

25 November 2021

IOI Corporation Berhad

Beat Expectations

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IOICORP's 1QFY22 CNP of RM453.8m (+80% YoY) is above our/consensus' expectations at 38%/37%. Looking forward, higher CPO prices could be offset by weaker FFB output and potentially weaker downstream (higher feedstock prices). Raise FY22-23E CNP by 8-4%. Maintain MP with TP of RM4.05 based on rolled-over CY22E PER of 21x (-1.25SD). At CY22E PER of ~20x, IOICORP offers limited upside. Closest peer KLK's valuations (PER of <16x) is more attractive.

Above expectations. IOI Corporation (IOICORP) registered 1QFY22 Core Net Profit (CNP) of RM453.8m (+25% QoQ; +80% YoY), accounting for 38%/37% of our/consensus' expectations. 1QFY22 FFB output of 746k MT is within our expectation at 24%. Absence of DPS is as expected.

Results' highlight. YoY, despite lower FFB output (-15%), 1QFY22 CNP leapt (+80%) on the back of higher average CPO price (+56%) which resulted in a higher plantation segmental operating profit (+73%). **QoQ**, 1QFY22 CNP rose (+25%) lifted by: (i) 9% improvement in plantation segmental profit from higher average CPO price (+11%) and FFB output (+3%), as well as (ii) 117% jump in downstream segmental profit from higher sales (+5%) and margin improvement (+2ppt).

Weaker production ahead. We think higher CPO prices (QTD 1QFY22: +17% QoQ) could be offset by weaker FFB output. Downstream segment's margins could come under pressure from high feedstock prices. Meanwhile, the group is still hunting for potential M&As with a ~RM800m war chest earmarked for investments, with preference towards brownfield upstream plantation assets.

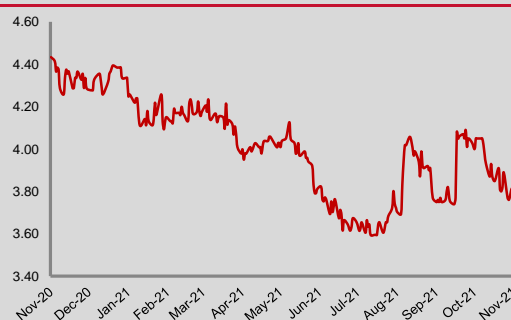
Raise FY22-23E CNP by 8-4% as we impute higher CPO price of ~RM3,400-RM3,100/MT (from RM3,150-RM3,000/MT) and adjust for prosperity tax.

Maintain MARKET PERFORM with an unchanged TP of RM4.05 based on a rolled-over CY22E PER of 21x reflecting -1.25SD. Currently, trading at CY22E PER of ~20x, we think IOICORP offers limited upside. Closest peer KLK's valuation (PER of <16x) is more attractive. Based on our in-house ESG scoring, IOICORP ranks second with a score of 81%. **Risks to our call are:** sharp rise/fall in CPO prices and a precipitous increase/decline in fertiliser/labour/transportation costs.

MARKET PERFORM ↔

Price : RM3.77
Target Price : RM4.05 ↔

Share Price Performance



KLCI 1,522.27
YTD KLCI chg -6.4%
YTD stock price chg -13.7%

Stock Information

Shariah Compliant Yes
Bloomberg Ticker IOI MK Equity
Market Cap (RM m) 23,452.4
Shares Outstanding 6,220.8
52-week range (H) 4.56
52-week range (L) 3.54
3-mth avg daily vol: 2,276,848
Free Float 20%
Beta 1.0

Major Shareholders

Progressive Holdings Sdn Bhd 50.3%
Employees Provident Fund Board 13.1%
Amanah Saham Bumiputera 8.2%

Summary Earnings Table

FYE Jun (RM m)	2021A	2022E	2023E
Turnover	11252	12774	11698
EBIT	1212	1581	1309
PBT	1740	1747	1505
Net Profit (NP)	1394	1297	1114
Core NP	1075	1297	1114
Consensus (CNP)	n.a.	1240	1133
Earnings Revision	n.a.	+8%	+4%
Core EPS (sen)	17.2	20.7	17.8
EPS growth (%)	27.6	20.6	-14.1
NDPS (sen)	10.5	9.5	8.5
BV/Share (RM)	1.62	1.73	1.82
Core PER (x)	22.0	18.2	21.2
Price/BV (x)	2.33	2.18	2.07
Net Gearing (x)	0.24	0.23	0.19
Net Dvd. Yield (%)	2.8	2.5	2.3

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Results Highlights

FYE Jun (RM m)	1Q22	4Q21	QoQ %	1Q21	YoY%	3M22	3M21	YoY%
Revenue	3,632.4	3,459.7	5%	2,477.2	47%	3,632.4	2,477.2	47%
Op Profit (pre-adjustments)	553.8	445.4	24%	310.8	78%	553.8	310.8	78%
Pretax	446.8	473.7	(6%)	360.2	24%	446.8	360.2	24%
Taxation	(157.1)	(105.7)	49%	(77.4)	103%	(157.1)	(77.4)	103%
Minority	(12.1)	(8.6)	41%	(4.9)	147%	(12.1)	(4.9)	147%
Net Profit	277.6	359.4	(23%)	277.9	(0%)	277.6	277.9	(0%)
Core Net Profit	453.8	362.9	25%	251.5	80%	453.8	251.5	80%
EPS (sen)	4.5	5.7	(22%)	4.4	0%	4.5	4.4	0%
Core EPS (sen)	7.3	5.8	25%	4.0	81%	7.3	4.0	81%
DPS (sen)	0.0	6.0	(100%)	0.0	nm	0.0	0.0	nm
Avg CPO (RM)	4,032	3,648	11%	2,579	56%	4,032	2,579	56%
FFB ('000 mt)	746.3	727.7	3%	878.7	(15%)	746.3	878.7	(15%)
Op Profit %	15%	13%		13%		15%	13%	
PBT %	12%	14%		15%		12%	15%	
Effective Tax %	35%	22%		21%		35%	21%	

Source: Company, Kenanga Research

Segmental Breakdown

FYE Jun (RM m)	1Q22	4Q21	QoQ %	1Q21	YoY%	3M22	3M21	YoY%
Segmental Revenue								
- Plantation (external)	92.7	93.0	(0%)	82.8	12%	92.7	82.8	12%
- Resource Based	3,535.8	3,363.6	5%	2,390.3	48%	3,535.8	2,390.3	48%
- Other Ops	3.9	3.1	26%	4.1	(5%)	3.9	4.1	(5%)
Group Revenue	3,632.4	3,459.7	5%	2,477.2	47%	3,632.4	2,477.2	47%
Segment Op Profit								
- Plantation	407.8	375.5	9%	236.4	73%	407.8	236.4	73%
- Resource Based	142.9	65.8	117%	72.3	98%	142.9	72.3	98%
- Other Ops	3.1	4.1	(24%)	2.1	48%	3.1	2.1	48%
Group Op Profit (before adjustments)	553.8	445.4	24%	310.8	78%	553.8	310.8	78%

Source: Company, Kenanga Research

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Peer Comparison

Name	Last Price	Market Cap	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div. Yld. (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.		
	(RM)	(RM'm)															
STOCKS UNDER COVERAGE																	
FGV HOLDINGS BHD	1.49	5,435.7	Y	12/2021	17.4%	-2.9%	30.7%	1.9%	22.0	16.8	16.5	1.3	1.2	7.5%	3.7%	1.45	MP
GENTING PLANTATIONS BHD	6.94	6,226.6	Y	12/2021	23.2%	-9.2%	73.7%	-11.9%	26.1	15.0	17.1	1.3	1.2	8.3%	4.2%	8.40	OP
HAP SENG PLANTATIONS HLDGS	2.05	1,639.4	Y	12/2021	60.8%	-20.6%	174.3%	-36.2%	23.7	8.6	13.5	1.0	0.9	10.8%	6.8%	2.30	OP
IJM PLANTATIONS BHD	3.10	2,729.8	N	03/2022	34.6%	-13.0%	147.9%	-42.4%	22.2	9.0	15.6	1.9	1.7	19.9%	4.7%	N.A.	Not Rated
IOI CORPORATION BHD	3.77	23,452.4	Y	06/2022	13.5%	-8.4%	20.6%	-14.1%	28.1	18.2	21.2	2.3	2.2	12.4%	2.5%	4.05	MP
KUALA LUMPUR KEPONG BHD	20.80	22,420.0	Y	09/2022	-5.2%	-3.2%	-15.0%	-7.4%	13.4	15.7	17.0	1.9	1.8	11.7%	2.6%	26.50	OP
PPB GROUP BERHAD	17.32	24,639.4	Y	12/2021	18.4%	11.1%	3.7%	7.9%	18.8	18.2	16.8	1.1	1.1	6.1%	2.3%	19.40	MP
SIME DARBY PLANTATION BHD	3.88	26,833.0	Y	12/2021	39.5%	-8.0%	194.3%	-35.7%	32.2	11.0	17.1	2.0	1.8	17.2%	5.4%	4.10	MP
TA ANN HOLDINGS BERHAD	3.37	1,484.4	Y	12/2021	44.8%	-19.0%	305.4%	-42.8%	23.4	5.8	10.1	1.1	1.0	17.4%	8.9%	3.25	MP
TSH RESOURCES BHD	1.13	1,559.6	Y	12/2021	80.6%	-18.9%	162.2%	-46.4%	21.6	8.3	15.4	1.0	0.9	12.4%	3.5%	1.17	MP
UNITED MALACCA BHD	5.20	1,090.8	Y	04/2022	11.1%	-1.6%	123.1%	-25.9%	38.4	17.2	23.2	0.8	0.8	4.8%	2.9%	5.25	MP
Simple Average					30.8%	-8.5%	111.0%	-23.0%	24.5	13.1	16.7	1.4	1.3	11.7%	4.3%		

Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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