	3,689	4,059	4,470	10.1	21.2	3,736	4,271	14.3

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2023A	2024A	2025F	2026F	2027F
Revenue	**11,583.8**	**9,603.6**	**11,155.9**	**10,773.7**	**10,804.8**
Operating Profit	1,541.2	1,180.1	1,425.3	1,497.1	1,487.2
PBT	1,526.0	1,398.5	1,549.9	1,693.3	1,691.4
PATAMI	1,114.2	1,109.4	1,165.3	1,269.1	1,270.0
Core PATAMI	**1,471.0**	**1,113.2**	**1,165.3**	**1,269.1**	**1,270.0**
EPS (sen)	23.7	17.9	18.8	20.5	20.5
PER (x)	16.1	21.3	20.3	18.7	18.7
DPS (sen)	11.0	7.5	8.5	8.5	8.5
Dividend yield (%)	2.9%	2.0%	2.2%	2.2%	2.2%

Cash Flow (RM'm)	2023A	2024A	2025F	2026F	2027F
PBT	1,526.0	1,398.5	1,549.9	1,693.3	1,691.4
Operating cash flow	2,073.2	1,233.8	1,150.7	1,576.5	1,510.1
Investing cash flow	89.5	-493.1	-450.0	-450.0	-450.0
Financing cash flow	-2,503.3	-796.3	-589.4	-403.3	-403.3
Net cash flow	-340.6	-55.6	111.3	723.2	656.8
Beginning cash flow	2,552.9	2,235.0	2,181.7	2,293.0	3,016.2
Ending cash flow	2,235.0	2,181.7	2,293.0	3,016.2	3,673.1

Balance Sheet (RM'm)	2023A	2024A	2025F	2026F	2027F
PPE	8,995.2	9,229.1	9,233.0	9,223.4	9,200.3
Intangible Assets	18.6	15.9	15.9	15.9	15.9
Deferred tax assets	18.6	15.9	15.9	15.9	15.9
Non-current assets	12,655.6	12,957.6	13,195.7	13,427.9	13,654.6
Inventories	1,113.9	1,221.2	1,312.5	1,267.5	1,271.2
Trade receivables	1,307.1	1,283.4	1,394.5	1,346.7	1,350.6
Derivative assets	50.6	41.6	41.6	41.6	41.6
Current assets	4,926.3	4,984.6	5,295.3	5,922.7	6,584.2
Total Assets	**17,581.9**	**17,942.2**	**18,491.0**	**19,350.6**	**20,238.8**
Loans & borrowings	861.5	708.7	708.7	708.7	708.7
Trade & other payables	711.1	788.5	743.7	718.2	720.3
Current liabilities	1,675.5	1,580.8	1,536.0	1,510.5	1,512.6
Non-current liabilities	4,235.8	4,351.7	4,351.7	4,351.7	4,351.7
Equity	1,465.1	1,496.4	1,472.0	1,554.9	1,650.4
Liabilities & equity	**17,581.9**	**17,942.2**	**18,491.0**	**19,350.6**	**20,238.8**

Margins	2023A	2024A	2025F	2026F	2027F
OP margin	13.3%	12.3%	12.8%	13.9%	13.8%
PBT margin	13.2%	14.6%	13.9%	15.7%	15.7%
PATAMI margin	9.6%	11.6%	10.4%	11.8%	11.8%
Core PATAMI margin	12.7%	11.6%	10.4%	11.8%	11.8%

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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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