IOI Corporation Berhad

(1961 | IOI MK) Main | Plantation

4 Stars | FTSE4Good | SHARIAH Compliant

Corporate Update

Maintain BUY

Unchanged Target Price **RM4.42**

On Coconut Expansion Plan

Maintain BUY with unchanged TP of RM4.42. We had a meeting with IOICorp management recently and remain positive on its near-mid-term outlook. Upstream is expected to contribute over 90% profit (>40% margins) in FY26–28, which well supported by FFB output of 5-10% growth, thanks to decent age profile of 13 years and low costs of RM1,900-2,000/Mt. On the other hand, a RM100m investment in its 1st integrated coconut mill complex expected to strategically complements IOI's existing downstream operations, enabling the group to offer high-value coconut lauric-based derivatives and strengthen its position in the specialty oils and fats segment.

Coconut business model. The project will adopt a full-utilisation coconut model anchored by coconut oil, which accounts 70% of output, alongside concentrated coconut water and by-products. All parts of the coconut are going to be monetised: husks are used as factory fuel, shells are sold externally, and copra is channelled into animal feed. That said, management emphasised that coconut oil remains the core commercial focus, leveraging IOI's existing PKO customer base, given that both are lauric oils.

Notably, coconut oil typically commands a 30–40% premium over PKO, which should support margin expansion within the RBM sub-segment. Meanwhile, the JV with Taiwan's Megastar is primarily aimed at securing a stable off-taker for concentrated coconut water, as IOI sees strong demand potential, particularly from China's F&B sector.

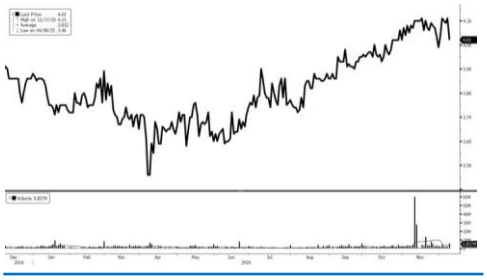
Shortage in the market. The management shared Malaysia's coconut demand was actually exceeded domestic supply, with an estimated self-sufficiency ratio (SSR) of around 60%, leaving a structural 40% import gap. Hence there will be some portions to be spare to cater for the local demand. Broadly, Thailand focuses mainly on fresh drinking coconuts, while Indonesia and the Philippines dominate fresh milk and coconut oil processing. IOI's strategy on coconut water, is driven by China's beverage trends, while coconut oil serves for Europe market, oleochemical players and other core customers.

Additionally, IOI's key advantage lies in its end-to-end integration from plantation to processing, unlike it peers in Philippines and Indonesia that mainly trade coconuts, with industry interest still at an early stage. This is mostly due to Philippines market was a bit fragmented, where mostly smallholders dominated the market and significant restrictions imposed to corporation – where land ownership ceiling limited to 5.0 ha.

RETURN STATISTICS

Price @ 08 Dec 2025 (RM)	4.02
Expected share price return (%)	+10.00
Expected dividend yield (%)	+2.49
Expected total return (%)	+12.49

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.5	-1.1
3months	1.8	0.1
12 months	2.8	2.7

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%	2.5%	2.5%

KEY STATISTICS

FBM KLCI	1,1612.78
Issue shares (m)	6,203.70
Estimated free float (%)	34.99
Market Capitalisation (RM'm)	25,497.21
52-wk price range	RM3.42– RM4.13
3-mth average daily volume (m)	9.09
3-mth average daily value (RM'm)	4.10
Top Shareholders (%)	
Progressive Hlds Sdn Bhd	49.79
EPF	17.37
ASNB	9.05

Operations to be similar with PO estates. On coconut cultivation, management expects to plant varieties such as Matak, MRD and MRB, while Pandan - typically valued for its thinner flesh and higher freshwater content - is not prioritised. Coconut operations largely mirror oil palm SOPs, including fertiliser application and field maintenance, and therefore require no major relearning. The trees mature in about 3 years and can deliver stable yields for up to 30 years before replanting. Under estate management, yield potential is estimated at 15,000–20,000nuts/ha (1.5x – 2.3x) annually, well above smallholder averages of 6,000nuts/hectare.

Maintain BUY with unchanged TP of RM4.42. All in, the facility that will be based in Segamat, Johor, is slated for completion by 4QCY27, and expected to be breakeven within 2 years' time. Hence, we made no changes in earnings estimates at this juncture. We view the JV leverages IOI's integrated plantation-to-processing platform to monetise coconuts across high-value segments. With coconut oil forming the earnings backbone and commanding a premium to PKO, margins should improve, while the Megastar partnership secures demand visibility. Overall, the venture offers scalable, value-accretive returns over the medium-long term.

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)	22.4	19.6	19.7	19.6	19.7	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 (%)	2.4%	2.6%	2.6%	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

MBSB RESEARCH (formerly known as MIDF RESEARCH) is part of MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank Berhad)

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report is prepared by MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank Berhad) (Company Registration No.: 197501002077 (23878-X)) and is for distribution only to the intended readers and under such circumstances as may be permitted by applicable law. Readers should be fully aware that this report is provided solely for informational purposes and does not constitute a Shariah advice nor constitute an investment recommendation or basis for any credit or other evaluation in any manner whatsoever.

The opinions and analyses contained in this report are based on information obtained or derived from sources that MBSB Investment Bank Berhad believes to be reliable. Any forward-looking statements in this report speak only as of the date of such statements. However, MBSB Investment Bank Berhad makes no representation or warranty, expressed or implied, as to the accuracy, completeness, or reliability of such information, and it should not be relied upon as such.

While the information presented in this report may include references to Shariah -compliant and non-compliant securities or other financial instruments, this report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments or to promote or endorse any specific investment. Investors are strongly advised to conduct their own due diligence and to consult licensed Shariah or financial advisors before making any investment decisions. Any action taken based on this report is at the sole discretion and risk of the investor.

The analyses in this report are based on numerous assumptions, and different assumptions could yield different results. All opinions and estimates in this report are subject to change without notice.

The research analysts will initiate, update, and cease coverage solely at the discretion of MBSB Investment Bank Berhad.

The directors, employees, and representatives of MBSB Investment Bank Berhad and MBSB Berhad may have interests in any of the securities mentioned and may benefit from the information contained herein. Members of MBSB Berhad and their affiliates may provide services to any company or its affiliates whose securities are mentioned in this report.

This report shall not be reproduced, distributed, or published in any form or for any purpose without the prior written consent of MBSB Investment Bank Berhad.

MBSB INVESTMENT BANK (formerly known MIDF 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