Kuala Lumpur Kepong Berhad

(2445 | KLK MK) Main | Plantation

Maintain **NEUTRAL**

Unchanged Target Price **RM20.23**

Corporate Update

Industrializing Kulai Land

Maintain NEUTRAL. We maintain NEUTRAL on KLK following its latest agreement with Mah Sing to jointly develop a 420-acre industrial park in Kulai, Johor. The partnership is mutually beneficial and strategically positioned to enhance KLK's industrial business, with the proposed land sale expected to deliver a one-off profit estimated RM131.5m.

The collaboration capitalises on KLK's sizeable landbank while leveraging on Mah Sing's proven development capabilities and strong brand equity in Johor. We maintain our earnings forecasts and **TP** of **RM20.23** based on valuation-based year FY26F EPS of 109.4sen pegged to a PER of 18.5x, which nearly 5-year historical average mean.

JV company with Mah Sing. KLK, via Aura Muhibah Sdn Bhd (AMSB) and Mah Sing, have entered into an agreement to develop 419.15 acres of prime land in Kulai, Johor, into an integrated industrial park - known as M Industrial Development (MIDSB). Mah Sing will lead the JV with a 60% stake, while KLK will hold the remaining 40%. This marks the 2nd stage of KLK's pivot into industrial land development, anchored within the Johor–Singapore SEZ, where KLK assumes a more active role alongside an experienced industrial developer.

Land monetization with 40% stake in JV company. MIDSB has concurrently entered into SPA with KLK to acquire 419.15 acres (Exhibit 1), for a total cash consideration of RM273.9m, translating to about RM15psf. While this reflects a -25.1% discount to SDG's EBP8's recent land disposal of RM20psf, reflecting differences in land scale and positioning.

With both sites within the Johor–Singapore SEZ, EBP8 commands a premium due to its larger scale, and direct proximity to the North-South Expressway.

Whilst KLK site is relatively away from the main expressway, with access primarily via the Kulai-Kota Tinggi route, resulting in a lower entry valuation but offering upside as connectivity and development progress. Nevertheless, we view the valuation is fair given KLK gained 40% stake in the JV, which allows participation in the industrial land development and provides a platform for future earnings accretion to its recurring income base.

Based on a back-of-envelope estimate, using a land price assumption of RM15psf KLK could recognise a net disposal gain of at least RM131.5m - after accounting a 10% estimated disposal-related costs and 10% Real property gains tax (RPGT) and RM87.6m capex injection to newly JV company - based on 40% stake. This equates a net gain of 12.2sen per KLK share. The proceeds may enhance shareholder value, either through potential special dividend payout or via reinvestment into new brownfield estates.

RETURN STATISTICS	
Price @ 19 Dec 2025 (RM)	20.00
Expected share price return (%)	+1.2
Expected dividend yield (%)	+3.1
Expected total return (%)	+4.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-2.9	-5.7
3months	-2.9	-4.4
12 months	-7.0	-11.1

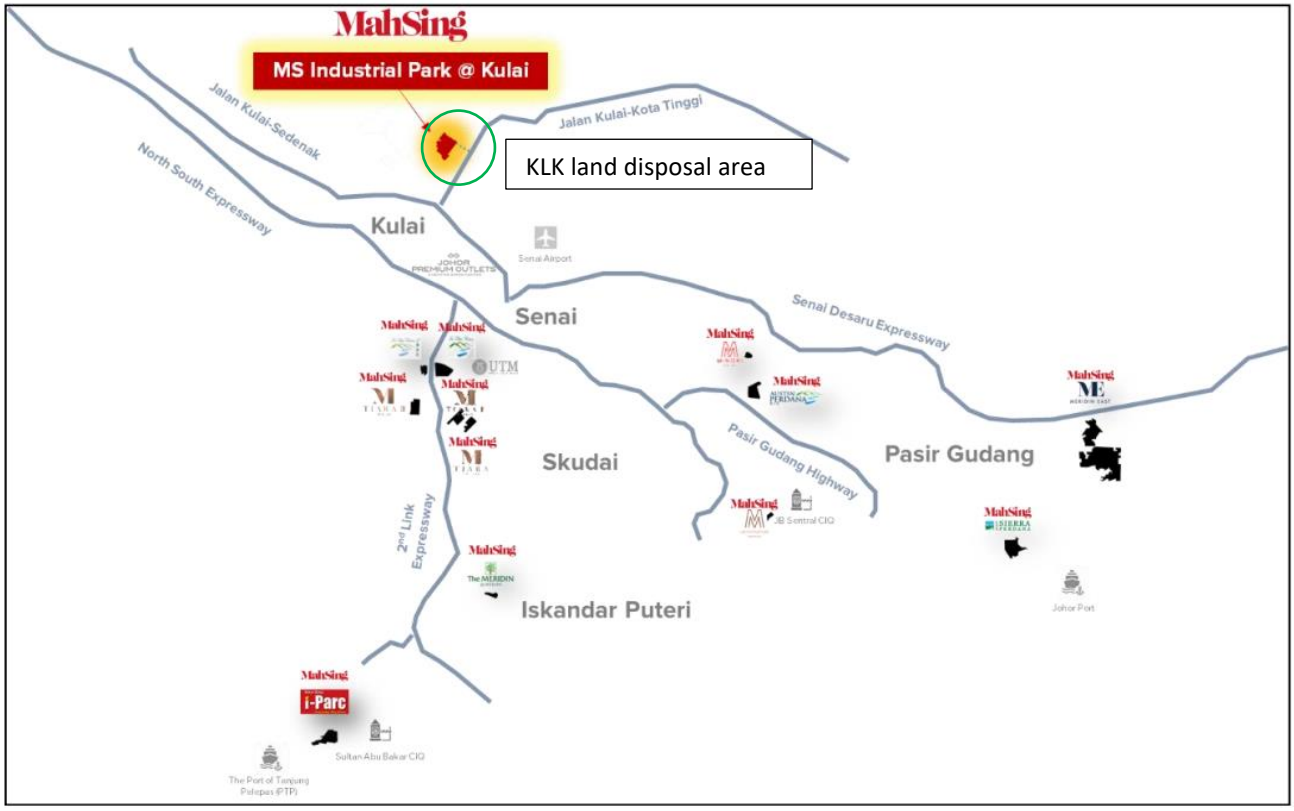
INVESTMENT STATISTICS			
FYE Sept	**2025A**	**2026F**	**2027F**
Revenue	25,019.5	26,329.5	26,533.0
Operating Profit	2,326.7	2,027.8	1,972.9
PBT	1,513.6	1,810.9	1,746.2
Core PATAMI	1,213.9	1,178.8	1,135.7
EPS (sen)	113.9	109.4	105.4
DPS (sen)	60.0	61.0	59.0
Dividend Yield (%)	3.0%	3.1%	3.0%

KEY STATISTICS	
FBM KLCI	1,665.90
Issue shares (m)	1,077.89
Estimated free float (%)	45.36
Market Capitalisation (RM'm)	21,557.74
52-wk price range	RM18.3 – RM21.8
3-mth average daily volume (m)	0.96
3-mth average daily value (RM'm)	19.70
Top Shareholders (%)	
Batu Kawan	48.27
EPF	18.31
Lembaga Kemajuan Tanah	3.47

Unlocking Mukim Kulai landbank potential. MIDSB carry an estimated GDV of RM2.26b. The site is strategically located within the Johor–Singapore Special Economic Zone (JS-SEZ), with proximity to Senai International Airport and decent connectivity via the North–South Expressway. We view its prime location and strong connectivity, enhance its appeal to industrial and commercial tenants to seeks business expansion within the JS-SEZ corridor.

Earnings forecast. Maintain.

Exhibit 1: KLK's Land disposal area



Source: Mah Sing, MBSBR

FINANCIAL SUMMARY

Income Statement (RM'm)	2023A	2024A	2025A	2026F	2027F	Cash Flow (RM'm)	2023A	2024A	2025A	2026F	2027F
Revenue	23,647.6	22,273.7	25,019.5	26,329.5	26,533.0	PBT	1,152.2	1,183.5	1,513.6	1,810.9	1,746.2
Operating Profit	1,753.4	1,763	2,326.7	2,027.8	1,972.9	Operating cash flow	1,958.3	1,684.6	1,291.0	2,426.9	2,094.7
PBT	1,152.2	1,183.5	1,513.6	1,810.9	1,746.2	Investing cash flow	-1,581.0	-1,986.1	-1,021.0	-850.0	-850.0
PATAMI	834.3	591.0	817.3	1,178.8	1,135.7	Financing cash flow	-713.1	519.4	-183.3	-679.1	-657.5
Core PATAMI	1,111.0	421.3	1,213.9	1,178.8	1,135.7	Net cash flow	-335.7	217.9	84.6	897.8	587.1
EPS (sen)	103.1	94.5	109.0	109.4	105.4	Beginning cash flow	2,614.9	2,298.0	2,380.7	2,434.0	2,518.3
PER (x)	19.4	21.2	18.3	18.3	19.0	Ending cash flow	2,298.0	2,380.7	2,434.0	2,518.3	2,602.3
DPS (sen)	60.0	60.0	60.0	61.0	59.0						
Dividend yield (%)	3.0%	3.0%	3.0%	3.1%	3.0%						

Balance Sheet (RM'm)	2023A	2024A	2025A	2026F	2027F	Margins	2023A	2024A	2025A	2026F	2027F
Cash	2,499.9	2,391.6	2,480.6	2,606.5	3,193.6	OP margin	7.4%	7.9%	9.3%	7.7%	7.4%
Receivables	3,470.1	3,034.3	3,945.8	3,863.7	3,893.6	PBT margin	4.9%	5.3%	6.0%	6.9%	6.6%
Inventories	4,969.0	5,231.8	6,186.7	5,532.5	5,575.3	PATAMI margin	3.5%	2.7%	3.3%	4.5%	4.3%
PPE	12,905.6	13,186.9	12,958.9	13,154.2	13,228.6	Core PATAMI margin	4.7%	1.9%	4.9%	4.5%	4.3%
Others	6,256.9	6,634.5	6,337.5	6,247.2	6,133.0						
Assets	30,126.4	30,529.8	31,737.6	31,404.1	32,024.1						
Payables	1,970.1	1,902.2	2,098.7	2,028.0	2,043.7						
Debt	9,894.0	11,225.3	11,694.8	11,225.3	11,225.3						
Others	2,118.6	2,395.3	2,457.4	2,395.3	2,395.3						
Liabilities	13,982.6	15,522.8	16,250.9	15,648.6	15,664.3						
Shareholders' equity	14,318.7	13,704.3	14,243.7	14,131.2	14,609.4						
Non-controlling interests	1,825.0	1,302.6	1,243.0	1,570.0	1,696.2						
Equity & liabilities	30,126.4	30,529.8	31,737.6	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