

Company Report

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IOI CORPORATION

(IOI MK EQUITY, IOIB.KL)

PLANTATION

28 May 2025

Hit by refining losses in 9MFY25

HOLD

(Maintained)

Rationale for report: Company Results

Price RM3.72
Target Price RM4.05
52-week High/Low RM4.14/RM3.42

Key Changes

Target Price ⇄
EPS ⬇️

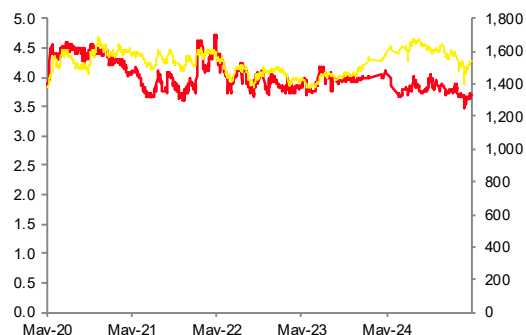
YE to Jun	FY24	FY25F	FY26F	FY27F
Revenue (RMmil)	9,603.6	10,585.6	9,360.8	9,905.4
Net Profit (RMmil)	1,109.4	1,257.7	1,328.3	1,473.0
EPS (sen)	17.9	20.3	21.4	23.7
EPS growth (%)	(0.4)	13.4	5.6	10.9
Consensus net (RMmil)		1,310.0	1,341.0	1,347.0
DPS (sen)	9.5	11.0	12.0	13.0
PE (x)	20.8	18.3	17.4	15.7
EV/EBITDA (x)	15.8	13.6	13.1	12.1
Div Yield (%)	2.6	3.0	3.2	3.5
ROE (%)	9.5	10.3	10.3	10.9
Net Gearing (%)	13.0	10.0	7.8	7.6

Stock and Financial Data

Shares Outstanding (million)	6,203.7
Market Cap (RMmil)	23,077.8
Book Value (RM/Share)	1.48
P/BV (x)	2.5
ROE (%)	9.5
Net Gearing (%)	13.0
Major Shareholders	Progressive Holdings (50.5%) EPF (11.0%)
Free Float	52.6
Avg Daily Value (RMmil)	0.7

Price performance	3mth	6mth	12mth
Absolute (%)	-0.1	-4.6	-9.1
Relative (%)	+1.8	+0.4	-5.3

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Investment Highlights

IOI Corporation's core net profit (ex-forex changes) grew by 13.8% YoY to RM916.9mil in 9MFY25 as robust plantation earnings compensated for a weak manufacturing performance. The plantation division benefited from strong palm product prices. On the flip side, the manufacturing division was affected by poor refining margins. Going forward, we believe that IOI's refining division may continue to face challenging operating conditions due to stiff competition from Indonesia. In the oleochemical space, selling prices may come under pressure as customers delay purchases due to the global economic uncertainties. As such, we maintain HOLD on IOI with a TP of RM4.05/share.

- **HOLD with TP of RM4.05/share.** We derived IOI's TP by assuming a CY26F PE of 18x, which is one SD below the five-year average of 20x for big-cap planters. We believe that the oleochemical industry in Malaysia would be facing slower demand and downward pressure in selling prices as customers delay or postpone orders.
- **IOI's 9MFY25 core net profit of RM916.9mil (ex-net forex gains of RM167.2mil) was 7.3% below our forecast but within consensus.** The earnings shortfall was due to a lower-than-expected manufacturing EBIT margin. We have reduced IOI's FY25F net profit by 6.8% to account for this.
- **Plantation EBIT (including fair value changes and associates) climbed by 29.8% to RM1.2bil in 9MFY25 from RM895.1mil in 9MFY24.** Average CPO price realised was RM4,377/tonne in 9MFY25, 15.8% higher than RM3,781/tonne in 9MFY24. On a negative note, FFB production declined by 2.5% YoY in 9MFY25. We believe that IOI was affected by the floods in Sabah and Johor.
- **Manufacturing EBIT (refining and oleochemicals) dived by 73.8% YoY to RM49mil in 9MFY25.** EBIT margin slid to 0.6% in 9MFY25 from 2.8% in 9MFY24. Going forward, we believe that the downstream business would be facing headwinds. Competition from Indonesia is expected to intensify due to the depreciation of the Rupiah against the USD.

Company profile

IOI Corporation is involved in the upstream and downstream segments of the palm oil supply chain. Apart from palm oil, IOI also has operations in oleochemicals and cultivation of fruits such as pineapples and coconuts.

About 87% of IOI's FY24 pre-tax profit (ex-associates) came from the plantation division while the balance 13% came from the manufacturing unit (refining and oleochemicals).

IOI's customers in the plantation segment are consumer and cooking oil companies in China, India and the European Union (EU). In the oleochemical space, IOI's customers are consumer companies such as Kao, Nestle and Unilever.

IOI has operations in Malaysia, Indonesia and EU.

IOI's competitive advantage lies in its efficient plantation operations. The group's cost of CPO production at the EBIT level) was RM2,505/tonne in FY24. This is one of the lowest in the industry. In the oleochemical segment, about 10% of IOI's production volume are high-value items, which are sold to the healthcare industries.

Investment thesis and catalysts

We have a HOLD on IOI as the outlook for refining and oleochemical industry in Malaysia is challenging.

Share price kickers are a rise in CPO prices and improving outlook for the downstream industry.

Valuation methodology

We applied a PE of 18x on IOI's CY26F EPS to arrive at the target price of RM4.05/share. The PE of 18x is one SD below the average of 20x for big-cap planters in the past five years.

Risk factors

Key risks are a fall in CPO prices and non-recovery in the oleochemical industry.

A RM100/tonne decline in CPO price would affect IOI's net profit by 2% to 4% assuming everything else is constant.

EXHIBIT 1: EARNINGS SUMMARY

YE 30 Jun	9MFY24	9MFY25	% YoY	2QFY25	3QFY25	% QoQ
Turnover	7064.0	8,374.6	18.6	2,965.8	2,735.6	(7.8)
EBITDA	1,143.4	1,306.9	14.3	427.2	413.3	(3.3)
Interest Income	30.9	25.0	(19.1)	8.6	7.1	(17.4)
Interest Expense	(119.9)	(107.4)	10.4	(33.7)	(34.9)	-3.6
Depreciation	(305.0)	(304.9)	(0.0)	(100.7)	(102.8)	-2.1
Associates	260.2	275.3	5.8	107.7	60.9	(43.5)
Jointly controlled entities	3.6	2.5	(30.6)	1.2	0.8	(33.3)
Forex translation	(43.2)	167.2	>100	(189.5)	(9.2)	95.1
Exceptionals						
Pre-tax profit	970.0	1,364.6	40.7	220.8	335.2	51.8
Taxation	(201.4)	(263.9)	31.0	(105.6)	(69.0)	(34.7)
Minorities	-6.1	(16.6)	(>100)	(4.1)	(3.9)	(4.9)
Net Profit	762.5	1,084.1	42.2	111.1	262.3	>100
Net profit ex-forex changes	805.7	916.9	13.8	300.6	271.5	(9.7)
EPS (sen)	12.3	17.5	42.1	1.8	4.2	136.3
Gross DPS (sen)	4.5	5.0		5.0	5.0	
NTA/Share (RM)	1.77	1.85		1.87	1.85	
Average CPO price (RM/tonne)	3,781	4,377	15.8	4,470	4,667	4.4
FFB production (tonnes)	2,158,978	2,104,000	(2.5)	768,000	576,000	(25.0)

Source: Bursa Malaysia

EXHIBIT 2: VALUATIONS

Target PE (x)	18
CY26F EPS (sen)	22.5
ESG premium	-
12-month target price (RM)	4.05

EXHIBIT 3: ESG MATRIX

	Assessment	Parameters	Weightage	Rating				Rationale
1	RSPO certification	100% certification	25%	*	*	*	*	100% of mills, 99% of Malaysian estates and 73% of Indonesian estates were RSPO-certified in FY24
2	Supply chain auditing	100% traceable	25%	*	*	*		For 3rd party suppliers, 97.9% traceable to plantation and 100% traceable to mills
3	Fires	Zero incidences	25%	*	*	*		14 incidences in operating areas and 87 wildfires outside concessions in FY24
4	GHG emissions	Net zero by 2040F	25%	*	*	*		40% GHG reduction in Scope 1 & 2 in FY24
	Weighted score for environmental assessment		100%	*	*	*		
1	Migrant workers welfare	Number of Workers grievances	40%	*	*	*		3,649 reports in FY24
2	Work site safety	Zero fatal fatalities	30%	*	*	*		3 fatalities in FY24
3	Lost time incident rate	Below 3	30%	*	*	*		4.9 in FY24
	Weighted score for social assessment		100%	*	*	*		
1	Related party transactions	Value of RPTs	40%	*	*	*		RM639.7mil in FY24, mainly sales of products to associates
2	Women in workforce	% in workforce	30%	*	*	*		31.5% of executives and 23.7% of general workers were women in FY24
3	Remuneration to directors	Total value of remuneration or % of salary costs	30%	*	*	*		RM22.6mil in FY24
	Weighted score for governance assessment		100%	*	*	*		
	Environmental score		50%	*	*	*		
	Social score		30%	*	*	*		
	Governance score		20%	*	*	*		
	Overall ESG Score		100%	*	*	*		

Source: AmInvestment Bank

EXHIBIT 4: CHANGE IN EARNINGS

RMmil	FY25F			FY26F			FY27F		
	Old	New	%	Old	New	%	Old	New	%
Revenue	10,585.7	10,585.7	0.0	9,321.8	9,360.8	0.4	9,882.2	9,905.4	0.2
Net earnings	1,348.9	1,257.7	-6.8	1,332.6	1,328.3	-0.3	1,466.0	1,473.0	0.5

EXHIBIT 5: FINANCIAL DATA

Income Statement (RMmil, YE 31 Jun)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	11,583.8	9,603.6	10,585.6	9,360.8	9,905.4
EBITDA	1,915.4	1,577.2	1,782.9	1,838.6	1,983.9
Depreciation/Amortisation	(374.2)	(397.1)	(407.1)	(431.1)	(455.1)
Operating income (EBIT)	1,541.2	1,180.1	1,375.8	1,407.5	1,528.8
Other income & associates	274.3	355.2	408.5	469.8	540.2
Net interest	(115.0)	(117.9)	(97.7)	(96.1)	(94.4)
Exceptional items	(174.5)	(18.9)	-	-	-
Pretax profit	1,526.0	1,398.5	1,686.6	1,781.2	1,974.7
Taxation	(396.0)	(282.2)	(421.6)	(445.3)	(493.7)
Minorities/pref dividends	(15.8)	(6.9)	(7.2)	(7.6)	(8.0)
Net profit	1,114.2	1,109.4	1,257.7	1,328.3	1,473.0
Core net profit	1,288.7	1,128.3	1,257.7	1,328.3	1,473.0
Balance Sheet (RMmil, YE 31 Jun)	FY23	FY24	FY25F	FY26F	FY27F
Fixed assets	8,995.2	9,229.1	9,322.0	9,390.9	9,436.8
Intangible assets	433.4	427.7	427.7	427.7	427.7
Other long-term assets	3,227.0	3,300.8	3,724.1	4,210.0	4,768.1
Total non-current assets	12,655.6	12,957.6	13,473.8	14,028.7	14,632.7
Cash & equivalent	2,235.0	2,181.7	2,457.5	2,666.7	2,639.1
Stock	1,113.9	1,221.2	1,363.1	1,205.4	1,275.5
Trade debtors	1,307.1	1,283.4	1,160.1	1,025.8	1,085.5
Other current assets	270.3	298.3	267.9	247.8	256.7
Total current assets	4,926.3	4,984.6	5,248.5	5,145.7	5,256.8
Trade creditors	711.1	788.5	928.1	820.7	868.4
Short-term borrowings	861.5	708.7	722.9	737.3	752.1
Other current liabilities	102.9	83.6	157.4	140.6	148.1
Total current liabilities	1,675.5	1,580.8	1,808.3	1,698.6	1,768.6
Long-term borrowings	2,895.7	2,996.0	2,966.0	2,936.4	2,907.0
Other long-term liabilities	1,340.1	1,355.7	1,355.7	1,355.7	1,355.7
Total long-term liabilities	4,235.8	4,351.7	4,321.7	4,292.1	4,262.7
Shareholders' funds	11,330.8	11,678.6	12,253.9	12,837.7	13,504.3
Minority interests	339.8	331.1	338.3	346.0	353.9
BV/share (RM)	1.43	1.48	1.55	1.62	1.71
Cash Flow (RMmil, YE 31 Jun)	FY23	FY24	FY25F	FY26F	FY27F
Pretax profit	1,526.0	1,398.5	1,686.6	1,781.2	1,974.7
Depreciation/Amortisation	374.2	397.1	407.1	431.1	455.1
Net change in working capital	140.3	(264.3)	(196.4)	(257.4)	(577.2)
Others	32.7	(297.5)	0.0	0.0	0.0
Cash flow from operations	2,073.2	1,233.8	1,897.2	1,954.9	1,852.5
Capital expenditure	(604.9)	(663.9)	(660.0)	(660.0)	(660.0)
Net investments & sale of fixed assets	311.1	(16.3)	147.7	162.5	178.7
Others	389.4	187.1	0.0	0.0	0.0
Cash flow from investing	95.6	(493.1)	(512.3)	(497.5)	(481.3)
Debt raised/(repaid)	(1,420.3)	(15.7)	(15.8)	(15.2)	(14.6)
Equity raised/(repaid)	(34.1)	0.3	0.0	0.0	0.0
Dividends paid	(883.8)	(604.1)	(682.4)	(744.4)	(806.5)
Others	(165.1)	(176.8)	(411.0)	(488.5)	(577.8)
Cash flow from financing	(2,503.3)	(796.3)	(1,109.1)	(1,248.1)	(1,398.9)
Net cash flow	(334.5)	(55.6)	275.8	209.3	(27.7)
Net cash/(debt) b/f	2,552.9	2,235.0	2,181.7	2,457.5	2,666.7
Forex	22.7	2.3	0.0	0.0	0.0
Net cash/(debt) c/f	2,241.1	2,181.7	2,457.5	2,666.7	2,639.1
Key Ratios (YE 31 Jun)	FY23	FY24	FY25F	FY26F	FY27F
Revenue growth (%)	-25.6	-17.1	10.2	-11.6	5.8
EBITDA growth (%)	-30.3	-10.5	14.4	3.1	7.9
Pretax margin (%)	13.2	14.6	15.9	19.0	19.9
Net profit margin (%)	9.6	11.6	11.9	14.2	14.9
Interest cover (x)	15.1	13.2	18.2	19.1	21.0
Effective tax rate (%)	26.0	20.2	25.0	25.0	25.0
Dividend payout (%)	61.3	53.1	54.3	56.0	54.8
Debtors turnover (days)	40.0	40.0	40.0	40.0	40.0
Stock turnover (days)	47.0	47.0	47.0	47.0	47.0
Creditors turnover (days)	32.0	32.0	32.0	32.0	32.0

Source: Company, AmlInvestment Bank Bhd estimates

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