Kuala Lumpur Kepong Berhad

(2445 | KLK MK) Main | Plantation

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Corporate Update

3QFY25 Results Review: Satisfactory Results

Maintain NEUTRAL with a revised TP of RM20.23. We are maintaining our **NEUTRAL** call with a revised **TP of RM20.23** (previously RM20.00) based on rollover valuation-based year FY26F EPS of 109.4sen pegged to a PER of 18.5x, which slightly above 5-year historical average mean. We remain optimistic with its upstream subsegment where recovery in Group's FFB yield and OER projected to maintain above 21.50Mt/ha and 21.50% rate over the next 3 years (back to pre-pandemic level), thanks to the intensive rehabilitation efforts undertaken for the past couple of years. However, margin compression is anticipated to persist in absence of significant contribution from downstream products due to higher input cost for its feedstock refineries.

Sustained earnings momentum. After adjusting EI's of RM1.3m, 3Q25 Core PATAMI surged by +35.3%yoy to RM347.9m. The good results attributable by strong upstream (+74.3%yoy) and downstream (+16.0%yoy) contribution, thanks to higher CPO price PK prices realised, decent group's FFB output (+12.1%yoy) and eased in cost of production. Nonetheless, property earnings fell by -51.3% in tandem with weaker topline segment recorded.

Upstream. The 3Q25 group's upstream bottom-line remained healthy, at RM611.8m (+74.3%yoy), driven by higher profit contributions across the 2 countries. Operationally, FFB production expanded by +12.1%yoy bringing the CPO production jumped to 356,000 Mt (14.8%yoy), as estates productivity and standard set of crops improved thanks to the lower rainfall days. The group's average CPO and PK realised prices inched to RM3,912/Mt (+3.3%yoy) and RM3,420/Mt (+51.9%yoy), respectively. Meanwhile, the all-in cost of production, estimated to down -17.4%yoy, attributed to the higher OER and oil yield contents.

Downstream. The downstream's profit settled higher at RM66.3m (+16.0%yoy) in the quarter driven by a strong profit contribution from the refineries and kernel crushing operations, which had recorded a loss in the preceding quarter, as well as a reduced loss from the non-oleochemical division.

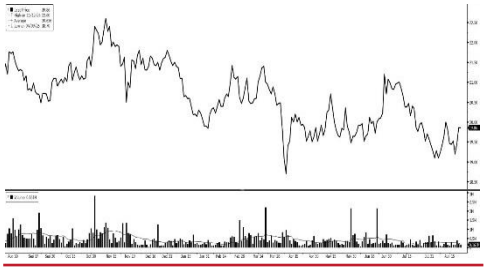
Earnings. We are upgrading our earnings estimate at this juncture, as the results came in above and within ours/street full-year forecasts circa 86.6% and 75.4%. Our newly adjusted +14%/+8%/+8% taking into lower cost of production and expanded higher OER.

Maintain NEUTRAL

Revised Target Price **RM20.23**
(from RM20.00)

RETURN STATISTICS	
Price @ 27 Aug 2025 (RM)	19.64
Expected share price return (%)	+3.01
Expected dividend yield (%)	+3.11
Expected total return (%)	+6.12

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.8	-4.8
3months	-4.1	-4.1
12 months	-6.4	-4.4

INVESTMENT STATISTICS

FYE Dec	2025E	2026F	2027F
Revenue	27,098.7	26,329.5	26,533.0
Operating Profit	2,143.6	2,027.8	1,972.9
PBT	1,884.7	1,810.9	1,746.2
Core PATAMI	1,227.9	1,178.8	1,135.7
EPS (sen)	113.9	109.4	105.4
DPS (sen)	63.0	61.0	59.0
Dividend Yield (%)	3.2%	3.1%	3.0%

KEY STATISTICS

FBM KLCI	1,587.91
Issue shares (m)	1,096.41
Estimated free float (%)	45.40
Market Capitalisation (RM'm)	21,169.70
52-wk price range	RM18.3 – RM22.6
3-mth average daily volume (m)	0.34
3-mth average daily value (RM'm)	6.79
Top Shareholders (%)	
Batu Kawan	48.24
EPF	16.22
Lembaga Kemajuan Tanah	3.47

KLK: 3QFY25 Results Summary

FYE Dec (RM'm)	Quarterly results					Cumulatively results		
	3Q24	2Q25	3Q25	QoQ (%)	YoY (%)	9M24	9M25	YoY (%)
Revenue	5,503.3	6,337.5	6,432.3	1.5	16.9	16,594.7	18,715.3	12.8
Operating profit	434.2	485.6	706.8	45.6	62.8	1,326.5	1,764.0	33.0
Finance Cost	-92.8	-105.9	-107.6	1.6	15.9	-272.7	-317.6	16.5
Associates	1.0	-58.0	0.8	>100	-19.7	-81.4	-54.3	NM
JVs	0.3	3.0	-2.3	NM	NM	-1.6	4.9	>100
PBT	363.0	269.9	525.4	94.6	44.7	963.9	1,219.3	26.5
Tax Expense	-93.2	-99.0	-137.4	38.8	47.5	-277.5	-398.0	43.4
PATAMI	240.2	154.3	346.6	>100	44.3	584.2	721.3	23.5
Core PATAMI	257.1	223.4	347.9	55.7	35.3	602.5	933.6	55.0
Core EPS (sen)	23.7	20.4	31.7	55.7	34.1	55.4	85.2	53.6
Growth & Margin (%)				+/- ppts				+/- ppts
OP margin (%)	7.9	7.7	11.0	3.3	3.1	8.0	9.4	1.4
PBT margin (%)	6.6	4.3	8.2	3.9	1.6	5.8	6.5	0.7
Core PATAMI margin (%)	4.7	3.5	5.4	1.9	0.7	3.6	5.0	1.4
Effective tax rate (%)	25.7	36.7	26.2	-10.5	0.5	28.8	32.6	3.9

Source: Company, MBSBR

KLK: Segmental Breakdown & Operational Stats.

FYE Dec (RM'm)	Quarterly results					Cumulatively results		
	3Q24	2Q25	3Q25	QoQ (%)	YoY (%)	9M24	9M25	YoY (%)
Revenue (RM'm):								
Plantation	898.0	751.6	925.3	23.1	3.0	2,832.8	2,739.6	-3.3
Manufacturing	4,464.9	5,419.7	5,383.8	-0.7	20.6	13,321.4	15,561.5	16.8
Property development	78.2	39.7	66.6	67.8	-14.9	205.3	150.4	-26.7
Investment holding / others	62.2	126.5	56.7	-55.2	-8.8	235.3	263.8	12.1
Recurring Operating Profit								
Plantation	351.0	446.4	611.8	37.1	74.3	1,068.6	1,625.7	52.1
Manufacturing	57.1	0.9	66.3	>100	16.0	197.3	48.4	-75.5
Property development	18.9	4.0	9.2	>100	-51.3	37.7	20.7	-45.1
Investment holding / others	7.2	34.4	19.6	-43.1	>100	22.9	69.2	>100
Operating Margin (%)								
Plantation	39.1	59.4	66.1	6.7	27.0	37.7	59.3	21.6
Manufacturing	1.3	0.0	1.2	1.2	0.0	1.5	0.3	-1.2
Property development	24.2	10.1	13.8	3.7	-10.4	18.4	13.8	-4.6
Investment holding / others	11.5	27.1	34.5	7.3	23.0	9.7	26.2	16.5
Operational Stats.								
FFB Production ('000 Mt)	1,282	1,255	1,437	14.6	12.1	4,056	4,175	2.9
CPO Production ('000 Mt)	311	299	356	19.0	14.8	989	1,014	2.5
Avg CO Price Realised (RM/Mt)	3,788	4,116	3,912	-5.0	3.3	3,619	4,012	10.9

Source: Company, MBSBR

FINANCIAL SUMMARY

Income Statement (RM'm)	2023A	2024A	2025E	2026F	2027F	Cash Flow (RM'm)	2023A	2024A	2025E	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	1,884.7	1,810.9	1,746.2
Operating Profit	1,753.4	1,763	2,143.6	2,027.8	1,972.9	Operating cash flow	1,958.3	1,684.6	2,672.7	2,426.9	2,094.7
PBT	1,152.2	1,183.5	1,884.7	1,810.9	1,746.2	Investing cash flow	-1,581.0	-1,986.1	-850.0	-850.0	-850.0
PATAMI	834.3	591.0	1,227.9	1,178.8	1,135.7	Financing cash flow	-713.1	519.4	-646.7	-679.1	-657.5
Core PATAMI	1,111.0	421.3	1,227.9	1,178.8	1,135.7	Net cash flow	-335.7	217.9	1,176.0	897.8	587.1
EPS (sen)	103.1	39.1	113.9	109.4	105.4	Beginning cash flow	2,614.9	2,298.0	3,082.7	1,844.6	2,514.3
PER (x)	19.1	50.2	17.2	18.0	18.6	Ending cash flow	2,298.0	2,380.7	2,614.9	2,514.3	3,101.4
DPS (sen)	60.0	60.0	63.0	61.0	59.0						
Dividend yield (%)	3.1%	3.1%	3.2%	3.1%	3.0%						

Balance Sheet (RM'm)	2023A	2024A	2025E	2026F	2027F	Margins	2023A	2024A	2025E	2026F	2027F
Cash	2,499.9	2,391.6	1,936.8	2,606.5	3,193.6	OP margin	7.4%	7.9%	7.9%	7.7%	7.4%
Receivables	3,470.1	3,034.3	3,976.6	3,863.7	3,893.6	PBT margin	4.9%	5.3%	7.0%	6.9%	6.6%
Inventories	4,969.0	5,231.8	5,694.2	5,532.5	5,575.3	PATAMI margin	3.5%	2.7%	4.5%	4.5%	4.3%
PPE	12,905.6	13,186.9	13,075.7	13,154.2	13,228.6	Core PATAMI margin	4.7%	1.9%	4.5%	4.5%	4.3%
Others	6,256.9	6,634.5	6,377.5	6,247.2	6,133.0						
Assets	30,126.4	30,529.8	31,060.8	31,404.1	32,024.1						
Payables	1,970.1	1,902.2	2,087.3	2,028.0	2,043.7						
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	15,707.8	15,648.6	15,664.3						
Shareholders' equity	14,318.7	13,704.3	13,631.5	14,131.2	14,609.4						
Non-controlling interests	1,825.0	1,302.6	1,439.1	1,570.0	1,696.2						
Equity & liabilities	30,126.4	30,529.8	31,060.8	31,404.1	32,024.1						

Source: Bloomberg, MBSBR

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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