

Company Report

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03-2036 2305

IOI CORPORATION

(IOI MK EQUITY, IOIB.KL)

PLANTATION

27 Nov 2025

Manufacturing earnings recovered

HOLD

(Maintained)

Rationale for report: Company Results

Price	RM4.07
Target Price	RM4.12
52-week High/Low	RM4.13/RM3.42

Key Changes

Target Price	↕
EPS	↔

YE to Jun	FY25	FY26F	FY27F	FY28F
Revenue (RMmil)	11,334.7	11,973.1	12,760.8	13,474.2
Net Profit (RMmil)	1,520.6	1,347.9	1,492.0	1,627.9
EPS (sen)	24.5	21.7	24.0	26.2
EPS growth (%)	37.1	(11.4)	10.7	9.1
Consensus net (RMmil)		1,320.0	1,323.0	1,402.0
DPS (sen)	10.5	11.0	11.5	12.0
PE (x)	16.6	18.7	16.9	15.5
EV/EBITDA (x)	13.2	14.4	13.0	11.8
Div Yield (%)	2.6	2.7	2.8	2.9
ROE (%)	12.4	10.4	10.9	11.1
Net Gearing (%)	13.3	13.0	12.0	10.1

Stock and Financial Data

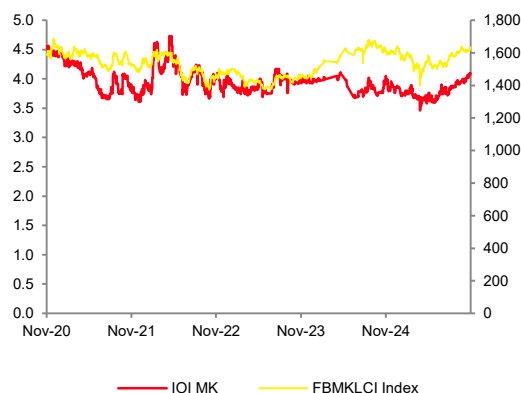
Shares Outstanding (million)	6,203.7
Market Cap (RMmil)	25,249.1
Book Value (RM/Share)	1.55
P/BV (x)	2.6
ROE (%)	12.4
Net Gearing (%)	13.3

Major Shareholders	Progressive Holdings (50.5%) EPF (11.0%)
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Free Float	52.6
Avg Daily Value (RMmil)	12.3

Price performance	3mth	6mth	12mth
Absolute (%)	+0.3	+12.6	+1.2
Relative (%)	+2.7	+6.6	-0.4

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Investment Highlights

We have assumed an average CPO price of RM4,400/tonne for IOI in FY27F vs. RM4,250/tonne previously. We believe that CPO prices would be supported by the roll-out of Indonesia's B50 biodiesel policy in 2H2026. IOI started FY26F on a positive note. IOI's core net profit rose by 7.5% YoY to RM370.8mil in 1QFY26 underpinned by higher palm product prices, increased FFB production and a recovery in manufacturing earnings. However, we believe that the improvement in manufacturing earnings is not sustainable as competition from Indonesian companies is stiff. Hence, we maintain HOLD on IOI with a target price of RM4.12/share.

- HOLD with a higher TP of RM4.12/share vs. RM4.05/share previously.** 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 palm refining and oleochemical industries in Malaysia are facing structural changes arising from competition in Indonesia and China. We have raised IOI's FY27F net profit by 2.7% to account for a stronger CPO price of RM4,400/tonne vs. RM4,250/tonne originally.
- IOI's 1QFY26 core net profit of RM370.8mil (ex-net forex loss of RM1.4mil) was within our forecast and consensus.** We consider IOI's results to be within expectations as 2QFY26 is envisaged to be weaker. This is due to the fall in CPO prices from a high of RM4,600/tonne to RM4,000/tonne currently.
- Plantation EBIT (excluding fair value changes and associates) expanded by 16.6% YoY to RM350.6mil in 1QFY26.** This was driven by increases in CPO production and price. Average CPO price rose by 2.7% to RM4,169/tonne in 1QFY26 from RM4,059/tonne in 1QFY25. FFB production grew by 2.3% YoY in 1QFY26. CPO cost of production (based on net cost of sales) slid to RM1,833/tonne in 1QFY26 from RM1,948/tonne in 1QFY25.
- Manufacturing EBIT (excluding fair value changes and associates) swung into the black in 1QFY26.** The unit recorded an EBIT of RM83.6mil in 1QFY26 compared to a loss of RM17.3mil in 1QFY25. The earnings turnaround was driven by improved refining and oleochemical processing margins. Refining EBIT was RM25.6mil in 1QFY26 vs. a loss of RM26.6mil in 1QFY25. Oleochemical EBIT rose to RM61.9mil in 1QFY26 from RM14.2mil in 1QFY25. We believe that wood panel division's losses narrowed to RM3.9mil in 1QFY26 from RM4.9mil in 1QFY25.

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 FY25 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 (ex-depreciation and taxes) was RM2,032/tonne in FY25 vs. RM2,050/tonne in FY24. 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 RM4.12/share. The PE of 18x is one SD below the average of 20x for big-cap planters in the past five years. We applied a discount due to structural changes in the refining and oleochemical industries arising from overcapacity in Indonesia and China.

Risk factors

Key risks are a fall in CPO prices and absence of a recovery in the oleochemical industry.

A RM100/tonne decline in CPO price would affect IOI's net profit by 2% to 5% assuming everything else is constant.

EXHIBIT 1: EARNINGS SUMMARY

YE 30 Jun	1QFY25	1QFY26	% YoY	4QFY25	1QFY26	% QoQ
Turnover	2,673.2	3,051.8	14.2	2,960.1	3,051.8	3.1
EBITDA	466.4	519.6	11.4	446.9	519.6	16.3
Interest Income	9.3	6.7	(28.0)	7.6	6.7	(11.8)
Interest Expense	(38.8)	(33.2)	(14.4)	(32.4)	(33.2)	2.5
Depreciation	(101.4)	(103.3)	1.9	(99.7)	(103.3)	3.6
Associates	106.7	99.1	(7.1)	72.7	99.1	36.3
Jointly controlled entities	0.5	(0.5)	>100	0.9	(0.5)	>100
Forex translation	365.9	(1.4)	>100	116.9	(1.4)	>100
Exceptionals						
Pre-tax profit	808.6	487.0	(39.8)	512.9	487.0	(5.0)
Taxation	(89.3)	(112.0)	25.4	(77.2)	(112.0)	45.1
Minorities	(8.6)	(5.6)	(34.9)	0.8	(5.6)	>100
Net Profit	710.7	369.4	(48.0)	436.5	369.4	(15.4)
Net profit ex-forex changes	344.8	370.8	7.5	319.6	370.8	16.0
EPS (sen)	11.5	6.0	(48.3)	7.0	6.0	(15.5)
Gross DPS (sen)	-	-		5.5	-	
NTA/Share (RM)	1.84	1.91		1.92	1.91	
Average CPO price (RM/tonne)	4,059	4,169	2.7	4,208	4,169	(0.9)
FFB production (tonnes)	760,074	777,192	2.3	735,624	777,192	5.7

Source: Bursa Malaysia

EXHIBIT 2: VALUATIONS

Target PE (x)	18
CY26F EPS (sen)	22.9 (from 22.5 sen)
ESG premium	-
12-month target price (RM)	4.12 (from RM4.05)

EXHIBIT 3: CHANGE IN EARNINGS

RMmil	FY26F			FY27F			FY28F		
	Old	New	%	Old	New	%	Old	New	%
Revenue	9,321.8	9,360.8	0.4	12,028.3	12,760.8	6.1	12,744.2	13,474.2	5.7
Net earnings	1,332.6	1,347.9	1.1	1,452.1	1,492.0	2.7	1,600.5	1,627.9	1.7
Average CPO price	4,250	4,250	-	4,250	4,400	3.5	4,300	4,400	2.3

EXHIBIT 4: ESG MATRIX

	Assessment	Parameters	Weight	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 5: FINANCIAL DATA

Income Statement (RMmil, YE 31 Jun)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	9,603.6	11,334.7	11,973.1	12,760.8	13,474.2
EBITDA	1,577.2	1,753.8	1,871.5	2,064.0	2,260.9
Depreciation/Amortisation	(397.1)	(404.6)	(438.8)	(470.3)	(501.8)
Operating income (EBIT)	1,180.1	1,349.2	1,432.7	1,593.7	1,759.0
Other income & associates	355.2	351.4	369.0	387.4	406.8
Net interest	(117.9)	(107.2)	(96.1)	(94.4)	(108.0)
Exceptional items	(18.9)	284.1	-	-	-
Pretax profit	1,398.5	1,877.5	1,705.6	1,886.7	2,057.8
Taxation	(282.2)	(341.1)	(341.1)	(377.3)	(411.6)
Minorities/pref dividends	(6.9)	(15.8)	(16.6)	(17.4)	(18.3)
Net profit	1,109.4	1,520.6	1,347.9	1,492.0	1,627.9
Core net profit	1,128.3	1,236.5	1,347.9	1,492.0	1,627.9
Balance Sheet (RMmil, YE 31 Jun)	FY24	FY25	FY26F	FY27F	FY28F
Fixed assets	9,229.1	9,432.6	9,693.8	9,923.4	10,121.6
Intangible assets	427.7	429.3	429.3	429.3	429.3
Other long-term assets	3,300.8	3,478.4	3,847.4	4,234.8	4,641.6
Total non-current assets	12,957.6	13,340.3	13,970.4	14,587.5	15,192.4
Cash & equivalent	2,181.7	1,578.4	1,522.6	1,547.5	1,705.5
Stock	1,221.2	1,419.8	1,541.7	1,643.2	1,735.0
Trade debtors	1,283.4	1,393.3	1,476.1	1,573.3	1,661.2
Other current assets	298.3	398.9	417.1	432.2	445.9
Total current assets	4,984.6	4,790.4	4,957.6	5,196.1	5,547.7
Trade creditors	788.5	821.9	984.1	1,048.8	1,107.5
Short-term borrowings	708.7	740.1	754.9	770.0	785.4
Other current liabilities	83.6	88.6	79.6	83.9	87.8
Total current liabilities	1,580.8	1,650.6	1,818.6	1,902.8	1,980.7
Long-term borrowings	2,996.0	2,474.5	2,449.8	2,425.3	2,401.0
Other long-term liabilities	1,355.7	1,372.8	1,344.8	1,344.8	1,345.8
Total long-term liabilities	4,351.7	3,847.3	3,794.6	3,770.1	3,746.8
Shareholders' funds	11,678.6	12,294.0	12,959.5	13,738.0	14,621.5
Minority interests	331.1	338.8	355.4	372.8	391.1
BV/share (RM)	1.48	1.55	1.64	1.74	1.85
Cash Flow (RMmil, YE 31 Jun)	FY24	FY25	FY26F	FY27F	FY28F
Pretax profit	1,398.5	1,877.5	1,705.6	1,886.7	2,057.8
Depreciation/Amortisation	397.1	404.6	438.8	470.3	501.8
Net change in working capital	(264.3)	(784.7)	(410.9)	(522.0)	(542.5)
Others	(297.5)	(454.3)	0.0	0.0	0.0
Cash flow from operations	1,233.8	1,043.1	1,733.5	1,835.1	2,017.1
Capital expenditure	(663.9)	(685.8)	(700.0)	(700.0)	(700.0)
Net investments & sale of fixed assets	(16.3)	(156.3)	0.0	0.0	0.0
Others	187.1	205.0	0.0	0.0	0.0
Cash flow from investing	(493.1)	(637.1)	(700.0)	(700.0)	(700.0)
Debt raised/(repaid)	(15.7)	(234.3)	(9.9)	(9.4)	(8.9)
Equity raised/(repaid)	0.3	0.0	0.0	0.0	0.0
Dividends paid	(604.1)	(628.5)	(682.4)	(713.4)	(744.4)
Others	(176.8)	(141.9)	(397.0)	(387.4)	(405.8)
Cash flow from financing	(796.3)	(1,004.7)	(1,089.3)	(1,110.2)	(1,159.1)
Net cash flow	(55.6)	(598.7)	(55.8)	24.9	158.1
Net cash/(debt) b/f	2,235.0	2,181.7	1,578.4	1,522.6	1,547.5
Forex	2.3	(4.6)	0.0	0.0	0.0
Net cash/(debt) c/f	2,181.7	1,578.4	1,522.6	1,547.5	1,705.5
Key Ratios (YE 31 Jun)	FY24	FY25	FY26F	FY27F	FY28F
Revenue growth (%)	-17.1	18.0	5.6	6.6	5.6
EBITDA growth (%)	-10.5	30.8	-8.2	10.3	9.5
Pretax margin (%)	14.6	16.6	14.2	14.8	15.3
Net profit margin (%)	11.6	13.4	11.3	11.7	12.1
Interest cover (x)	13.2	19.0	19.5	21.9	20.9
Effective tax rate (%)	20.2	18.2	20.0	20.0	20.0
Dividend payout (%)	53.1	42.8	50.6	47.8	45.7
Debtors turnover (days)	48.8	44.9	45.0	45.0	45.0
Stock turnover (days)	46.4	45.7	47.0	47.0	47.0
Creditors turnover (days)	30.0	26.5	30.0	30.0	30.0

Source: Company, AmInvestment Bank Bhd estimates

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