Corporate Update

Kuala Lumpur Kepong Berhad

(2445 | KLK MK) Main | Plantation

4 Stars | FTSE4Good | SHARIAH Compliant

1QFY26 Results Review: Within Estimates

Maintain NEUTRAL with a revised TP of RM20.15. We are maintaining our NEUTRAL call with a revised TP of RM20.15 based on valuation-based year FY26F EPS of 108.9sen pegged to an unchanged PER of 18.5x, which is nearly its 5-year average historical-forward mean.

We remain optimistic with its upstream subsegment where recovery in Group's FFB yield and OER is projected to be maintained 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.

1QFY26 came in within estimates. KLK 1QFY26's core PATAMI of RM281.8m (-22.2%yoy) came in within our and consensus expectations, accounting for 23.9% and 21.7%, respectively. Performance was underpinned by both engines, upstream and the downstream. Upstream contribution rising +11.0%yoy, supported by modestly higher FFB output (+6.5%yoy) and lower production cost, while downstream recovery was unexpected.

The manufacturing division returned to the black, driven by turnaround within the Oleo subsegment. Additionally, property segment earnings weakened by -64.8%yoy, due to softer revenue recognition during the financial year. Overall, core operational delivery remained resilient, with key earnings driver still led by the plantation business.

Upstream. The 1QFY26 group's upstream bottom-line remained sound, at RM630.0m (+11.0%yoy), driven by higher profit contributions across the Malindo estates. Operationally, FFB production jumped by +6.5%yoy bringing the CPO production to expand to 384,000 tonne (+7.3%yoy), as estates productivity and standard set of crops improved thanks to the lower rainy days. The group's average CPO and PK realised prices reported mixed, with CPO down to RM3,845/tonne (-4.3%yoy) while PK rose to RM3,239/tonne (+10.8%yoy), respectively. Meanwhile, the estimated all-in cost of production, was down by high single digit, attributed to the higher OER and oil yield contents.

Downstream. The downstream's profit recovered to the black at RM82.9m in the quarter in tandem with higher revenue performance, aided by higher profit contribution from Oleochemical division, lower loss reported by non-oleochemical division, and turnaround to profit from refineries.

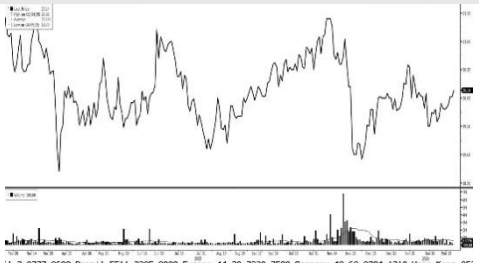
Earnings forecast. We incorporate FY25 earnings as well as making some minor housekeeping adjustments, hence, FY26E and FY27F earnings have been marginally revised to RM1,215.5m and RM1,135.8m, respectively.

Maintain NEUTRAL

Revised Target Price **RM20.15**
(from RM20.23)

RETURN STATISTICS	
Price @ 25 Feb 2026 (RM)	19.18
Expected share price return (%)	+5.04
Expected dividend yield (%)	+3.18
Expected total return (%)	+8.22

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.4	-1.6
3 months	0.6	-9.9
12 months	-4.2	-13.1

INVESTMENT STATISTICS

FYE Sept	2026E	2027F	2028F
Revenue	26,181.3	26,388.0	8,766.1
Operating Profit	2,068.6	1,958.7	1,558.4
PBT	1,862.4	1,742.7	1,493.4
Core PATAMI	1,215.5	1,135.8	1,006.3
EPS (sen)	108.9	101.8	90.2
DPS (sen)	61.0	57.0	54.0
Dividend Yield (%)	3.2%	3.0%	2.8%

KEY STATISTICS	
FBM KLCI	1,747.81
Issue shares (m)	1,113.66
Estimated free float (%)	45.09
Market Capitalisation (RM'm)	21,360.00
52-wk price range	RM18.3 – RM21.7
3-mth average daily volume (m)	0.91
3-mth average daily value (RM'm)	18.21
Top Shareholders (%)	
Batu Kawan	48.28
EPF	18.96
Lembaga Kemajuan Tanah	3.47

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KLK: 1QFY26 Results Summary

FYE Sept (RM'm)	Quarterly results					Cumulatively results		
	1Q25	4Q25	1Q26	QoQ (%)	YoY (%)	3M25	3M26	YoY (%)
Revenue	5,945.5	6,304.3	6,347.3	0.7	6.8	5,945.5	6,347.3	6.8
Operating profit	571.5	562.8	743.0	32.0	30.0	571.5	743.0	30.0
Net Finance Cost	-104.1	-102.2	-100.1	-2.0	-3.9	-104.1	-100.1	-3.9
Associates	2.9	-55.1	0.7	>100	-74.9	2.9	0.7	-74.9
JVs	4.3	-3.5	-0.7	NM	NM	4.3	-0.7	NM
PBT	424.0	294.4	596.4	>100	40.7	424.0	596.4	40.7
Tax Expense	-161.6	-142.1	-169.3	19.1	4.7	-161.6	-169.3	4.7
PATAMI	220.5	96.0	382.4	>100	73.5	220.5	382.4	73.5
Core PATAMI	362.3	200.9	281.8	40.2	-22.2	362.3	281.8	-22.2
Core EPS (sen)	32.5	18.0	25.3	40.2	-22.2	32.5	25.3	-22.2
Growth & Margin (%)				+/- ppts				+/- ppts
OP margin (%)	9.6	8.9	11.7	2.8	2.1	9.6	11.7	2.1
PBT margin (%)	7.1	4.7	9.4	4.7	2.3	7.1	9.4	2.3
Core PATAMI margin (%)	6.1	3.2	4.4	1.3	-1.7	6.1	4.4	-1.7
Effective tax rate (%)	38.1	48.3	28.4	-19.9	-9.7	38.1	28.4	-9.7

Source: Company, MBSBR

KLK: Segmental Breakdown & Operational Stats.

FYE Sept (RM'm)	Quarterly results					Cumulatively results		
	1Q25	4Q25	1Q26	QoQ (%)	YoY (%)	3M25	3M26	YoY (%)
Revenue (RM'm):								
Plantation	1,062.8	937.6	795.2	-15.2	-25.2	1,062.8	795.2	-25.2
Manufacturing	4,758.1	5,304.1	5,432.9	2.4	14.2	4,758.1	5,432.9	14.2
Property development	44.1	32.5	28.2	-13.4	-36.1	44.1	28.2	-36.1
Investment holding / others	80.5	30.0	91.1	>100	13.1	80.5	91.1	13.1
Recurring Operating Profit								
Plantation	567.5	619.4	630.0	1.7	11.0	567.5	630.0	11.0
Manufacturing	-18.8	-74.2	82.9	>100	>100	-18.8	82.9	>100
Property development	7.5	21.6	2.6	-87.9	-64.8	7.5	2.6	-64.8
Investment holding / others	15.3	-4.1	27.4	>100	79.5	15.3	27.4	79.5
Operating Margin (%)								
Plantation	53.4	66.1	79.2	13.2	25.8	53.4	79.2	25.8
Manufacturing	-0.4	-1.4	1.5	2.9	1.9	-0.4	1.5	1.9
Property development	16.9	66.4	9.3	-57.1	-7.6	16.9	9.3	-7.6
Investment holding / others	19.0	-13.5	30.1	43.6	11.1	19.0	30.1	11.1
Operational Stats.								
FFB Production ('000 Mt)	1,482	1,442	1,578	9.4	6.5	1,482	1,578	6.5
CPO Production ('000 Mt)	358	349	384	10.0	7.3	358	384	7.3
Avg CO Price Realised (RM/Mt)	4,018	3,821	3,845	0.6	-4.3	4,018	3,845	-4.3

Source: Company, MBSBR

FINANCIAL SUMMARY

Income Statement (RM'm)	2024A	2025A	2065E	2027F	2028F	Cash Flow (RM'm)	2024A	2025A	2065E	2027F	2028F
Revenue	22,273.7	25,019.5	26,181.3	26,388.0	8,766.1	PBT	1,183.5	1,513.6	1,862.4	1,742.7	1,493.4
Operating Profit	1,762.8	2,110	2,068.6	1,958.7	1,558.4	Operating cash flow	1,684.6	1,291.0	2,672.7	2,373.4	2,542.6
PBT	1,183.5	1,513.6	1,862.4	1,742.7	1,493.4	Investing cash flow	-1,986.1	-1,023.0	-1,050.0	-1,050.0	-1,050.0
PATAMI	591.0	817.3	1,215.5	1,135.8	1,006.3	Financing cash flow	519.4	-183.3	-669.7	-680.9	-636.2
Core PATAMI	1,018.3	1,134.5	1,215.5	1,135.8	1,006.3	Net cash flow	217.9	84.6	953.0	642.5	856.3
EPS (sen)	92.9	101.9	108.9	101.8	90.2	Beginning cash flow	2,298.0	2,380.7	3,082.7	3,242.5	3,885.0
PER (x)	20.7	18.8	17.6	18.8	21.3	Ending cash flow	2,380.7	2,434.0	2,614.9	3,885.0	4,741.3
DPS (sen)	60.0	60.0	61.0	57.0	54.0						
Dividend yield (%)	3.1%	3.1%	3.2%	3.0%	2.8%						

Balance Sheet (RM'm)	2024A	2025A	2065E	2027F	2028F	Margins	2024A	2025A	2065E	2027F	2028F
Cash	2,391.6	2,492.2	3,300.7	3,943.1	4,799.5	OP margin	7.9%	8.4%	7.9%	7.4%	17.8%
Receivables	3,034.3	3,608.5	3,776.1	3,805.9	2,600.6	PBT margin	5.3%	6.0%	7.1%	6.6%	17.0%
Inventories	5,231.8	6,186.7	6,474.0	6,525.1	6,574.5	PATAMI margin	2.7%	3.3%	4.6%	4.3%	11.5%
PPE	13,186.9	12,958.9	12,952.1	12,945.8	12,939.9	Core PATAMI margin	4.6%	4.5%	4.6%	4.3%	11.5%
Others	6,634.5	6,375.9	6,270.8	6,153.5	5,952.6						
Assets	30,529.8	31,737.6	32,773.7	33,373.5	32,867.1						
Payables	1,902.2	2,098.7	2,366.8	2,385.5	1,397.2						
Debt	11,225.3	11,694.8	11,694.8	11,694.8	11,694.8						
Others	2,395.3	2,457.4	2,457.4	2,457.4	2,457.4						
Liabilities	15,522.8	16,250.9	16,519.0	16,537.7	15,549.4						
Shareholders' equity	13,704.3	14,243.7	14,789.5	15,244.4	15,614.5						
Non-controlling interest	1,302.6	1,243.0	1,378.0	1,504.2	1,616.1						
Equity & liabilities	30,529.8	31,737.6	32,773.7	33,373.5	32,867.1						

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