Kuala Lumpur Kepong Berhad

(2445 | KLK MK) Main | Plantation

SHARIAH Compliant | FTSE4Good | ESG 4 Stars

Corporate Update

2QFY25 Results Review
Mixed Results Performance

Maintain NEUTRAL with unchanged TP of RM20.00. We maintain our **NEUTRAL** call with unchanged **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 group earnings performance, with profit RM446.4m (+26.1%yoy). Profit was somewhat boosted by higher CPO and PK selling prices realised at RM4,116/Mt (+13.7%yoy) and RM3,265/Mt (+70.2%yoy), respectively. As a result, the margin for the segment grew to 59.4% (+23.4ppts) in the current quarter (compared to 1Q25: 53.4%). Notably, FFB and CPO production moderated to 1.26m Mt (-2.6%yoy) and 299K Mt (-5.1%yoy), in line with pollination months when output typically tends to be lower.

While the higher selling prices contributed positively, the overall profit was partially offset by an increase in fair value loss of RM53.4m (compared to RM1.8m in 2Q24) on valuation of unharvested FFB.

Manufacturing. Despite the topline grew by +23.8yoy to RM5.4b, earnings however reversed to RM1.0m (-98.9%yoy) as the segment continues suffered with by losses from the non-oleochemical division, refineries and kernel crushing operations, partially mitigated by increase in profit contribution from the Oleochemical division. The management attributes the improvement in Oleo division was well supported by stronger contributions from operations in China and some recovery in Europe. The Refinery sub-segment, however, remained loss-making, primarily due to heightened market volatility following recent tariff-related developments.

Additionally, the Manufacturing segment was impacted by a net non-cash mark-to-market loss of RM143m on hedged US dollar sales, driven by the strengthening of the US dollar in 1H25.

Earnings. Maintained at this juncture, as we deem PATAMI of RM374.7m (+8.9yoy) within expectations, as we anticipate earnings to play some catch up in upcoming quarters due to output amid normalise estates activity. Key risks remain with the 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.

Maintain NEUTRAL
Unchanged Target Price **RM20.00**

RETURN STATISTICS	
Price @ 22nd May 2025 (RM)	19.62
Expected share price return (%)	+1.93
Expected dividend yield (%)	+2.80
Expected total return (%)	+4.73

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.1	-4.3
3months	-3.9	-1.8
12 months	-11.3	-6.9

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	1,527.02
Issue shares (m)	1096.41
Estimated free float (%)	45.40
Market Capitalisation (RM'm)	21,148.14
52-wk price range	RM18.3 – RM22.7
3-mth average daily volume (m)	0.48
3-mth average daily value (RM'm)	9.75
Top Shareholders (%)	
Batu Kawan	48.23
EPF	16.04
Lembaga Kemajuan Tanah	3.47

Analyst
Research Team
reseach@midf.com.my

KLK: 2QFY25 Results Summary

FYE Sept (RM'm)	Quarterly results					Cumulative results		
	2Q24	1Q25	2Q25	QoQ (%)	YoY (%)	1H24	1H25	YoY (%)
Revenue	5,455.4	5,945.5	6,337.5	6.6	16.2	11,091.4	12,282.9	10.7
Operating profit	434.5	571.5	485.6	-15.0	11.8	892.3	1,057.1	18.5
Finance Cost	-89.9	-104.1	-105.9	1.7	17.7	-179.8	-210.0	16.8
Associates	-84.2	2.9	-58.0	NM	NM	-82.4	-55.1	NM
JVs	-0.5	4.3	3.0	-31.2	>100	-1.9	7.3	>100
PBT	234.7	424.0	269.9	-36.3	15.0	600.9	693.9	15.5
Tax Expense	-83.1	-161.6	-99.0	-38.8	19.2	-184.3	-260.6	41.4
PATAMI	117.1	220.5	154.3	-30.0	31.8	344.0	374.7	8.9
Growth & Margin (%)				+/- ppts				+/- ppts
OP margin (%)	8.0	9.6	7.7	-2.0	-0.3	8.0	8.6	0.6
PBT margin (%)	4.3	7.1	4.3	-2.9	0.0	5.4	5.6	0.2
Core PATAMI margin (%)	2.0	0.2	3.8	3.7	1.8	3.3	2.0	-1.2

Source: Company, MIDFR

KLK: Segmental Breakdown & Operational Stats.

FYE Sept (RM'm)	Quarterly results					Cumulative results		
	2Q24	1Q25	2Q25	QoQ (%)	YoY (%)	1H24	1H25	YoY (%)
Revenue (RM'm):	5,455.4	5,945.5	6,337.5	6.6	16.2	11,091.4	12,282.9	10.7
Plantation	983.6	1,062.8	751.6	-29.3	-23.6	1,934.7	1,814.4	-6.2
Manufacturing	4,379.5	4,758.1	5,419.7	13.9	23.8	8,856.5	10,177.7	14.9
Property development	56.7	44.1	39.7	-10.0	-30.0	127.0	83.8	-34.1
Investment holding / others	35.5	80.5	126.5	57.2	>100	173.1	207.0	19.6
Operating Profit	434.5	571.5	485.6	-15.0	11.8	892.3	1,057.1	18.5
Plantation	353.9	567.5	446.4	-21.4	26.1	717.6	1,013.9	41.3
Manufacturing	82.3	-18.8	0.9	>100	-98.9	140.2	-17.9	NM
Property development	7.0	7.5	4.0	-46.1	-43.0	18.7	11.5	-38.8
Investment holding / others	-8.8	15.3	34.4	>100	>100	15.7	49.6	>100
Operating Margin %	8.0	9.6	7.7	-2.0	-0.3	8.0	8.6	0.6
Plantation	36.0	53.4	59.4	6.0	23.4	37.1	55.9	18.8
Manufacturing	1.9	-0.4	0.0	0.4	-1.9	1.6	-0.2	-1.8
Property development	12.4	16.9	10.1	-6.8	-2.3	14.8	13.7	-1.1
Investment holding / others	-24.7	19.0	27.1	8.2	51.9	9.1	24.0	14.9
Operational Stats								
FFB production ('000 mt)	1,288	1,482	1,255	-15.4	-2.6	2,774	2,737	-1.3
CPO production ('000 mt)	315	358	299	-16.3	-5.1	678	657	-3.1
Avg CPO Price Realised (RM/Mt	3,620	4,018	4,116	2.4	13.7	3,543	4,063	14.7

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)	19.0	43.0	19.6	19.3	20.1	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 (%)	3.1%	3.1%	2.8%	2.9%	3.0%						

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

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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	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