IOI Corporation Berhad

(1961 | IOI MK) Main | Plantation

4 Stars | FTSE4Good | SHARIAH Compliant

Corporate Update

Maintain **BUY**

Unchanged Target Price **RM4.42**

2QFY26 Results Review: Earnings Remain Intact

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, slightly above 5-year historical-forward +1SD.

The upstream division is projected to account for over 90% of group operating profit in FY26 - FY28F, supported by sustained margin strength of above 40%. This is underpinned by a relatively low cost of production of around RM1,900–2,000/Mt, which is among the lowest with industry peers.

In the near term, earnings will remain largely influenced by CPO price movements, with any price recovery likely to further support the Group's profitability trajectory.

Above expectations. 2QFY26 core PATAMI came in ahead of expectations at RM424.9m (+17.5%qoq; +14.9%yoy) accounting for 62.0% and 59.7% ours and consensus of full-year estimates respectively. The favourable results were driven by both upstream and the downstream. FFB production remains robust while recovery in the downstream were unexpected - as profit rose +93.9%yoy. Core profit margin on the other hand, stabilized at 14.1% (+1.6pts yoy), as net cost of production fell by -9.2%yoy.

Operationally, the harvested average mature area now reduced to 133,168 ha c. 80% (vs: 2Q25 140,281 ha or 82%). The decline was attributed to the ongoing of replanting program. That said, FFB and CPO production grew approximately to 874,000 Mt (+13.7%yoy) and 196,000 Mt (+16.9%yoy), respectively, driven by increase in crop harvesting day amid faster crop evacuation thanks to lesser rainy days.

CPO cost of production continued to ease during the quarter, declining to RM1,816/tonne (-9.2%yoy), despite seasonally lower output, supported by lower unit costs following a strong OER of 22.1%.

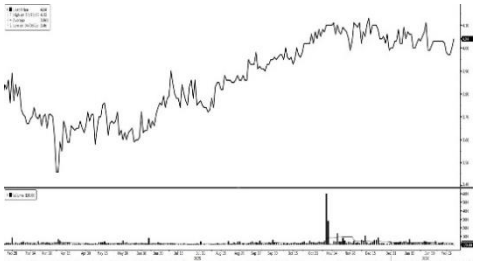
RBM. Higher profits were recorded at RM66.7m (+93.9%yoy), driven by improved margin within the refinery sub-segment and higher contribution from associate results. Bunge Loders Croklaan's delivered stronger profits, underpinned by good margin from cocoa butter equivalents resulting in better performance for the Asian and American operations.

Dividend. The company declared a 1st interim DPS of 5.5 sen, translating to a 27% payout ratio for 1HFY26 and an implied yield of 1.4%. This exceeded our earlier projection of 5.0 sen, which would have implied a payout yield of approximately 1.2%.

Earnings. We maintain our earnings forecasts at this juncture, as we expect a softer 3Q performance as seasonal low-crop effects set in, compounded by weaker CPO prices.

RETURN STATISTICS	
Price @ 24th Feb 2026 (RM)	4.01
Expected share price return (%)	+10.2
Expected dividend yield (%)	+2.5
Expected total return (%)	+12.7

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.2	-1.7
3 months	1.0	-8.2
12 months	6.9	-3.1

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	10.0	10.0
Dividend Yield (%)	2.6%	2.5%	2.5%

KEY STATISTICS	
FBM KLCI	1,754.01
Issue shares (m)	6,285.20
Estimated free float (%)	34.99
Market Capitalisation (RM'm)	25,392.20
52-wk price range	RM3.42– RM4.14
3-mth average daily volume (m)	2.91
3-mth average daily value (RM'm)	11.77
Top Shareholders (%)	
Progressive Hlds Sdn Bhd	49.79
EPF	18.26
ASNB	9.05

IOI Corp: 2QFY26 Results Summary

FYE June (RM'm)	Quarterly results					Cumulatively results		
	2Q25	1Q26	2Q26	QoQ (%)	YoY (%)	6M25	6M26	YoY (%)
Revenue	2,965.8	3,051.8	3,010.1	-1.4	1.5	5,639.0	6,061.9	7.5
Operating profit	421.5	436.3	429.4	-1.6	1.9	699.3	865.7	23.8
Associates	107.7	99.1	119.5	20.6	11.0	214.4	218.6	2.0
JVs	1.2	-0.5	1.7	>100	41.7	1.7	1.2	-29.4
PBT	220.8	487.0	650.2	33.5	>100	1,029.4	1,137.2	10.5
Tax Expense	-105.6	-112.0	-113.7	NM	NM	-194.9	-225.7	NM
PATAMI	111.1	369.4	528.5	43.1	>100	821.8	897.9	9.3
Core PATAMI	369.8	361.5	424.9	17.5	14.9	669.5	786.4	17.5
Core EPS (sen)	6.0	5.8	6.8	16.7	14.1	10.8	12.6	17.0
Growth & Margin (%)				+/- ppts				+/- ppts
OP margin (%)	14.2	14.3	14.3	0.0	0.1	12.4	14.3	1.9
PBT margin (%)	7.4	16.0	21.6	5.6	14.2	18.3	18.8	0.5
Core PATAMI margin (%)	12.5	11.8	14.1	2.3	1.6	11.9	13.0	1.1
Effective tax rate (%)	47.8	23.0	17.5	-5.5	-30.3	18.9	19.8	0.9

Source: Company, MBSBR

IOI Corp: Segmental Breakdown & Operational Stats.

FYE June (RM'm)	Quarterly results					Cumulatively results		
	2Q25	1Q26	2Q26	QoQ (%)	YoY (%)	6M25	6M26	YoY (%)
Revenue (RM'm):								
Plantation	890.8	800.8	902.8	12.7	1.3	1,622.3	1,703.6	5.0
RBM	2,845.3	2,887.0	2,869.3	-0.6	0.8	5,406.2	5,756.3	6.5
Other Operations	5.5	5.1	2.3	-54.9	-58.2	10.1	7.4	-26.7
Segmental results								
Plantation	499.0	401.6	500.6	24.7	0.3	852.1	902.2	5.9
RBM	34.4	131.2	66.7	-49.2	93.9	72.0	197.9	>100
Other Operations	0.3	-1.2	-3.6	NM	NM	0.6	-4.8	NM
Segmental Margin (%)								
Plantation	56.0	50.1	55.4	5.3	-0.6	52.5	53.0	0.4
RBM	1.2	4.5	2.3	-2.2	1.1	1.3	3.4	2.1
Other Operations	5.5	-23.5	-156.5	-133.0	-162.0	5.9	-64.9	-70.8
Operational Stats.								
FFB Production ('000 Mt)	768	777	874	12.4	13.7	1,528	1,651	8.0
CPO Production ('000 Mt)	168	169	196	15.8	16.9	334	365	9.4
PK Production ('000 Mt)	29	29	34	19.6	18.5	58	63	8.0
Avg CPO Price Realised (RM/Mt)	4,470	4,169	4,224	1.3	-5.5	4,271	4,198	-1.7

Source: Company, MBSBR

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	1,602.1	1,507.8	1,471.3
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	-651.4	-620.4	-620.4
Core PATAMI	1,115.7	1,260.7	1,269.1	1,270.0	1,265.4	Net cash flow	-55.6	-525.0	500.7	437.4	400.9
EPS (sen)	18.0	20.5	20.5	20.5	20.4	Beginning cash flow	2,235.0	2,181.7	1,578.4	2,079.1	2,516.6
PER (x)	22.3	19.5	19.6	19.6	19.7	Ending cash flow	2,181.7	1,578.4	2,079.1	2,516.6	2,917.5
DPS (sen)	9.5	10.5	10.5	10.0	10.0						
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	2,079.1	2,516.6	2,917.5	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	9,425.4	9,404.7	9,370.5	Core PATAMI margin	11.6%	11.2%	11.8%	11.8%	11.5%
Others	4,026.8	4,279.4	4,518.1	4,764.8	5,019.9						
Assets	17,942.2	18,130.7	18,664.0	19,335.1	20,015.6						
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	5,497.9	5,394.2	5,396.3	5,412.5						
Shareholders' equity	11,678.6	12,294.0	12,911.7	13,561.4	14,206.4						
NCI interests	331.1	338.8	358.1	377.4	396.7						
Equity	12,009.7	12,632.8	13,269.8	13,938.8	14,603.1						

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