

03 June 2026

# IOI Corporation

## 9MFY26 In Line, Expect Stronger Final

By Khoo Teng Chuan | [khootc@kenanga.com.my](mailto:khootc@kenanga.com.my)

IOI's 9MFY26 core net profit (CNP) was within 5% of our, and consensus, expectations, at 70% of Kenanga and 74% of consensus'. 3QFY26 upstream EBIT declined QoQ on seasonally weaker harvest and lower prices but still rose YoY as better harvest offset poorer prices. Excluding fair value loss, 3QFY26 downstream fared better QoQ and YoY on improved oleochemical results. Though a strong 4Q is expected, we are fine tuning down FY26-27F core EPS (CEPS) by 3% and 1%, respectively, to 23.9 sen and 24.1 sen on higher costs. No change to both PBV-driven TP of RM4.55 and OUTPERFORM call.

**9MFY26.** Adjusting for net forex gain (RM80m) and net fair value loss (RM77m), IOI registered robust 9MFY26 CNP of RM1,076m (+14% YoY). YoY, upstream EBIT rose 6% on better FFB harvest (+9%) and PK price (+5%) but offset by softer CPO prices (-5%). Downstream EBIT soared 58% YoY on better oleochemical profits and smaller refining losses.

**3QFY26.** Group CNP fell 35% QoQ to RM276m (flat YoY) due to weaker upstream EBIT of RM347m (-31% QoQ, +6% YoY) on seasonally weaker harvest of 0.636m MT (-27% QoQ, +10% YoY) compounded by softer prices for both CPO (-5% QoQ, -14% YoY) as well as PK (-5% QoQ, -12% YoY). Upstream associate (Bumitama Agri)'s contribution also dipped 23% QoQ but rose 32% YoY while 3QFY26 downstream saw losses due to a RM77m fair value loss. Otherwise, better oleochemical performance offset improving but loss-making refining operations were still reported.

Net debt rose QoQ, from RM1.13b in 2QFY26 to RM1.44b (11% net gearing) from paying RM346m of interim dividends and capex of RM171m. No 3Q dividend was declared which is in line with expectation. We maintain full-year FY26-27F DPS of 11.0 sen each.

**Expect stronger upstream ahead.** Global edible oil was already looking tight for CY26 despite better-than-expected brought forward inventory. The Middle East conflict has tightened the situation further due to rising bio-diesel demand and still growing food requirements. We maintain IOI's FY26F CPO price of RM4,300 per MT and at RM4,250 for FY27. Although higher cost is due from higher diesel and fertiliser prices, PK price remains good (>RM3,000 per MT). CPO and PK prices may also stay elevated longer if an expected El Nino phenomenon over the coming six months turns serious.

**Downstream headwinds to continue.** Some oleochemical recovery is expected but staying modest as buyers stock up amidst supply disruption concerns. Recently, Mega First Corp's oleochemicals JV sought judicial management over its finances, representing a 10% exit from the Malaysian oleochemical sector. Nonetheless, regional overcapacity is set to continue plaguing refining and oleochemical margins. Specialty products should do better but cost and competition are rising. Altogether, downstream earnings should improve a little but still muted for FY26-27.

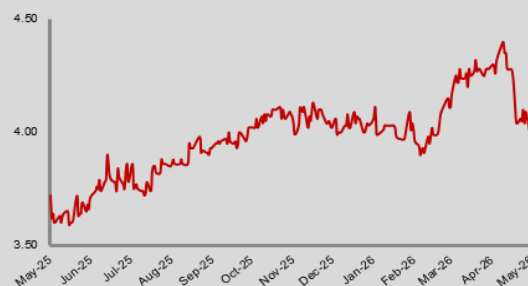
**New ventures.** IOI is pushing for commercially-driven sustainable solutions. Though risk-taking, deep pockets and patience are required, some of the projects are set to bear fruit over the coming few years.

(a) IOI palm wood is about converting neglected old oil palm trunk into panels. A bold venture involving a new product, scaling up challenges and gaining market acceptance including certifications takes time; hence, no meaningful returns is expected for FY26-27.

# OUTPERFORM ↔

Price : RM3.99  
Target Price : RM4.55 ↔

### Share Price Performance



KLCI 1,683.07  
YTD KLCI chg 0.2%  
YTD stock price chg -0.3%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	IOI MK Equity
Market Cap (RM m)	25,077.9
Shares Outstanding	6,285.2
52-week range (H)	4.40
52-week range (L)	3.59
3-mth avg. daily vol	6,417,697
Free Float	35%
Beta	0.84

### Major Shareholders

Progressive Holdings Sdn Bhd	49.8%
Employee Provident Fund Board	16.7%
Amanah Saham Nasional	9.1%

### Summary Earnings Table

FYE June (RM m)	2025A	2026F	2027F
Turnover	11,335	12,107	12,166
EBIT	1,332	1,659	1,545
PBT	1,888	2,020	1,926
<b>Net Profit (NP)</b>	<b>1,531</b>	<b>1,591</b>	<b>1,516</b>
<b>Core NP</b>	<b>1,257</b>	<b>1,491</b>	<b>1,516</b>
Consensus (CNP)	-	1,451	1,476
Earnings Revision	-	-3%	-1%
Core EPS (sen)	20.3	23.9	24.1
Core EPS Growth (%)	9.1	18.6	1.7
NDPS (sen)	10.5	11.0	11.0
NTA/Share (RM)	2.04	2.10	2.22
Core PER (x)	19.7	16.7	16.5
Price/NTA (x)	1.96	1.90	1.80
Net Gearing (x)	0.13	0.11	0.05
Dividend Yield (%)	2.6	2.8	2.8

03 June 2026

- (b) JV to convert Empty Fruit Bunches (EFB) into 150,000 MT of higher-value pulp for exports with Nextgreen Global Berhad (NGGB, Not Rated) and Xiamen C&D Corp (XCD) should see some contribution from FY28 onwards.
- (c) Having planted 4,600 Ha, IOI is near reaching its 5,000 Ha target for coconut. It has thus partnered with Ting Hsing International Group (THIG) to build an integrated RM100m coconut processing complex powered using coconut bio-mass. The complex is expected to start processing 100k nuts per day in FY27 then 300k nuts 2-3 years later. Coconut oil will also be extracted for the group's oleochemical arm and the leftover cake sold.

**Forecasts.** Trimming FY26F CEPS by 3% from 24. sen to 23.9 sen and FY27F CEPS by 1% from 24.6 sen to 24.1 sen as we raise input costs for the upstream operations.

**Valuations.** Maintain TP at RM4.55 based on 2.0x average IOI June ending FY26-27 PBV or at the upper-end of the 1.5x-2.0x PBV range of larger integrated planters. The rationale to adopt the upper-end of the PBV range for IOI is due to its sector leading ROE of 12%. In recognition of our 4-star ESG rating for IOI (see page 3), a 5% premium to TP is also imputed.

**Investment case.** Aside from new ventures, IOI is also a pioneer in organic palm oil and is now busy electrifying some upstream field work with plans to introduce AI for better field monitoring. Meanwhile, the group should benefit from good harvest and elevated CPO and PK prices over FY26-27 with maiden contributions from NGGB and coconut from FY27 onwards. Maintain **OUTPERFORM**.

**Risks to our call include:** (i) Western hostility towards palm oil on sustainability and bio-diversity issues; (ii) impact of weather and labour shortages on production, (iii) weak CPO and palm kernel prices, and (iv) cost inflation particularly fertilisers.

Results Highlights								
FYE June (RM m)	3Q26	2Q26	QoQ	3Q25	YoY	9MFY26	9MFY25	YoY
Revenue	2,675.5	3,010.1	-11%	2,735.6	-2%	8,737.4	8,374.6	+4%
Operating Profit	290.3	448.8	-35%	314.7	-8%	1,162.6	1,025.7	+13%
Net Interest Expense	(24.7)	(26.5)	-7%	(27.8)	-11%	(77.7)	(82.4)	-6%
Associates & JVs	81.8	121.2	-33%	61.7	+33%	301.6	277.8	+9%
EI (adj excl fr core net profit)	7.5	106.7	-93%	(13.4)	-156%	105.6	143.5	-26%
Pretax Profit	354.9	650.2	-45%	335.2	+6%	1,492.1	1,364.6	+9%
Taxation	(66.7)	(113.7)	-41%	(69.0)	-3%	(292.4)	(263.9)	+11%
MI	(4.9)	(8.0)	-39%	(3.9)	+26%	(18.5)	(16.6)	+11%
Net Profit	283.3	528.5	-46%	262.3	+8%	1,181.2	1,084.1	+9%
Core Net Profit	275.8	421.8	-35%	275.7	+0%	1,075.6	940.6	+14%
EPS (sen)	4.5	8.5	-47%	4.2	+7%	18.9	17.5	+8%
Core EPS (sen)	4.4	6.8	-35%	4.4	-1%	17.2	15.2	+14%
DPS (sen)	-	5.5	N.A.	-	N.A.	5.5	5.0	+10%
Opg Profit	11%	15%		12%		13%	12%	
PBT	13%	22%		12%		17%	16%	
Tax	19%	17%		21%		20%	19%	
CPO (RM /MT)	4,019	4,224	-5%	4,667	-14%	4,144	4,377	-5%
PK (RM / MT)	3,287	3,449	-5%	3,715	-12%	3,423	3,264	+5%
FFB Production (000 MT)	635.8	873.6	-27%	575.8	+10%	2,286.5	2,104.0	+9%

Source: Company, Kenanga Research

Segmental Breakdown								
FYE June (RM m)	3Q26	2Q26	QoQ	3Q25	YoY	9MFY26	9MFY25	YoY
<b>Segmental Revenue:</b>								
Plantation	161.3	138.5	+16%	116.3	+39%	459.5	339.0	+36%
Resource Based	2,509.9	2,869.3	-13%	2,614.8	-4%	8,266.2	8,021.0	+3%
Others	4.3	2.3	+87%	4.5	-4%	11.7	14.6	-20%
Revenue	2,675.5	3,010.1	-11%	2,735.6	-2%	8,737.4	8,374.6	+4%
<b>Segmental Pretax Profit:</b>								
Plantation	347.1	500.6	-31%	326.6	+6%	1,249.3	1,178.7	+6%
Resource Based	(9.0)	66.7	-113%	47.3	-119%	188.9	119.3	+58%
Others	2.5	(3.6)	-169%	(0.5)	->100%	(2.3)	0.1	->100%
Net Interest Expense	(24.7)	(26.5)	-7%	(27.8)	-11%	(77.7)	(82.4)	-6%
Misc Corp Inc / (Exp)	39.0	113.0	-65%	(10.4)	-475%	133.9	148.9	-10%
Pretax Profit	354.9	650.2	-45%	335.2	+6%	1,492.1	1,364.6	+9%

Source: Company, Kenanga Research

03 June 2026

### Peer Table 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.
<b>PLANTATION</b>																	
GENTING PLANTATIONS BHD	MP	5.32	5.50	3.4%	4,772.9	Y	12/2026	44.0	44.7	11.5%	1.5%	12.1	11.9	0.9	7.8%	28.0	5.3%
HAP SENG PLANTATIONS HOLDING	MP	2.09	1.95	-6.7%	1,671.3	Y	12/2026	17.5	16.2	0.4%	-7.3%	12.0	12.9	0.8	5.3%	8.0	3.8%
IOI CORP BHD	OP	3.99	4.55	14.0%	25,077.9	Y	06/2026	23.9	24.1	18.6%	1.7%	16.7	16.5	1.9	12.5%	11.0	2.8%
KUALA LUMPUR KEPONG BHD	OP	20.32	24.50	20.6%	22,629.6	Y	09/2026	133.2	143.0	22.8%	7.3%	15.3	14.2	1.4	10.2%	60.0	3.0%
PPB GROUP BHD	OP	9.89	12.90	30.4%	14,069.5	Y	12/2026	108.3	114.8	13.9%	5.9%	9.1	8.6	0.6	6.6%	42.0	4.2%
SD GUTHRIE BHD	MP	5.81	5.80	-0.2%	40,180.3	Y	12/2026	29.7	27.7	3.2%	-6.7%	19.6	21.0	1.9	12.4%	15.0	2.6%
TA ANN HOLDINGS BHD	UP	5.26	4.40	-16.3%	2,316.8	Y	12/2026	46.4	45.8	-4.3%	-1.4%	11.3	11.5	1.2	10.8%	40.0	7.6%
TSH RESOURCES BHD	OP	1.08	1.60	48.1%	1,346.5	Y	12/2026	11.7	12.3	-16.7%	5.2%	9.3	8.8	0.7	7.3%	5.0	4.6%
UNITED MALACCA BHD	OP	5.85	6.70	14.5%	1,227.1	Y	04/2026	79.3	76.5	43.0%	-3.5%	7.4	7.6	0.8	10.8%	20.0	3.4%
<b>Simple Average</b>					<b>113,292.1</b>					<b>11.8%</b>	<b>1.1%</b>	<b>14.9</b>	<b>14.8</b>	<b>1.1</b>	<b>9.3%</b>		<b>4.1%</b>

Source: Bloomberg, Kenanga Research

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

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

03 June 2026

**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.**

---

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research 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](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)