Kuala Lumpur Kepong Berhad

(2445 | KLK MK) Main | Plantation

Maintain BUY

Attractive Upstream Contribution

***Revised* Target Price: RM23.63**

(Previously RM23.42)

KEY INVESTMENT HIGHLIGHTS

- **Upstream; profit improved on higher CPO selling price**
- **Downstream; smaller profit recorded**
- **Earnings estimates; tweaked higher on recent revision of average CPO target price**
- **Maintain Buy call with a revised TP of RM23.63**

Below expectation. KLK's 4Q24 core profit fell to RM119.5m (-25.8.0%yoy), bringing the FY24 to RM860.8m (-22.5%yoy). While this was largely considered below and within our/consensus, accounting about 89% and 100%, respectively. Earnings were dragged by weaker operating profit contribution from manufacturing, property, investment holding subsegment, and impairment with a margin flattish at 6.4% (+0.4%ppt).

Plantation. During the quarter, the upstream division continued its growth momentum, with both topline and bottom-line settled at RM925.2m (+1.8%yoy) and RM518.2m (+24.1%yoy), respectively. Profit was somewhat boosted by higher CPO and PK selling prices realised at RM3,758/Mt (+8.1%yoy) and RM2,523/mt (+44.8%yoy), on top of the lower CPO production cost. As a result, the margin for the segment grew to 56.0% (+10.1ppt) in the current quarter (compared to 4Q23: 45.9%).

Manufacturing. Although its revenue was 5x higher than plantation segment, earnings wise, remains low, recording only RM22.0m (vs 4Q23: -RM76.7m). This was attributed to higher losses in the non-oleochemical division, including refineries and kernel crushing operations. The midstream refinery sub-segment continues to suffer from adverse margins due to overcapacity in the refining industry and the unexpected strengthening of CPO prices, which is the raw material for derivative products. In contrast, oleo sales and profits were improving in both Europe and Malaysia. However, the Chinese market remained persistently weak, with sluggish demand continuing to dampen the performance of derivative products.

Earnings forecast. We are upgrading our earnings estimate by +25% for FY25E-FY26F, after considering new average CPO TP price revision of RM4,300/Mt and RM4,000/Mt in those periods.

Recommedation. We are maintaining our **BUY** call on the stock, with a revised TP of **RM23.63** as we rollover our valuation base year to FY25F EPS of 112.5 sen, pegged to PER of 21x – nearly 5y historical mean. The catalyst remains in the upstream division, with FFB yield and OER projected to increase by 21.53Mt/ha and 21.50%, driven by improved recovery from internal FFB processing and better fertilizer application over the past two years. Production costs are expected to remain low, around RM2,000-2,200/Mt for FY25E-FY26F.

RETURN STATISTICS	
Price @ 26th Nov 2024 (RM)	21.62
Expected share price return (%)	+9.3
Expected dividend yield (%)	+2.9
Expected total return (%)	**+12.2**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.9	-2.6
3 months	2.2	-7.2
12 months	-6.9	-18.3

INVESTMENT STATISTICS

FYE Sep	2025E	2026F	2027F
Revenue	27,276.1	26,503.2	26,692.7
Operating Profit	2,121.0	2,097.0	2,035.0
Profit Before Tax	1,862.2	1,880.1	1,808.3
Core PATAMI	1,212.9	1,224.8	1,177.0
Core EPS (sen)	112.5	113.6	109.2
DPS (sen)	62.0	64.0	66.0
Dividend Yield	2.9%	3.0%	3.1%

KEY STATISTICS	
FBM KLCI	1,603.2
Issue shares (m)	1,075.9
Estimated free float (%)	45.6
Market Capitalisation (RM'm)	23,303.9
52-wk price range	RM19.7-RM23.4
3-mth average daily volume (m)	1.2
3-mth average daily value (RM'm)	24.0
Top Shareholders (%)	
Batu Kawan Bhd	47.9
EPF	13.4
Amanah Saham Nasional	3.5

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Kuala Lumpur Kepong: 4Q24 RESULTS SUMMARY

FYE Sept (RM'm)	Quarterly					Cumulative		
Income Statement	**4Q23**	**3Q24**	**4Q24**	**QoQ%**	**YoY%**	**FY23**	**FY24**	**YoY%**
Revenue	5,777.3	5,503.3	5,679.0	3.2	-1.7	23,647.6	22,273.7	-5.8
Operating profit	345.7	434.2	361.4	-16.8	4.5	1,699.2	1,687.9	-0.7
Finance cost	-82.8	-92.8	-100.9	8.7	21.8	-326.2	-373.6	14.5
Associates	-14.9	1.0	-44.0	NM	NM	-174.9	-125.5	NM
JVs	-4.1	0.3	0.5	63.4	>100	-20.6	-1.1	NM
PBT	182.8	363.0	219.6	-39.5	20.1	1,152.2	1,183.5	2.7
Tax expense	-14.0	-93.2	-167.9	80.2	>100	-161.5	-445.4	>100
Reported PATAMI	116.3	240.2	6.8	-97.2	-94.2	834.3	591.0	-29.2
Core PATAMI	161.1	308.7	119.5	-61.3	-25.8	1,111.0	860.8	-22.5
Core EPS (sen)	14.9	28.4	11.0	-61.4	-26.6	103.0	79.0	-23.3
				+/-ppt				
Operating margin (%)	6.0	7.9	6.4	-1.5	0.4	7.2	7.6	0.4
PBT margin (%)	3.2	6.6	3.9	-2.7	0.7	4.9	5.3	0.4
Core PATAMI margin (%)	2.8	5.6	2.1	-3.5	-0.7	4.7	3.9	-0.8

SEGMENTAL BREAKDOWN, PRODUCTION & AVERAGE CPO PRICE REALISED

FYE Sept (RM'm)	Quarterly					Cumulative		
Revenue	**4Q23**	**3Q24**	**4Q24**	**QoQ%**	**YoY%**	**FY23**	**FY24**	**YoY%**
Plantation	909.3	898.0	925.2	3.0	1.8	3,421.3	3,758.0	9.8
Manufacturing	4,764.6	4,464.9	4,698.1	5.2	-1.4	19,692.1	18,019.4	-8.5
Property development	68.0	78.2	24.2	-69.1	-64.5	218.1	229.4	5.2
Investment holding/ Others	35.4	62.2	31.5	-49.4	-10.9	316.1	266.8	-15.6
Operating Profit								
Plantation	417.6	351.0	518.2	47.6	24.1	1,166.8	1,586.8	36.0
Manufacturing	-76.7	57.1	22.0	-61.4	>100	391.9	219.4	-44.0
Property development	13.6	18.9	8.2	-56.6	-39.5	57.4	45.9	-20.0
Investment holding/ Others	-8.8	7.2	-187.0	NM	NM	83.1	-164.2	NM
Operating Margin %				**+/-ppt**				
Plantation	45.9	39.1	56.0	16.9	10.1	34.1	42.2	8.1
Manufacturing	-1.6	1.3	0.5	-0.8	2.1	2.0	1.2	-0.8
Property development	20.0	24.2	34.0	9.8	14.0	26.3	20.0	-6.3
Investment holding/ Others	-24.8	11.5	-593.9	-605.4	-569.1	26.3	-61.5	-87.8
CPO Price realised (RM/Mt)								
CPO	3,476	3,788	3,758	-0.8	8.1	3,639	3,653	0.4
PK	1,743	2,251	2,523	12.1	44.8	1,841	2,115	14.9
Production Stats. ('000 Mt)								
FFB	1,494	1,282	1,417	10.6	-5.1	5,254	5,473	4.2
CPO	359	311	342	10.1	-4.7	1,255	1,331	6.0

Source: Bursa Malaysia, KLK, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	23,647.6	22,273.7	27,276.1	26,503.2	26,692.7
Operating Profit	1,753.4	1,688	2,121.0	2,097.0	2,035.0
PBT	1,152.2	1,183.5	1,862.2	1,880.1	1,808.3
PATAMI	834.3	591.0	1,212.9	1,224.8	1,177.0
Core PATAMI	1,111.0	860.8	1,212.9	1,224.8	1,177.0
Core EPS (sen)	103.1	79.9	112.5	113.6	109.2
PER (x)	21.0	27.1	19.2	19.0	19.8
DPS (sen)	60.0	44.0	62.0	64.0	66.0
Dividend yield (%)	2.8%	2.0%	2.9%	3.0%	3.1%

Balance Sheet (RM'm)	2023A	2024A	2025E	2026F	2027F
Cash	2,499.9	2,391.6	2,040.0	2,771.7	3,376.6
Receivables	3,470.1	3,034.3	4,002.6	3,889.2	3,917.0
Inventories	4,969.0	5,231.8	5,731.4	5,569.0	5,608.9
PPE	12,905.6	13,186.9	13,075.7	13,154.2	13,228.6
Others	6,256.9	6,634.5	6,380.5	6,250.1	6,135.7
Assets	30,126.4	30,529.8	31,230.2	31,634.2	32,266.7
Payables	1,970.1	1,902.2	2,100.9	2,041.4	2,056.0
Debt	9,894.0	11,225.3	11,225.3	11,225.3	11,225.3
Others	2,118.6	2,395.3	2,395.3	2,395.3	2,395.3
Liabilities	13,982.6	15,522.8	15,721.5	15,662.0	15,676.6
Shareholders' equity	14,318.7	13,704.3	13,789.0	14,345.5	14,832.7
Non-controlling interests	1,825.0	1,302.6	1,437.4	1,573.5	1,704.3
Equity & liabilities	30,126.4	30,529.8	31,230.2	31,634.2	32,266.7

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
PBT	1,152	1,183	1,862	1,880	1,808
Cash flow from operations	1,958.3	2,578.1	2,672.7	2,479.2	2,144.8
Cash flow from investing	-1,581.0	-1,986.5	-850.0	-850.0	-850.0
Cash flow from financing	-713.1	519.4	-474.3	-668.3	-689.8
Net cash flow	-335.7	1,111.0	1,348.5	960.9	604.9
Net cash/(debt) b/f	2,614.9	2,298.0	3,082.7	1,947.8	2,679.5
Net cash/(debt) c/f	2,298.0	2,380.7	2,614.9	2,679.5	3,284.4

Profitability Margins	2023A	2024A	2025E	2026F	2027F
OP margin (%)	7.4	7.6	7.8	7.9	7.6
PBT margin (%)	4.9	5.3	6.8	7.1	6.8
Core PATAMI margin (%)	4.7	3.9	4.4	4.6	4.4

Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology