IOI Corporation

2HFY26 Outlook Intact

By Khoo Teng Chuan l khootc@kenanga.com.my

MARKET PERFORM ↔

Price :	RM4.04
Target Price :	RM4.35 ↔

IOI's post-1HFY26 results briefing was re-assuring. FY26 earnings guidance may be a tad (+2-3%) conservative but directionally correct – cautiously optimistic. Overall, flattish upstream, mix downstream and trickling of income from new net zero ventures are expected. Maintain FY26F core EPS (CEPS) and TP of RM4.35. We like IOI for its strong upstream, sector leading downstream (albeit volatile) and new ventures such as coconut processing as well as EFB to pulp projects. However, current share price hence valuation is already within 10% of our TP, hence our MARKET PERFORM call.

Key takeaways from IOI's 1HFY26 results briefing are as follows:

CPO prices of RM4,000 (or higher) expected in 2H FY26. IOI achieved 1HFY26 average CPO price of RM4,198 per MT. Peering ahead, IOI expects CPO prices to stay supported at around RM4,000 for the next few months before nudging up thereafter. We maintained FY26F CPO price assumption of RM4,200 but raising IOI FY27F CPO prices from RM4,000 to RM4,100 per MT.

FY26F FFB output to grow 5-8% YoY. After having registered 8% YoY uptick in 1HFY26 FFB harvest and Jan output of 0.240m MT (-12% MoM, +21% YoY), Feb 2026 harvest is expected to dip 20% MoM due to annual seasonal downturn before picking up MoM by around 10% in Mar 2026. Overall, IOI expect FY26F FFB production to increase by 5-8% YoY despite heavy rain/ floods and droughts at some estates. The guidance is in line with Kenanga's expectation of a 6.7% YoY uptick in FFB production of 3.031m MT for full year FY26F.

Downstream is expected to weaken but should stay profitable. 1HFY26 downstream EBIT rose 175% YoY to RM198m, thanks largely to a strong 1QFY26 EBIT which reported EBIT of RM131m (+249% YoY) on low input prices. Moving forward, we expect margins similar to 1HFY26 of 3% versus past long term downstream margins of 3-5%.

New ventures should contribute in FY27-28. Both the EFB pulp JV with Nextgreen and its coconut processing facility are expected to commence operations in FY28. Earlier low yields due to technical issues at IOI Palmwood have largely been addressed so the focus now is to obtain certifications and gain greater customer acceptance.

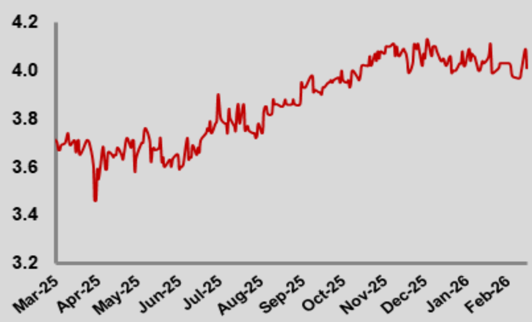
Forecasts. Maintain FY26F CEPS but raising FY27F CEPS by 2% on higher CPO price assumption of RM4,100 per MT (vs MR4,000 previously).

Valuations. Maintain TP of RM4.35 on 2.0x PBV which is towards the upper-end of (but still within) the 1.5x-2.0x PBV range of large integrated planters. Our rationale for adopting a higher PBV ratio for IOI hinges on its superior historic ROE of 12%. A 5% premium is also reflected in view of IOICORP's 4-star ESG rating as appraised by us (see page 3).

Investment case. We welcome IOI's push to improve upstream productivity - from higher yielding materials to pro-active mechanisation, digitalisation and electrification - to adding value by converting oil palm trunks into palm-based wood products or processing EFB into higher value non-wood environmentally friendly pulp. However, FY26-27 earnings are expected to be flattish and current share price is within 10% of our TP, hence our **MARKET PERFORM** call is left unchanged.

Risks to our call include: (i) weather impact on edible oil supply, (ii) unfavourable commodity prices fluctuations, and (iii) cost inflation.

Share Price Performance



KLCI	1,747.81
YTD KLCI chg	4.0%
YTD stock price chg	1.0%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	IOI MK EQUITY
Market Cap (RM m)	25,392.2
Shares Outstanding	6,285.2
52-week range (H)	4.14
52-week range (L)	3.42
3-mth avg. daily vol.	2,853,948
Free Float	35%
Beta	0.9

Major Shareholders

Progressive Holdings Sdn Bhd	49.8%
Employee Provident Fund Board	18.3%
Amanah Saham Nasional	9.1%

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	11,335	12,108	12,157
EBIT	1,332	1,635	1,496
PBT	1,888	2,016	1,864
Net Profit (NP)	**1,531**	**1,593**	**1,471**
Core NP	**1,257**	**1,493**	**1,471**
Consensus (CNP)	-	1,384	1,421
Earnings Revision	-	-	+2%
Core EPS (sen)	20.3	23.9	23.5
Core EPS Grwth (%)	9.1	18.8	-1.5
NDPS (sen)	10.5	11.0	11.0
NTA/Share (RM)	2.04	2.10	2.23
Core PER (x)	19.9	16.9	17.2
Price/NTA (x)	1.98	1.92	1.81
Net Gearing (x)	0.13	0.11	0.05
Dividend Yield (%)	2.6	2.7	2.7

Peer Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net. Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
PLANTATION																	
GENTING PLANTATIONS BHD	MP	5.14	5.40	5.1%	4,611.4	Y	12/2026	43.7	44.2	10.7%	1.2%	11.8	11.6	0.8	7.2%	28.0	5.4%
HAP SENG PLANTATIONS HOLDING	UP	2.31	2.15	-7.0%	1,847.3	Y	12/2026	16.3	16.7	-6.4%	2.2%	14.2	13.9	0.8	5.9%	8.0	3.5%
IOI CORP BHD	MP	4.04	4.35	7.7%	25,392.2	Y	06/2026	23.9	23.5	18.8%	-1.5%	16.9	17.2	1.9	12.5%	11.0	2.7%
KUALA LUMPUR KEPONG BHD	OP	19.18	24.00	25.1%	21,360.0	Y	09/2026	127.1	137.8	17.2%	8.4%	15.1	13.9	1.4	9.7%	60.0	3.1%
PPB GROUP BHD	OP	10.96	12.50	14.1%	15,591.7	Y	12/2025	98.5	115.3	21.5%	17.0%	11.1	9.5	0.5	3.0%	45.0	4.1%
SD GUTHRIE BHD	MP	5.86	5.45	-7.0%	40,526.1	Y	12/2026	27.8	28.0	-3.3%	0.5%	21.1	21.0	1.9	11.9%	15.0	2.6%
TA ANN HOLDINGS BHD	MP	4.63	3.90	-15.8%	2,039.3	Y	12/2025	45.5	41.5	20.4%	-8.8%	10.2	11.2	1.1	10.9%	40.0	8.6%
TSH RESOURCES BHD	OP	1.22	1.55	27.0%	1,538.2	Y	12/2026	12.6	13.0	-9.5%	3.1%	9.6	9.4	0.7	7.9%	5.0	4.1%
UNITED MALACCA BHD	OP	5.80	6.45	11.2%	1,216.7	Y	04/2026	76.1	70.8	37.2%	-7.0%	7.6	8.2	0.7	10.4%	20.0	3.4%
Simple Average					**114,122.8**					**10.8%**	**4.5%**	**15.8**	**15.1**	**1.1**	**8.8%**		**4.2%**

Source: Bloomberg, Kenanga Research

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	
GENERAL	Corporate Social Responsibility	★	★	★	☆	
GENERAL	Management/Workforce Diversity	★	★	★		
GENERAL	Accessibility & Transparency	★	★	★	★	
GENERAL	Corruption-Free Pledge	★	★	★		
GENERAL	Carbon-Neutral Initiatives	★	★	★		
SPECIFIC	Biodiversity Conservation	★	★	★	☆	
SPECIFIC	Sustainable Planting	★	★	★		
SPECIFIC	Guest Labour Welfare	★	★	★		
SPECIFIC	Supply Chain Auditing	★	★	★	★	
SPECIFIC	Occupational Health & Safety	★	★	★		
SPECIFIC	Waste Disposal & Pollution Control	★	★	★	☆	
	OVERALL	★	★	★		

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

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.***

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)
Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my