Kuala Lumpur Kepong Berhad

(2445 | KLK MK) Main | Plantation

4 Stars | FTSE4Good | SHARIAH Compliant

Maintain **NEUTRAL**

Unchanged Target Price **RM20.15**

Corporate Update

2QFY26 Results Review: Broadly within Estimates

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

We remain neutral 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 insignificant contribution from downstream products due to higher input cost for its feedstock refineries and challenging Oleo markets.

2QFY26 came in broadly within estimates. KLK 2QFY26's core PATAMI came in at RM248.9m (+11.4%yoy), broadly within/below our and consensus expectations, accounting for 45.0% and 39.4% of full year estimates, respectively. Overall performance was mixed, as both upstream and property segments softened by double-digit, while the investment holding and downstream divisions provided some earnings support. On core operational basis, profit declined by high teens, with the plantation segment remaining the group's key earnings driver.

Upstream. The 2QFY26 group's upstream bottom-line remained softer at RM355.2m (-20.4%yoy), largely dragged by a net loss of RM121.5m from fair value changes on outstanding derivative contracts. This more than offset the positive operational variances from higher CPO and PK sales volumes, lower CPO production cost, alongside a narrower fair value loss of RM24.9m from the valuation of unharvested FFB.

Operationally, FFB production rose by +6.4%yoy, lifting CPO output to 335,000 tonnes (+12.0%yoy), despite crop conditions being affected by the drier weather environment. The group's average realised selling prices for CPO and PK remained softer, with CPO easing to RM3,688/tonne (-10.4%yoy) and PK to RM3,183/tonne (-2.5%yoy), respectively, in line with weaker market pricing. Meanwhile, the estimated all-in cost of production remained relatively flattish with only point one increase, supported by firmer OER and better oil yield recovery.

Downstream. The downstream segment's profit inched to RM2.6m (>100%yoy), weighed by weaker earnings contribution from the Oleochemical division, following softer margin conditions. Nonetheless, the decline was partially cushioned by lower losses recorded at the Refineries and Non-oleochemical divisions.

Earnings forecast. Maintained.

RETURN STATISTICS	
Price @ 18 May 2026 (RM)	20.20
Expected share price return (%)	-0.26
Expected dividend yield (%)	+3.02
Expected total return (%)	+2.76

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-4.2	-6.0
3 months	-6.0	3.0
12 months	-0.9	-10.7

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	1,727.71
Issue shares (m)	1,113.66
Estimated free float (%)	44.99
Market Capitalisation (RM'm)	22,495.92
52-wk price range	RM18.6 – RM23.1
3-mth average daily volume (m)	0.84
3-mth average daily value (RM'm)	17.44
Top Shareholders (%)	
Batu Kawan	48.38
EPF	19.47
Lembaga Kemajuan Tanah	3.47

KLK: 2QFY26 Results Summary

FYE Sept (RM'm)	Quarterly results					Cumulatively results		
	2Q25	1Q26	2Q26	QoQ (%)	YoY (%)	1H25	1H26	YoY (%)
Revenue	6,337.5	6,347.3	6,550.6	3.2	3.4	12,282.9	12,897.9	5.0
Operating profit	485.6	743.0	399.6	-46.2	-17.7	1,057.1	1,142.6	8.1
Net Finance Cost	-105.9	-100.1	-101.4	1.3	-4.3	-210.0	-201.5	-4.1
Associates	-58.0	0.7	0.6	-11.0	>100	-55.1	1.4	>100
JVs	3.0	-0.7	-0.4	NM	NM	7.3	-1.0	NM
PBT	269.9	596.4	411.2	-31.1	52.3	693.9	1,007.6	45.2
Tax Expense	-99.0	-169.3	-94.6	-44.1	-4.4	-260.6	-263.9	1.3
PATAMI	154.3	382.4	294.0	-23.1	90.6	374.7	676.5	80.5
Core PATAMI	223.4	281.8	248.9	-11.7	11.4	585.7	530.7	-9.4
Core EPS (sen)	20.1	25.3	22.3	-11.7	11.4	52.6	47.6	-9.4
Growth & Margin (%)				+/- ppts				+/- ppts
OP margin (%)	7.7	11.7	6.1	-5.6	-1.6	8.6	8.9	0.3
PBT margin (%)	4.3	9.4	6.3	-3.1	2.0	5.6	7.8	2.2
Core PATAMI margin (%)	3.5	4.4	3.8	-0.6	0.3	4.8	4.1	-0.7
Effective tax rate (%)	36.7	28.4	23.0	-5.4	-13.7	37.6	26.2	-11.4

Source: Company, MBSBR

KLK: Segmental Breakdown & Operational Stats.

FYE Sept (RM'm)	Quarterly results					Cumulatively results		
	2Q25	1Q26	2Q26	QoQ (%)	YoY (%)	1H25	1H26	YoY (%)
Revenue (RM'm):	6,337.5	6,347.3	6,550.6	3.2	3.4	12,282.9	12,897.9	5.0
Plantation	751.6	795.2	697.8	-12.3	-7.2	1,814.4	1,493.0	-17.7
Manufacturing	5,419.7	5,432.9	5,704.8	5.0	5.3	10,177.7	11,137.6	9.4
Property development	39.7	28.2	25.7	-8.8	-35.3	83.8	53.8	-35.7
Investment holding / others	126.5	91.1	122.4	34.4	-3.2	207.0	213.5	3.1
Recurring Operating Profit	485.6	743.0	399.6	-46.2	-17.7	1,057.1	1,142.6	8.1
Plantation	446.4	630.0	355.2	-43.6	-20.4	1,013.9	985.2	-2.8
Manufacturing	0.9	82.9	2.6	-96.9	>100	-17.9	85.6	>100
Property development	4.0	2.6	1.3	-50.0	-67.3	11.5	3.9	-65.7
Investment holding / others	34.4	27.4	40.5	47.7	17.8	49.6	67.9	36.8
Operating Margin (%)	7.7	11.7	6.1	-5.6	-1.6	8.6	8.9	0.3
Plantation	59.4	79.2	50.9	-28.3	-8.5	55.9	66.0	10.1
Manufacturing	0.0	1.5	0.0	-1.5	0.0	-0.2	0.8	0.9
Property development	10.1	9.3	5.1	-4.2	-5.0	13.7	7.3	-6.4
Investment holding / others	27.1	30.1	33.1	3.0	5.9	24.0	31.8	7.8
Operational Stats.								
FFB Production ('000 Mt)	1,255	1,578	1,335	-15.4	6.4	2,737	2,914	6.4
CPO Production ('000 Mt)	299	384	335	-12.7	12.0	657	719	9.4
Avg CO Price Realised (RM/Mt)	4,116	3,845	3,688	-4.1	-10.4	4,063	3,770	-7.2

Source: Company, MBSBR

FINANCIAL SUMMARY

Income Statement (RM'm)	2024A	2025A	2026E	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)	21.7	19.8	18.5	19.9	22.4	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 (%)	3.0%	3.0%	3.0%	2.8%	2.7%						

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