Corporate Update

Johor Plantations Group Berhad

(5323 | JPG MK) Main | Plantation

3 Stars | FTSE4Good | SHARIAH Compliant

Maintain **BUY**

Revised Target Price to **RM2.21**
(from RM2.40)

2QFY26 Results Review: Surprisingly Soft Results

Maintain BUY. We maintain our **BUY** call on JPG, with a revised TP of **RM2.21**, pegged to 17x PER, near the upper end of our pure upstream valuation band. Despite the softer-than-expected results, we see room for an earnings recovery towards 3Q-4Q26 as FFB output catches up following the weaker 1HCY26 performance. Better production should improve fixed-cost absorption, with cost of production expected to gradually normalise by 4QCY26. Coupled with supportive CPO prices, this should pave the way for a decent finish to FY26F.

2Q26 earnings. While 2QCY26 revenue rose to RM415.8m (+4.4%yoy), supported by higher realised CPO prices, the gains did not flow through to the bottom-line amid weaker operating performance. Stripping out EI of RM7.5m, core PATAMI fell to RM45.8m (-35.4%yoy), coming below our/street expectations at 24%/29% of full-year estimates. The weakness was largely upstream, dragged by softer FFB output and yields, compounded by a double-digit increase in cost of production, which squeezed net margin to the low teens.

Upstream. The Group's PBZT falling +33.1%yoy to RM68.6m, despite some cushion from higher realised CPO and PK prices of RM4,644/Mt (+7.2%yoy) and RM3,887/Mt (+4.0%yoy), respectively. FFB production declined -7.7%yoy as yields slipped to 7.6 Mt/ha, resulting in CPO delivery volume falling -1.1%yoy. Lower production also kept cost of production elevated, dragging upstream margin to below 20%.

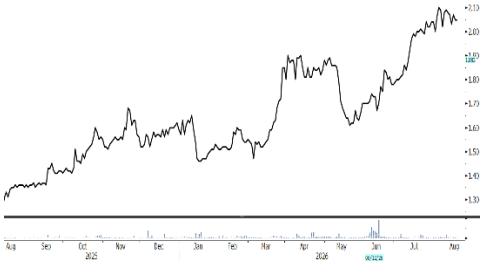
Cost of production. Cost headwinds continued to intensify, during the quarter, with cost of production rising to RM2,788/Mt (+25.8%yoy), mainly due to lower FFB output and weaker fixed-cost absorption. Estate costs also climbed sharply, led by upkeep and field maintenance costs (+45.3%yoy), which management attributed to higher contractor charges and increased maintenance activities.

Earnings. Despite raising our MPOB CPO price assumptions to RM4,400/RM4,350 per tonne for FY26-27F, we cut its earnings by 22%/23%, respectively. The revision mainly reflects weaker FFB production growth, which we expect to decline 17-19% as aggressive replanting reduces internal harvestable acreage.

Lower internal crop should also push the group to rely more on external FFB purchases, while manuring, upkeep and transportation costs remain elevated, lifting overall cost of production by >4%. As a result, this could partly dilute its structural ASP premium, as externally sourced crops have less bargaining power for certification-driven premiums. However, the high operating leverage and lower volumes may be moderated by the firmer CPO prices.

RETURN STATISTICS	
Price @ 18th August 2026 (RM)	2.05
Expected share price return (%)	+7.59
Expected dividend yield (%)	+3.90
Expected total return (%)	+11.49

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.5	2.4
3 months	15.2	23.1
12 months	51.9	39.3

INVESTMENT STATISTICS

FYE Dec	2026E	2027F	2028F
Revenue	1,784.4	1,932.5	2,034.8
Operating Profit	438.4	462.3	453.9
PBT	406.4	430.3	421.9
Core PATAMI	306.3	324.3	318.0
EPS (sen)	12.3	13.0	12.7
DPS (sen)	8.0	8.0	8.0
Dividend Yield (%)	3.9%	3.9%	3.9%

KEY STATISTICS	
FBM KLCI	1,733.36
Issue shares (m)	2,500.00
Estimated free float (%)	42.18
Market Capitalisation (RM'm)	5,123.74
52-wk price range	RM1.32 – RM2.10
3-mth average daily volume (m)	8.48
3-mth average daily value (RM'm)	15.90
Top Shareholders (%)	
Kulim Malaysia Bhd	54.45
EPF	15.53
KWAP	5.11

Table 1: 2QFY26 Results Summary

FYE Dec (RM'm)	Quarterly results					Cumulatively results		
	2QFY25	1QFY26	2QFY26	QoQ (%)	YoY (%)	1HFY25	1HFY26	YoY (%)
Revenue	398.3	356.7	415.8	16.6	4.4	738.7	772.5	4.6
Operating profit	115.5	78.9	81.8	3.6	-29.2	223.7	160.7	-28.2
PBZT	109.3	66.0	70.1	6.3	-35.8	209.3	136.1	-35.0
Tax Expense	-29.7	-14.8	-16.5	NM	NM	-51.6	-31.3	NM
Zakat	-2.7	-0.8	-2.4	NM	NM	-3.9	-3.2	NM
PATAMI	73.6	50.4	51.1	1.6	-30.5	151.1	101.5	-32.8
Core PATAMI	70.8	48.2	45.8	-5.1	-35.4	143.0	94.0	-34.3
Growth & Margin (%)				+/- ppts				+/- ppts
OP margin (%)	29.0	22.1	19.7	-2.5	-9.3	30.3	20.8	-9.5
PBT margin (%)	27.4	18.5	16.9	-1.6	-10.6	28.3	17.6	-10.7
Core PATAMI margin (%)	17.8	13.5	11.0	-2.5	-6.8	19.4	12.2	-7.2
Effective tax rate (%)	-27.2	-22.5	-23.5	-1.0	3.7	-24.6	-23.0	1.6

Table 2: Segmental Breakdown & Operational Stats.

FYE Dec (RM'm)	Quarterly results					Cumulatively results		
	2QFY25	1QFY26	2QFY26	QoQ (%)	YoY (%)	1HFY25	1HFY26	YoY (%)
Revenue (RM'm):								
Upstream	730.0	523.0	584.0	11.7	-20.0	1,323.0	1,107.0	-16.3
Midstream	295.0	197.0	161.0	-18.3	-45.4	494.0	358.0	-27.5
Downstream	354.0	230.0	361.0	57.0	2.0	689.0	591.0	-14.2
Energy and Services	81.0	96.0	62.0	-35.4	-23.5	140.0	158.0	12.9
PBZT								
Upstream	101.7	63.8	68.6	4.8	-33.1	199.1	132.5	-66.7
Midstream	7.4	3.1	2.8	-0.3	-4.6	10.0	5.9	-4.2
Downstream	0.1	0.2	0.5	0.3	0.4	0.1	0.7	0.6
Energy and Services	0.1	-1.1	-1.8	-0.7	-1.9	0.0	-2.9	-3.0
Net Profit								
Upstream	69.5	48.3	49.9	3.2	-28.2	143.8	98.3	-31.7
Midstream	7.3	3.1	2.8	-8.6	-61.9	10.0	5.9	-41.3
Downstream	0.0	0.1	0.5	>100	>100	0.0	0.6	>100
Energy and Services	0.0	-1.2	-1.9	NM	NM	0.0	-3.1	NM
Operational Stats.								
FFB Production (Mt)	377,158	308,098	347,997	13.0	-7.7	670,496	656,095	-2.1
FFB Yield (Mt/ha)	5.24	4.22	4.54	7.6	-13.4	9.42	8.76	-7.0
CPO Delivery volume (Mt)	74,666	69,288	73,860	6.6	-1.1	130,869	143,148	9.4
OER %	20.70%	21.63%	21.50%	-0.6	3.9	20.6%	21.6%	4.9
Avg. CPO Price realised (RM/Mt)	4,331	4,260	4,644	9.0	7.2	4,605	4,459	-3.2
Avg. PK Price realised (RM/Mt)	3,738	3,529	3,887	10.1	4.0	3,808	3,715	-2.4
Cost of production (RM/Mt)	2,216	2,526	2,788	10.4	25.8	2,363	2,578	9.1

Source: Company, MBSBR

Table 3: FINANCIAL SUMMARY

Income Statement (RM'm)	2024A	2025A	2026E	2027F	2028F	Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	1,524.9	1,724.7	1,784.4	1,932.5	2,034.8	PBT	346.2	468.2	406.4	430.3	421.9
Operating Profit	412.7	503.6	438.4	462.3	453.9	Operating cash flow	494.4	597.7	420.9	473.0	468.4
PBZT	346.2	468.2	406.4	430.3	421.9	Investing cash flow	-283.3	-209.3	-600.0	-170.0	-170.0
PATAMI	257.3	345.0	306.3	324.3	318.0	Financing cash flow	-15.0	-36.7	-200.0	-200.0	-200.0
Core PATAMI	257.3	345.0	306.3	324.3	318.0	Net cash flow	196.1	351.7	-379.1	103.0	98.4
EPS (sen)	11.4	13.8	12.3	13.0	12.7	Beginning cash flow	140.7	336.8	688.5	309.4	412.4
PER (x)	18.0x	14.9x	16.7x	15.8x	16.1x	Ending cash flow	336.8	688.5	309.4	412.4	510.8
DPS (sen)	5.3	7.0	8.0	8.0	8.0						
Dividend yield (%)	2.6%	3.4%	3.9%	3.9%	3.9%						

Balance Sheet (RM'm)	2024A	2025A	2026E	2027F	2028F	Margins	2024A	2025A	2026E	2027F	2028F
PPE	2,655.3	2,889.1	3,380.4	3,437.5	3,490.3	OP margin	27.1%	29.2%	24.6%	23.9%	22.3%
ROU assets	1,616.5	1,593.0	1,564.0	1,535.0	1,506.0	PBT margin	22.7%	27.1%	22.8%	22.3%	20.7%
Non-current assets	4,271.8	4,482.1	4,944.4	4,972.5	4,996.3	PATAMI margin	16.9%	20.0%	17.2%	16.8%	15.6%
Inventories	1,881.0	1,881.0	1,881.0	1,881.0	1,881.0	Core PATAMI margin	16.9%	20.0%	17.2%	16.8%	15.6%
Receivables	65.1	57.0	59.0	63.9	67.3						
Current assets	687.4	923.2	574.3	690.0	797.2						
Total Assets	4,959.5	5,405.2	5,518.6	5,662.5	5,793.5						
Long-term debt	1,332.0	1,527.4	1,527.4	1,527.4	1,527.4						
Non-current liabilities	1,880.9	2,076.8	2,076.8	2,076.8	2,076.8						
Payables	180.0	241.4	249.7	270.5	284.8						
Current liabilities	252.6	279.0	287.3	308.1	322.4						
Share capital	1,881.0	1,881.0	1,881.0	1,881.0	1,881.0						
Retained Earnings	1,553.8	1,728.9	1,835.2	1,959.6	2,077.6						
Equity	2,826.1	3,049.5	3,154.6	3,277.7	3,394.4						

Source: MBSBR

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MBSB 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