

Company Report

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IOI CORPORATION

(IOI MK EQUITY, IOIB.KL)

PLANTATION

29 Aug 2025

Weak manufacturing earnings in 4QFY25

HOLD

(Maintained)

Rationale for report: Company Results

Price	RM3.88
Target Price	RM4.05
52-week High/Low	RM4.14/RM3.42

Key Changes

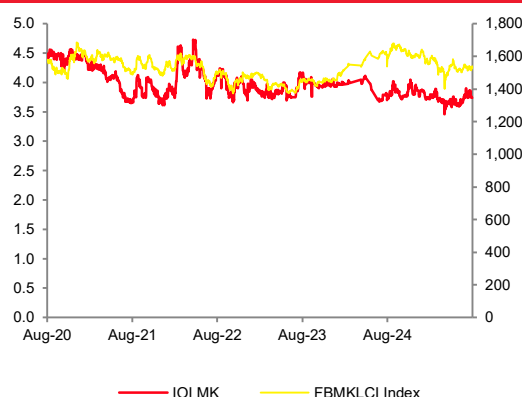
Target Price	⇒ Click here to enter text.
EPS	⇒

YE to Jun	FY25	FY26F	FY27F	FY28F
Revenue (RMmil)	11,334.7	11,378.9	12,028.3	12,744.2
Net Profit (RMmil)	1,520.6	1,342.5	1,452.1	1,600.5
EPS (sen)	24.5	21.6	23.4	25.8
EPS growth (%)	37.1	(11.7)	8.2	10.2
Consensus net (RMmil)	1,295.0	1,322.0	1,349.0	-
DPS (sen)	10.5	11.0	11.5	12.0
PE (x)	15.8	17.9	16.6	15.0
EV/EBITDA (x)	12.6	13.8	13.0	12.0
Div Yield (%)	2.7	2.8	3.0	3.1
ROE (%)	12.4	10.4	10.6	11.0
Net Gearing (%)	13.3	8.5	7.1	5.4

Stock and Financial Data

Shares Outstanding (million)	6,203.7
Market Cap (RMmil)	24,070.4
Book Value (RM/Share)	1.55
P/BV (x)	2.5
ROE (%)	12.4
Net Gearing (%)	13.3
Major Shareholders	Progressive Holdings (50.5%) EPF (11.0%)
Free Float	52.6
Avg Daily Value (RMmil)	5.2

Price performance	3mth	6mth	12mth
Absolute (%)	+0.0	-0.5	+0.0
Relative (%)	+0.5	+2.3	+2.2



Investment Highlights

IOI Corporation ended the financial year on a positive note. Core net profit rose 17.7% QoQ to RM319.6mil in 4QFY25 on the back of strong plantation earnings. On a negative note, manufacturing earnings (ex-fair value gains) were weak dragged by an asset impairment and a decline in refining and oleochemical profits. We think that the asset impairment of RM39.2mil was in respect of the wood panel factory in Johor. We maintain HOLD on IOI with a target price of RM4.05/share.

- HOLD with TP of RM4.05/share.** Our TP of RM4.05/share was arrived at 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 IOI's refining and oleochemical divisions are facing stiff competition from Indonesian companies. Indonesian companies have a cost advantage, which allow them to sell at cheaper prices.
- IOI's FY25 core net profit of RM1.2bil (ex-net forex gains of RM284.1mil) was within our forecast and consensus.** IOI's gross DPS amounted to 10.5 sen in FY25 (FY24: 9.5 sen). We forecast a gross DPS of 11 sen for FY26F, which implies a yield of 2.8%.
- Plantation EBIT (including fair value changes and associates) soared by 29% to RM1.6bil in FY25.** IOI recorded an average CPO price of RM4,332/tonne in FY25, 12.3% higher than RM3,856/tonne in FY24. FFB production inched up by 1.3% in FY25. CPO cost of production (ex-depreciation and taxes) slid to RM2,032/tonne in FY25 from RM2,050/tonne in FY24.
- Manufacturing EBIT (mainly refining, oleochemicals and wood panel) plummeted by 82.4% to RM58.1mil in FY25.** Refining unit recorded a smaller operating profit of RM2.6mil in FY25 vs. RM98.5mil in FY24. Oleochemical division's operating profit eased to RM55.6mil in FY25 from RM60.8mil in FY24. Wood panel segment recorded a loss of RM57.4mil in FY25 vs. RM17mil in FY24. Excluding the impairment of RM39.2mil, wood panel unit's loss would have been smaller at RM17.9mil in FY25.

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	FY24	FY25	% YoY	3QFY25	4QFY25	% QoQ
Turnover	9,603.6	11,334.7	18.0	2,735.6	2,960.1	8.2
EBITDA	1,577.2	1,753.8	11.2	413.3	446.9	8.1
Interest Income	42.2	32.6	(22.7)	7.1	7.6	7.0
Interest Expense	(160.1)	(139.8)	(12.7)	(34.9)	(32.4)	(7.2)
Depreciation	(397.1)	(404.6)	1.9	(102.8)	(99.7)	(3.0)
Associates	350.9	348.0	(0.8)	60.9	72.7	19.4
Jointly controlled entities	4.3	3.4	(20.9)	0.8	0.9	12.5
Forex translation	(18.9)	284.1	>100	(9.2)	116.9	>100
Exceptionals						
Pre-tax profit	1,398.5	1,877.5	34.3	335.2	512.9	53.0
Taxation	(282.2)	(341.1)	20.9	(69.0)	(77.2)	11.9
Minorities	(6.9)	(15.8)	(>100)	(3.9)	0.8	>100
Net Profit	1,109.4	1,520.6	37.1	262.3	436.5	66.4
Net profit ex-forex changes	1,128.3	1,236.5	9.6	271.5	319.6	17.7
EPS (sen)	17.9	24.5	37.1	4.2	7.0	66.4
Gross DPS (sen)	9.5	10.5		5.0	5.5	
NTA/Share (RM)	1.42	1.92		1.85	1.92	
Average CPO price (RM/tonne)	3,856	4,332	12.3	4,667	4,208	(9.8)
FFB production (tonnes)	2,803,965	2,839,583	1.3	576,000	735,624	27.7

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: FINANCIAL DATA

Income Statement (RMmil, YE 31 Jun)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	9,603.6	11,334.7	11,378.9	12,028.3	12,744.2
EBITDA	1,577.2	1,753.8	1,821.9	1,921.6	2,075.1
Depreciation/Amortisation	(397.1)	(404.6)	(431.1)	(455.1)	(478.1)
Operating income (EBIT)	1,180.1	1,349.2	1,390.8	1,466.5	1,597.1
Other income & associates	355.2	351.4	404.1	464.7	534.4
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	1,698.8	1,836.9	2,023.5
Taxation	(282.2)	(341.1)	(339.8)	(367.4)	(404.7)
Minorities/pref dividends	(6.9)	(15.8)	(16.6)	(17.4)	(18.3)
Net profit	1,109.4	1,520.6	1,342.5	1,452.1	1,600.5
Core net profit	1,128.3	1,236.5	1,342.5	1,452.1	1,600.5
Balance Sheet (RMmil, YE 31 Jun)	FY24	FY25	FY26F	FY27F	FY28F
Fixed assets	9,229.1	9,432.6	9,501.5	9,547.4	9,571.3
Intangible assets	427.7	429.3	429.3	429.3	429.3
Other long-term assets	3,300.8	3,478.4	3,902.5	4,389.2	4,947.8
Total non-current assets	12,957.6	13,340.3	13,833.3	14,365.9	14,948.5
Cash & equivalent	2,181.7	1,578.4	2,106.3	2,220.7	2,394.8
Stock	1,221.2	1,419.8	1,465.2	1,548.8	1,641.0
Trade debtors	1,283.4	1,393.3	1,247.0	1,318.2	1,396.6
Other current assets	298.3	398.9	374.6	385.2	397.0
Total current assets	4,984.6	4,790.4	5,193.1	5,472.9	5,829.5
Trade creditors	788.5	821.9	997.6	1,054.5	1,117.3
Short-term borrowings	708.7	740.1	754.9	770.0	785.4
Other current liabilities	83.6	88.6	169.9	178.8	188.6
Total current liabilities	1,580.8	1,650.6	1,922.4	2,003.3	2,091.3
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	12,954.1	13,692.7	14,548.8
Minority interests	331.1	338.8	355.4	372.8	391.1
BV/share (RM)	1.48	1.55	1.64	1.73	1.84
Cash Flow (RMmil, YE 31 Jun)	FY24	FY25	FY26F	FY27F	FY28F
Pretax profit	1,398.5	1,877.5	1,698.8	1,836.9	2,023.5
Depreciation/Amortisation	397.1	404.6	431.1	455.1	478.1
Net change in working capital	(264.3)	(788.1)	42.4	(467.0)	(514.5)
Others	(297.5)	(450.9)	0.0	0.0	0.0
Cash flow from operations	1,233.8	1,043.1	2,172.4	1,824.9	1,987.0
Capital expenditure	(663.9)	(685.8)	(660.0)	(660.0)	(660.0)
Net investments & sale of fixed assets	(16.3)	(156.3)	199.9	219.9	241.9
Others	187.1	205.0	0.0	0.0	0.0
Cash flow from investing	(493.1)	(637.1)	(460.1)	(440.1)	(418.1)
Debt raised/(repaid)	(15.7)	(322.9)	(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)	(53.3)	(492.0)	(547.6)	(641.5)
Cash flow from financing	(796.3)	(1,004.7)	(1,184.4)	(1,270.4)	(1,394.8)
Net cash flow	(55.6)	(598.7)	527.9	114.4	174.1
Net cash/(debt) b/f	2,235.0	2,181.7	1,578.4	2,106.3	2,220.7
Forex	2.3	(4.6)	0.0	0.0	0.0
Net cash/(debt) c/f	2,181.7	1,578.4	2,106.3	2,220.7	2,394.8
Key Ratios (YE 31 Jun)	FY24	FY25	FY26F	FY27F	FY28F
Revenue growth (%)	-17.1	18.0	0.4	5.7	6.0
EBITDA growth (%)	-10.5	30.8	-10.6	5.5	8.0
Pretax margin (%)	14.6	16.6	14.9	15.3	15.9
Net profit margin (%)	11.6	13.4	11.8	12.1	12.6
Interest cover (x)	13.2	19.0	19.0	20.4	19.2
Effective tax rate (%)	20.2	18.2	20.0	20.0	20.0
Dividend payout (%)	53.1	42.8	50.8	49.1	46.5
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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