Kuala Lumpur Kepong Berhad

(2445 | KLK MK) Main | Plantation

SHARIAH Compliant | FTSE4Good | ESG 4 Stars

Corporate Update

1QFY25 Results Review
Weak Downstream Contribution

Downgrade to NEUTRAL with a TP of RM20.00. We are downgrading our BUY call to NEUTRAL with lower TP of RM20.00 based on FY25F EPS of 100.0sen pegged to a PER of 20x, slightly above 5-year historical mean. The outlook for KLK is mixed, with strong profit from the upstream segment, driven by elevated CPO price movement. However, margin compression is anticipated to persist in absence of significant contribution from downstream products due to higher input cost for its feedstock refineries.

Plantation. During the quarter, the upstream division continue supports its growth momentum, with both topline and bottom-line settled at RM1.1b (+11.7%yoy) and RM567.5m (+56.1%yoy), respectively. Profit was somewhat boosted by higher CPO and PK selling prices realised at RM4,018/Mt (+15.8%yoy) and RM2,924/Mt (+62.4%yoy), respectively. As a result, the margin for the segment grew to 53.4% (+15.2ppt) in the current quarter (compared to 4Q23: 38.2%). Notably, FFB and CPO production moderated to 1.48m Mt (-0.2%yoy) and 363k Mt (-1.4%yoy), in line with pollination months when output typically tends to be lower.

While the higher selling prices contributed positively, the overall profit was partly offset by an increase in CPO production costs, as well as a lower fair value gain of RM34.7m (compared to RM37.6m in 4QFY2024) from the valuation of unharvested FFB.

Manufacturing. Manufacturing segment suffered with a higher loss of -RM53.4m (4QFY2024: loss -RM9.9m) despite improved operational performance in the Oleochemical sub-segment across all sites. In contrast, the Midstream Refinery sub-segment continued to incur losses, primarily due to increased market volatility. This was further compounded by uncertainties surrounding Indonesia's biodiesel policy, which disrupted trading dynamics and market stability.

Additionally, the segment was negatively affected by mark-to-market losses on hedged USD sales, as the strengthening of the US dollar led to a net non-cash mark-to-market loss of RM162m.

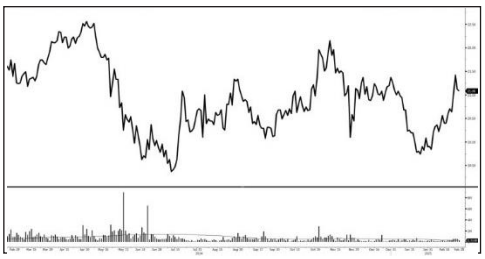
Earnings. Since the earnings accounts circa 18% of ours and consensus full year forecast, we're tweaking earnings estimate -11% lower over FY25-26F on the back of softer contribution from manufacturing subsegment. Although the Oleochemical activities is anticipated to support the performance of the Manufacturing segment with the contribution from new capacities in Europe and Asia, however the Chinese market remained persistently weak, with sluggish demand continuing to dampen the performance of derivative products.

Downgrade to NEUTRAL

Downgrade Target Price **RM20.00**
(from RM23.63)

RETURN STATISTICS	
Price @ 28th Feb 2025 (RM)	20.62
Expected share price return (%)	-3.0
Expected dividend yield (%)	+2.7
Expected total return (%)	-0.4

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	3.8	2.9
3months	-3.3	-1.6
12 months	-5.2	-7.7

INVESTMENT STATISTICS

FYE Sept (RM'm)	2025E	2026F	2027F
Revenue	27,098.7	26,329.5	26,533.0
Operating Profit	1,918.2	1,903.8	1,848.8
PBT	1,659.3	1,686.9	1,622.1
PATAMI	1,077.8	1,096.2	1,053.0
EPS (sen)	100.0	101.7	97.7
DPS (sen)	55.0	57.0	59.0
Dividend Yield (%)	2.7%	2.8%	2.9%

KEY STATISTICS	
FBM KLCI	1,574.70
Issue shares (m)	1077.89
Estimated free float (%)	20.00
Market Capitalisation (RM'm)	22,226.00
52-wk price range	RM19.7 – RM23.4
3-mth average daily volume (m)	0.34
3-mth average daily value (RM'm)	7.13
Top Shareholders (%)	
Batu Kawan	48.00
EPF	15.74
Lembaga Kemajuan Tanah	3.52

Analyst
Research Team
reseach@midf.com.my

KLK: 1QFY25 Results Summary

FYE Sept (RM'm)	Quarterly results					Cumulative results		
	1Q24	4Q24	1Q25	QoQ (%)	YoY (%)	3M24	3M25	YoY (%)
Revenue	5,636.1	5,679.0	5,945.5	4.7	5.5	5,636.1	5,945.5	5.5
Operating profit	457.8	361.4	571.5	58.1	24.8	457.8	571.5	24.8
Finance Cost	-89.9	-100.9	-104.1	3.2	15.8	-89.9	-104.1	15.8
Associates	1.8	-44.0	2.9	>100	60.4	1.8	2.9	60.4
JVs	-1.4	0.5	4.3	>100	>100	-1.4	4.3	>100
PBT	366.2	219.6	424.0	93.1	15.8	366.2	424.0	15.8
Tax Expense	-101.3	-167.9	-161.6	-3.7	59.6	-101.3	-161.6	59.6
PATAMI	226.9	6.8	220.5	>100	-2.9	226.9	220.5	-2.9
EPS (sen)	21.0	0.6	20.1	>100	-4.4	21.0	20.1	-4.4
Growth & Margin (%)				+/- ppts				+/- ppts
OP margin (%)	8.1	6.4	9.6	3.2	1.5	8.1	9.6	1.5
PBT margin (%)	6.5	3.9	7.1	3.3	0.6	6.5	7.1	0.6
Core PATAMI margin (%)	4.5	-3.2	0.2	3.3	-4.3	4.5	0.2	-4.3

Source: Company, MIDFR

KLK: Segmental Breakdown & Operational Stats.

FYE Sept (RM'm)	Quarterly results					Cumulative results		
	1Q24	4Q24	1Q25	QoQ (%)	YoY (%)	3M24	3M25	YoY (%)
Revenue (RM'm):	5,636.1	5,679.0	5,945.5	4.7	5.5	5,636.1	5,945.5	5.5
Plantation	951.1	925.2	1,062.8	14.9	11.7	951.1	1,062.8	11.7
Manufacturing	4,477.0	4,698.1	4,758.1	1.3	6.3	4,477.0	4,758.1	6.3
Property development	70.3	24.2	44.1	82.5	-37.3	70.3	44.1	-37.3
Investment holding / others	137.6	31.5	80.5	>100	-41.5	137.6	80.5	-41.5
Operating Profit	457.8	361.4	571.5	58.1	24.8	457.8	571.5	24.8
Plantation	363.7	518.2	567.5	9.5	56.1	363.7	567.5	56.1
Manufacturing	57.9	22.0	-18.8	NM	NM	57.9	-18.8	NM
Property development	11.7	8.2	7.5	-9.3	-36.3	11.7	7.5	-36.3
Investment holding / others	24.5	-187.0	15.3	>100	-37.7	24.5	15.3	-37.7
Operating Margin %	8.1	6.4	9.6	3.2	1.5	8.1	9.6	1.5
Plantation	38.2	56.0	53.4	-2.6	15.2	38.2	53.4	15.2
Manufacturing	1.3	0.5	-0.4	-0.9	-1.7	1.3	-0.4	-1.7
Property development	16.6	34.0	16.9	-17.1	0.3	16.6	16.9	0.3
Investment holding / others	17.8	-593.9	19.0	>100	1.2	17.8	19.0	1.2
Operational Stats								
FFB production ('000 mt)	1,486	1,417	1,482	4.6	-0.2	1,486	1,482	-0.2
CPO production ('000 mt)	363	342	358	4.7	-1.4	363	358	-1.4
Avg CPO Price Realised (RM/Mt)	3,470	3,758	4,018	6.9	15.8	3,470	4,018	15.8

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2023A	2024A	2025F	2026F	2027F	Cash Flow (RM'm)	2023A	2024A	2025F	2026F	2027F
Revenue	23,647.6	22,273.7	27,098.7	26,329.5	26,533.0	PBT	1,152.2	1,183.5	1,659.3	1,686.9	1,622.1
Operating Profit	1,753.4	1,763	1,918.2	1,903.8	1,848.8	Operating cash flow	1,958.3	1,684.6	793.8	2,107.0	2,002.8
PBT	1,152.2	1,183.5	1,659.3	1,686.9	1,622.1	Investing cash flow	-1,581.0	-1,986.1	-850.0	-850.0	-850.0
PATAMI	834.3	591.0	1,077.8	1,096.2	1,053.0	Financing cash flow	-713.1	519.4	-646.7	-592.8	-614.4
Core PATAMI	1,111.0	510.4	1,077.8	1,096.2	1,053.0	Net cash flow	-335.7	217.9	-702.9	664.2	538.4
EPS (sen)	103.1	47.3	100.0	101.7	97.7	Beginning cash flow	2,614.9	2,298.0	2,380.7	1,677.8	2,342.0
PER (x)	20.0	43.5	20.6	20.3	21.1	Ending cash flow	2,298.0	2,380.7	1,677.8	2,342.0	2,880.4
DPS (sen)	60.0	60.0	55.0	57.0	59.0						
Dividend yield (%)	2.9%	2.9%	2.7%	2.8%	2.9%						

Balance Sheet (RM'm)	2023A	2024A	2025F	2026F	2027F	Margins	2023A	2024A	2025F	2026F	2027F
PPE	12,905.6	13,186.9	13,075.7	13,154.2	13,228.6	OP margin	7.4%	7.9%	7.1%	7.2%	7.0%
Intangible Assets	52.9	46.9	52.9	52.9	52.9	PBT margin	4.9%	5.3%	6.1%	6.4%	6.1%
Deferred tax assets	478.4	479.6	479.6	479.6	479.6	PATAMI margin	3.5%	2.7%	4.0%	4.2%	4.0%
Non-current assets	20,645.7	21,202.8	21,075.2	20,957.9	20,935.5	Core PATAMI margin	4.7%	2.3%	4.0%	4.2%	4.0%
Inventories	2,956.6	3,216.9	3,388.1	3,291.9	3,317.3						
Trade receivables	2,268.2	2,130.8	2,599.3	2,525.5	2,545.0						
Derivative assets	47.7	205.0	205.0	205.0	205.0						
Current assets	9,480.7	9,327.0	9,818.7	10,273.9	10,867.6						
Total Assets	30,126.4	30,529.8	30,894.0	31,231.8	31,803.1						
Loans & borrowings	2,891.4	4,783.4	4,783.4	4,783.4	4,783.4						
Trade & other payables	817.7	744.8	937.1	910.5	917.5						
Current liabilities	5,131.3	7,010.7	7,195.7	7,136.5	7,152.2						
Non-current liabilities	8,851.3	8,512.1	8,512.1	8,512.1	8,512.1						
Equity	16,143.8	15,006.9	14,903.8	15,528.9	16,084.5						
Liabilities & equity	30,126.4	30,529.8	30,894.0	31,231.8	31,803.1						

Source: Bloomberg, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad

197501002077 (24878-X).

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD 197501002077 (24878-X).

It is for distribution only under such circumstances as may be permitted by applicable law. Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD. The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have an interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein This document may not be reproduced, distributed or published in any form or for any purpose.

MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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