IOI Corporation Berhad

(1961 | IOI MK) Main | Plantation

Maintain **BUY**

Unchanged Target Price **RM4.42**

Corporate Update

JV with Mega Star

Maintain BUY with unchanged TP of RM4.42. IOI Corp is deepening its foothold in the coconut segment through a JV with Mega Star (China-based conglomerate), involving a total capex of RM100m to establish its 1st integrated coconut mill complex. The venture strategically complements IOI's existing upstream coconut operations, enabling the group to expand its production of high-value lauric-based derivatives and strengthen its position in the specialty oils and fats segment.

Coconut oil complex. The facility that will base in Segamat, Johor, slated for completion by 4QCY27, will initially process 100,000 coconuts p.d. with plans to scale up to 300,000 p.d. as IOI expands its coconut plantations to about 5,000ha. The complex will produce coconut oil and concentrated coconut water, incorporate robotic and IR 4.0 processing systems, and utilise coconut husks as biofuel to generate energy, with future plans to convert shells into activated carbon in line with IOI's circular economy goals.

We view Mega Star to bring strong downstream expertise through its association with Ting Hsin, while the collaboration complements IOI's move into value-added lauric products and strengthens access to the China and Taiwan food and beverage markets.

Strategic expansion. We believe IOICorp investing coconut oil complex for several reasons:

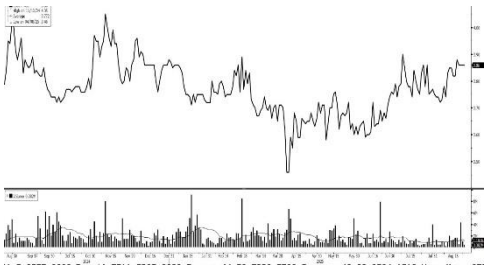
- Tight supply and firm price trend support long-term viability. Global coconut oil supply remains structurally tight, constrained by ageing trees in the Philippines and Indonesia (which account for over 70% of global output) and limited replanting progress. As of early November 2025, benchmark coconut oil prices in Rotterdam are hovering around USD1,600-1,650/Mt, still commanding a 40-45% premium over PKO. The persistent spread reflects a structurally tight supply situation and underlines the rationale for upstream investment.

- Compared to its closest peer, United Plantations (UP), IOI Corp's coconut expansion plan is relatively similar in scale, targeting around 5,000ha over the next 5 years versus UP's 4,627ha. Unlike UP, IOI's investment extends beyond upstream cultivation into processing and value-chain integration, enabling margin capture from refined lauric products. Coconut derivatives generally trade at a higher premium, thanks to its more consistent fatty acid profile. This is expected to drive sustained profit expansion within the RBM segment, with coconut-based products complementing and enhancing the profitability of the existing PKO portfolio over the long term.

Earnings forecast. Maintain at this juncture, given the commercialisation expected to be in 2029.

RETURN STATISTICS	
Price @ 6 Nov 2025 (RM)	4.05
Expected share price return (%)	+9.14
Expected dividend yield (%)	+2.47
Expected total return (%)	+11.60

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.1	-2.2
3months	3.2	0.8
12 months	1.8	4.0

INVESTMENT STATISTICS

FYE June	2026E	2027F	2028F
Revenue	10,773.7	10,804.8	11,046.8
Operating Profit	1,497.1	1,487.2	1,469.2
PBT	1,693.3	1,691.4	1,681.8
Core PATAMI	1,269.1	1,270.0	1,265.4
EPS (sen)	20.5	20.5	20.4
DPS (sen)	10.5	10.5	10.5
Dividend Yield (%)	2.6%	2.6%	2.6%

KEY STATISTICS	
FBM KLCI	1,618.94
Issue shares (m)	6,208.70
Estimated free float (%)	35.20
Market Capitalisation (RM'm)	25,145.24
52-wk price range	RM3.42– RM4.08
3-mth average daily volume (m)	1.36
3-mth average daily value (RM'm)	5.06
Top Shareholders (%)	
Progressive Hlds Sdn Bhd	50.45
EPF	14.24
ASNB	6.48

FINANCIAL SUMMARY

Income Statement (RM'm)	2024A	2025A	2026E	2027F	2028F	Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	9,603.6	11,334.7	10,773.7	10,804.8	11,046.8	PBT	1,398.5	1,877.5	1,693.3	1,691.4	1,681.8
Operating Profit	1,180.1	1,349.2	1,497.1	1,487.2	1,469.2	Operating cash flow	1,233.8	1,043.1	1,604.4	1,510.1	1,473.6
PBT	1,398.5	1,869.7	1,693.3	1,691.4	1,681.8	Investing cash flow	-493.1	-637.1	-450.0	-450.0	-450.0
PATAMI	1,109.4	1,505.7	1,269.1	1,270.0	1,265.4	Financing cash flow	-796.3	-931.0	-403.3	-403.3	-403.3
Core PATAMI	1,115.7	1,260.7	1,269.1	1,270.0	1,265.4	Net cash flow	-55.6	-525.0	751.1	656.8	620.3
EPS (sen)	18.0	20.3	20.5	20.5	20.4	Beginning cash flow	2,235.0	2,181.7	1,578.4	2,329.5	2,986.4
PER (x)	22.5	20.0	19.8	19.8	19.9	Ending cash flow	2,181.7	1,578.4	2,329.5	2,986.4	3,606.7
DPS (sen)	9.5	10.5	10.5	10.5	10.5						
Dividend yield (%)	2.3%	2.6%	2.5%	2.5%	2.5%						

Balance Sheet (RM'm)	2024A	2025A	2026E	2027F	2028F	Margins	2024A	2025A	2026E	2027F	2028F
Cash	2,181.7	1,578.4	2,329.5	2,986.4	3,606.7	OP margin	12.3%	11.9%	13.9%	13.8%	13.3%
Receivables	1,283.4	1,393.3	1,346.7	1,350.6	1,380.9	PBT margin	14.6%	16.6%	15.7%	15.7%	15.2%
Inventories	1,221.2	1,419.8	1,267.5	1,271.2	1,299.6	PATAMI margin	11.6%	13.4%	11.8%	11.8%	11.5%
PPE	9,229.1	9,432.6	9,223.4	9,200.3	9,163.7	Core PATAMI margin	11.6%	11.3%	11.8%	11.8%	11.5%
Others	4,026.8	4,279.4	4,515.5	4,762.3	5,017.5						
Assets	17,942.2	18,130.7	18,709.8	19,598.0	20,495.6						
Payables	788.5	821.9	718.2	720.3	736.5						
Debt	3,704.7	3,214.6	3,214.6	3,214.6	3,214.6						
Others	1,439.3	1,458.0	1,458.0	1,458.0	1,458.0						
Liabilities	5,932.5	5,494.5	5,390.8	5,392.9	5,409.1						
Shareholders' equity	11,678.6	12,294.0	13,177.4	14,044.2	14,906.3						
NCI interests	331.1	338.8	358.1	377.4	396.7						
Equity	12,009.7	12,632.8	18,709.8	19,598.0	20,495.6						

Source: Bloomberg, MBSBR

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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