Corporate Update

Johor Plantations Group Berhad

(5323 | JPG MK) Main | Plantation

3 Stars | FTSE4Good | SHARIAH Compliant

Initiate with BUY

Target Price **RM2.40**

Ripe for a Re-Rating

- **We initiate our coverage on Johor Plantations Group Berhad (JPG) with a BUY recommendation and TP of RM2.40**
- **Approximately 82% of its planted acreage offers lucrative age, giving prospects for profitability to jump higher**
- **We are sanguine on JPG's medium-to-long-term outlook, underpinned by its transition towards an integrated palm oil player spanning upstream, renewable energy and specialty fats.**
- **Management's disciplined execution, backed by mechanisation, strategic replanting and downstream expansion, should enhance asset productivity, diversify earnings and progressively unlock value across the Group.**

Executive Summary. We initiate coverage on JPG with a **BUY** and **TP of RM2.40**, pegging FY27F EPS of 16.8 sen to 14.3x PER, near the upper end of our upstream sector band. The premium is justified by JPG's quality assets, Malaysia-centric exposure, strong ESG credentials and consistent CPO pricing premium over our estimated MPOB price. Its improving age profile and growing downstream presence should also support better earnings visibility and warrant a higher valuation multiple.

We see room for a re-rating as JPG continues to lift FFB output and oil yields, supported by higher mechanisation and better asset utilisation. More importantly, its move to unlock greater value from existing assets comes at a timely juncture ahead of the next sector downcycle.

Strong operating cash generation and healthy liquidity provide sufficient flexibility to fund its expansion plans, while positioning the Group to better withstand any consolidation in CPO prices over the medium term.

Central to our investment thesis is appealing valuations combined with higher average CPO prices realized, which enables consistent earnings growth, and decent cash generation, hence, paving the path for a sustainable ROE level of 12% over FY26-FY27F.

Investment Thesis.

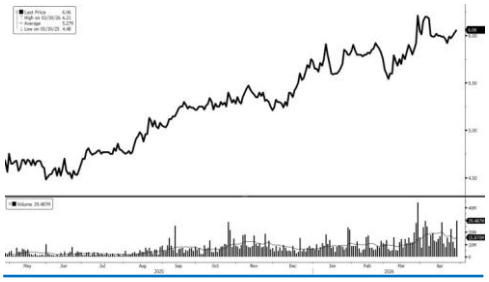
(i) Riding on elevated CPO price.

(ii) Malaysia-centric planter

(iii) Fuji JV Marks a Transformational Step for JPG.

RETURN STATISTICS	
Price @ 10th August 2026 (RM)	2.09
Expected share price return (%)	+15.0
Expected dividend yield (%)	+3.8
Expected total return (%)	+18.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	11.8	8.9
3months	17.4	13.0
12 months	59.5	43.7

INVESTMENT STATISTICS

FYE Dec	2025E	2026F	2027F
Revenue	2,012.6	2,362.4	2,333.2
Operating Profit	554.2	589.4	552.8
PBZT	522.2	557.4	520.8
Core PATAMI	393.6	420.2	392.5
EPS (sen)	15.7	16.8	15.7
DPS (sen)	8.0	8.0	8.0
Dividend Yield (%)	3.8%	3.8%	3.8%

KEY STATISTICS

FBM KLCI	1,735.37
Issue shares (m)	2,500.00
Estimated free float (%)	40.18
Market Capitalisation (RM'm)	5,223.72
52-wk price range	RM1.28 – RM2.10
3-mth average daily volume (m)	8.31
3-mth average daily value (RM'm)	15.43
Top Shareholders (%)	
Kulim Malaysia Bhd	54.45
EPF	14.03
KWAP	5.14

A. BUSINESS OVERVIEW

One of the established upstream players in southern region.

Johor Plantations Group Berhad (JPG) is one of Johor's established upstream plantation companies, with a history dating back to 1965. The group was originally incorporated as Yule Catto Plantations Sdn. Bhd. before being renamed Mahamurni Plantations Sdn. Bhd. In 2022, Kulim consolidated its Malaysian oil palm operations under Mahamurni, simplifying the group structure and creating a more focused plantation platform. The company was subsequently renamed Johor Plantations Sdn. Bhd. in February 2023, before converting into a public-listed entity as Johor Plantations Group Berhad later that year.

Today, JPG is one of Johor's established upstream plantation players. Its core business is the cultivation of oil palm and the processing of fresh fruit bunches (FFB) into crude palm oil (CPO) and palm kernel (PK), complemented by Research and Development (R&D) activities that are anchored at the Johor Plantations Agritech Centre (JPAC), supporting capabilities in agronomy, plant breeding, tissue culture and microbiology.

Integrated estate operations and full RSPO/MSPO certification reinforce JPG's strong sustainability credentials.

Upstream. JPG has a total land bank of 59,783 ha, comprising 22 estates in Johor and 1 in Pahang. Of this, c.82% or 49,311ha are planted, supported by 5 palm oil mills. In FY25, the mills recorded an average utilisation rate (UR) of 99.2% and an oil extraction rate (OER) of 20.24%, reflecting efficient processing and strong asset utilisation.

The mills process FFB from both its own estates and external suppliers, including smallholders, FFB dealers and third-party estates All estates and mills are certified under both RSPO and MSPO standards, except for YPJP and PIJH, which have recently entered an MOU with JPG and are in the process of obtaining RSPO certification. This should further strengthen JPG's sustainability credentials over time. The upstream plantation business remains the group's key earnings driver, contributing 99.9% of FY25 revenue.

While RE capacity is set to expand in FY26, its contribution to group earnings is expected to remain negligible in the near to midterm.

Midstream. JPG's midstream business comprises 2 main segments: i) the Mass Balance (MB) mill at its Sedenak palm oil mill (POM), which primarily processes outside crop purchases (OCP), and ii) renewable energy (RE) operations undertaken by subsidiaries JPG Greenergy Ventures Sdn. Bhd. (JPGGV) and JPG Greenergy Sdn. Bhd. (JPGG).

While the segment remains relatively small, with an annual RE capacity of 250,000 MMBtu and a utilisation rate (UR) of just 14% in FY25, in which we estimate it contributed only RM1-2m in revenue. Onwards, the business offers meaningful growth potential, with total biomethane capacity set to expand to 600,000 MMBtu from 250,000 MMBtu upon the commissioning of the Tereh and Sindora facilities in FY26, supporting a circular economy in respective estates area.

Specialty fats expansion with Fuji Oil Asia Pte. Ltd.

Downstream. In 2024, JPG took a major step in its 10-year strategy transformation plan, with the development of the Integrated Sustainable Palm Oil Complex (iSPOC) in Sedili, Kota Tinggi. Through iSPOC, JPG is extending its presence to downstream from supplying RSPO-certified CPO to producing specialty oils and fats for the food and nutrition markets. Over time, this should strengthen margins, improve value capture

and reduce its dependence on upstream earnings. Importantly, the partnership with Fuji Oil Asia provides JPG with immediate access to its established global distribution network, broadening its international footprint and opening doors to premium export markets where traceability, sustainability certification and product quality are increasingly essential.

B. INVESTMENT THESIS

I) Riding on elevated CPO price.

II) Malaysia-centric planter

III) Fuji JV Marks a Transformational Step for JPG.

Still an upstream player, with high a correlation with CPO price movement.

Riding on elevated CPO price. JPG remains one of the sector's purest upstream proxies, with its share price closely tracking CPO movements. With El Niño risks beginning to materialise alongside Indonesia's B50 rollout tightening the PO supply, the backdrop for CPO prices appears increasingly supportive. This should place JPG in a favourable position to capture the upside, particularly given its fully integrated upstream exposure. Adding to this, the group's RSPO-certified production continues to command a premium, with realised CPO prices estimated at RM4,482/tonne, or about 4.2% above our FY26 MPOB CPO assumption of RM4,300/tonne.

Being predominantly Malaysia-centric, JPG is largely insulated from policy uncertainty in Indonesia.

Malaysia centric planter. With regulatory uncertainty in Indonesia continue to rise, particularly following discussions on a centralised commodity export mechanism, investors may increasingly favour planters with cleaner Malaysian exposure. JPG fits this profile well, with its c.59,000ha landbank concentrated in Johor and Pahang. Beyond avoiding direct Indonesian policy risks, the group's fully traceable Malaysian supply chain should help preserve its RSPO premium pricing. This contrasts with some Indonesian-centric peers, where the proposed one-gate export system could potentially create greater uncertainty over traceability and premium retention.

Venturing into recession proof industry.

Fuji JV marks a transformational step for JPG. The planned RM204.5m investment into the JPG-Fuji specialty fats venture could prove transformational plan over the mid-longer term. Unlike most plantation peers whose downstream exposure is concentrated in conservative refining and oleochemicals activities, JPG is venturing into specialty fats, echoing United Plantations' (NR) strategy. This positions the group in a higher-value segment with structurally more resilient margins and demand, particularly from the food manufacturing industry - recession proof segment.

We believe the venture will be accretive to the earnings quality by reducing reliance on upstream CPO cycles. During periods of weaker CPO prices, such as during 2018-2019 downturn which squeezed upstream margins across the sector, the inclusion of specialty fats business should provide a meaningful earnings mitigation while enhancing group margin resiliency.

C. KEY CATALYST

Plantation age profile. As of FY25, JPG's oil palm estates have an average planting age of 13.5 years. This remains one of the group's key operational strengths, with c.72.0% of its planted area comprising prime mature trees (9-22 years), positioning the estates to deliver strong FFB yields over the coming years. Meanwhile, immature (0-4 years) and young mature (5-8 years) palms account for 12.0% each, providing a steady pipeline of trees moving into their peak yielding years.

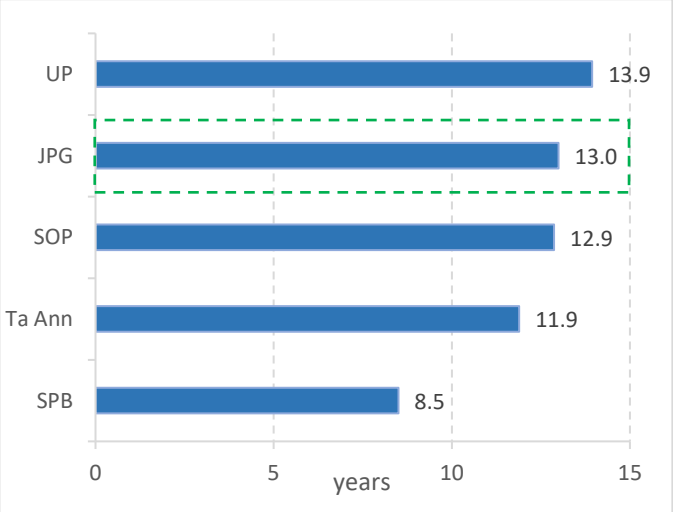
Figure 1: JPG's Plantation Age

	FY22A	FY23A	FY24A	FY25A	FY26F	FY27F	FY28F
0-4 years	6.4%	9.0%	10.0%	12.0%	12.6%	16.4%	19.3%
5-8 years	14.8%	15.0%	14.0%	12.0%	11.9%	11.3%	10.9%
9-18 years	55.5%	56.0%	54.0%	51.0%	50.4%	48.2%	46.5%
19-22 years	13.7%	14.0%	16.0%	21.0%	20.7%	19.8%	19.2%
>23 years	9.6%	6.0%	6.0%	4.0%	4.0%	3.8%	3.6%
Age Profile (years)	**12.6**	**12.9**	**13.2**	**13.5**	**13.0**	**12.5**	**12.2**

Source: Company, MBSBR est

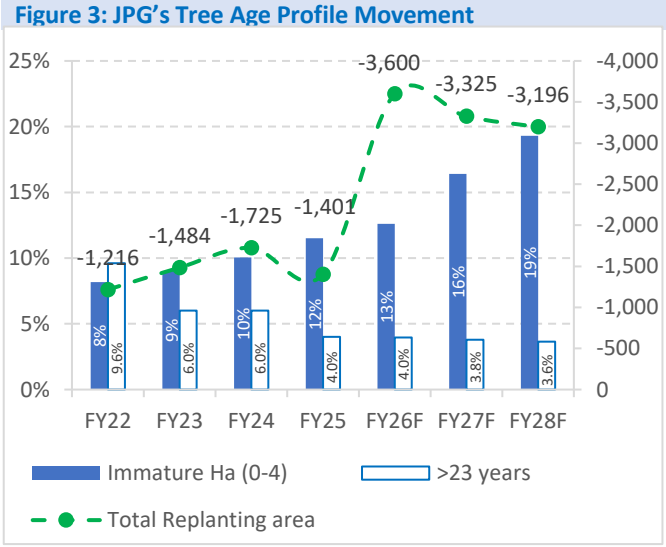
Based on our estimates, JPG is one of the youngest plantation profiles among local peers, with its average plantation age declining from 13.5 years in FY26F to around 12.0 years by FY28F. This should reinforce the group's long-term production growth, underpinned by a progressively younger estate profile.

Figure 2: Peers Average Age (years)



Source: Company, MBSBR

Figure 3: JPG's Tree Age Profile Movement



Source: Company, MBSBR

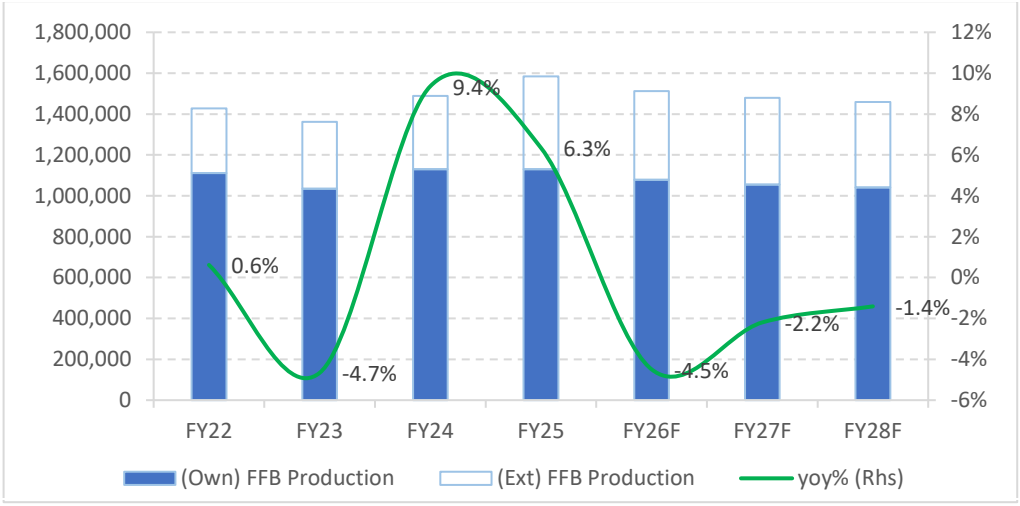
Importantly, we assume JPG maintains an annual replanting rate of c.7.0-7.2%, above the industry average of c.5.0%, equivalent to c. >3,000 ha each year. This is expected to increase the proportion of immature palms (0-4 years) from 13% in FY26F to 19% by FY28F, while past-prime palms (>23 years) decline to 3.6%, or below 2,000 ha. This should further rejuvenate the estate profile, positioning the estates to deliver healthy FFB production and yields over the coming years.

FFB production to grow with a CAGR of 4% from 2022-2026F

The high proportion of prime mature palms remains a key driver of JPG's FFB production outlook. With c.72% of its planted area in the prime yielding stage, the group is well positioned to deliver steady production growth as these estates continue operating at or near peak productivity.

Historically, JPG's FFB production growth has fluctuated between +1-5%yoy, reflecting weather variability, despite its relatively young estate profile. Supported by favourable weather conditions and a larger proportion of maturing palms, we estimate FFB production to grow at a CAGR of c.+4%, increasing from 1.4m tonnes in FY22 to 1.5m tonnes in FY26F. Beyond FY27, FFB production growth expected to moderate, reflecting the higher replanting intensity and the lagged biological impact of the 2026/27 El Niño on yields. This should, however, be partly mitigated by a larger proportion of mature palms entering its peak yielding years.

Figure 4: FFB production estimate



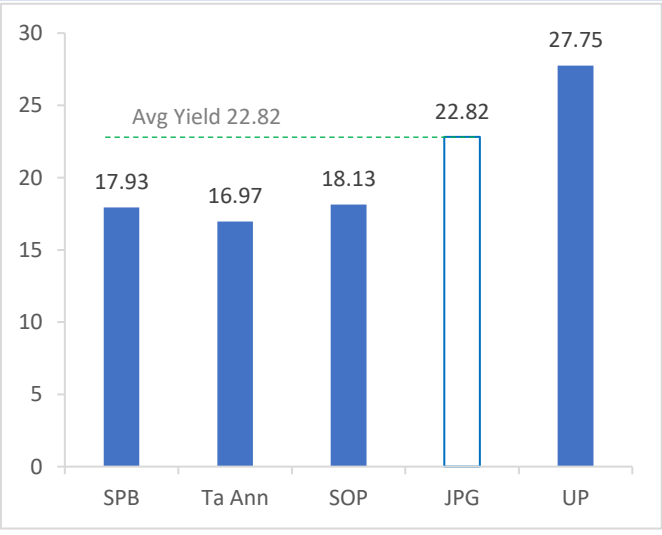
Source: Company, MBSBR

Figure 5: FFB yield (tonne/ha)



Source: Company, MBSBR

Figure 6: FFB yields peers comparison (FY25)



Source: Company, MBSBR

Yield wise, we expect JPG's FFB yields to improve gradually over the medium term, supported by its ongoing estate rejuvenation programme and a larger proportion of palms entering their prime yielding years. In which we have seen it increased from 20.30 tonnes/ha in FY23 to 22.82 tonnes/ha in FY25, and yield recovery expected to continue reaching 23 tonnes/ha during FY26-FY28F as the average plantation age trends towards 12 years. Our forecasts, however, remain subject to weather-related disruptions, particularly the anticipated El Niño event, as well as any delays in fertiliser application due to spiked in fertiliser prices recently.

Despite maintaining a relatively young estate profile, JPG already ranks among the better-performing upstream planters in terms of FFB yields. In FY25, the group recorded FFB yields of 22.82 tonnes/ha, well above Ta Ann (16.97 tonnes/ha), Sarawak Plantation (17.93 tonnes/ha) and SOP (18.13 tonnes/ha), although still below United Plantations' 27.75 tonnes/ha. During the year, group FFB production increased by +6.3%yoy to 1.5m tonnes, while crop intake from external estates rose +26.5%yoy to 359K tonnes, supporting higher mill throughput.

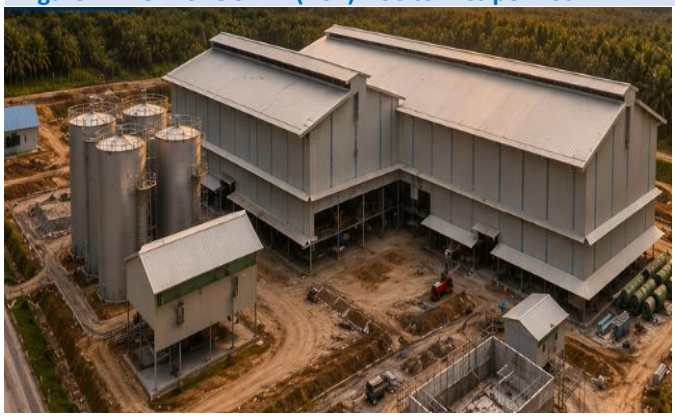
Expecting additional +10-20% output after an iSPOC's new mill operates in 4Q26-1Q27

JPG currently operates 5 CPO mills with a combined processing capacity of 1.5m tonnes per annum, or 250 tonnes/hour. Under the iSPOC Sedili development, the group plans to expand its milling capacity and construct a kernel crushing plant to support the specialty fats venture, which will require up to 150,000 tonnes of CPO annually and refining capacity of 500 tonnes per day.

Going forward, JPG plans to replace the existing Pasir Panjang mill with this larger iSPOC Sedili mill, targeted for commercial operations by 4QCY26-1QCY27. The new mill would accommodate additional FFB supply following the recent MOUs with Johor-based government-linked companies, YPJ Plantations Sdn Bhd and PIJ Holdings Sdn Bhd, while strengthening the group's strategy to raise external crop intake.

Compared with Pasir Panjang's existing capacity of 60 tonnes/hour, or approximately 300,000 tonnes annually, the new iSPOC mill will have a processing capacity of 90 tonnes/hour. This represents a +50% increase in hourly capacity, lifting annual throughput to around 480,000 tonnes, resulting additional +10-20% output in the future. JPG has allocated RM175.3m for the new mill, approximately 27.1% of the total RM646.1m iSPOC capex development.

Figure 7: New iSPOC mill (NSP) – 90 tonnes per hour

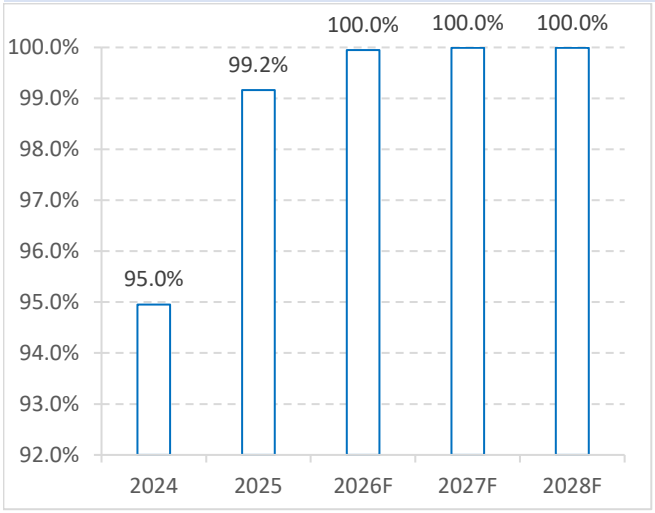


Source: Company, MBSBR

Following this, with the group's mill utilisation rate (UR) already reaching 99.2% in FY25 (*Figure 8*), the new iSPOC mill should sustain utilisation close to full capacity as JPG ramps up its external FFB procurement from YPJP and PIJH. This should be further supported by the continued expansion of mechanised in-field FFB evacuation, with coverage improving from 77.5% in FY23 to estimated >80.0% in FY26F (*Figure 9)*.

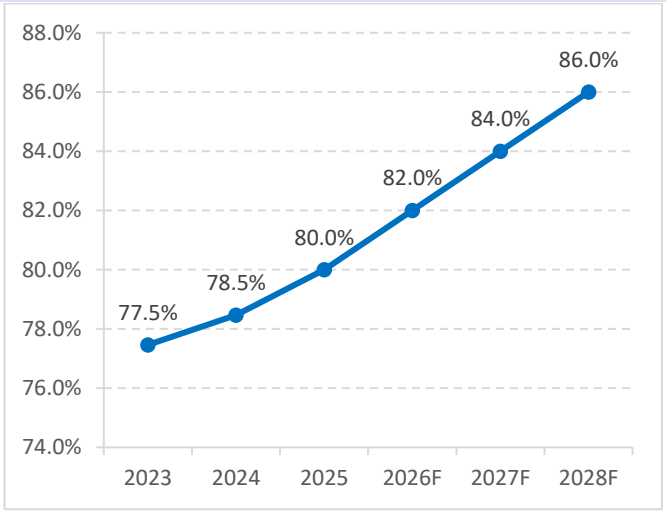
In FY25, JPG deployed 19 units of the Mechanised Battery Electric Vehicle (MBeV) across 3 estates as part of its phased mechanisation programme. Besides improving evacuation consistency, the initiative reduced reliance on manual handling while preserving harvested fruit quality. The deployment also generated meaningful fuel savings between Sep-Dec 2025, lowering operating costs while improving the group's environmental footprint.

Figure 8: Group Average Mills Utilisation Rate (%)



Source: Company, MBSBR

Figure 9: Infield FFB Evacuation Mechanisation Rate (%)



Source: Company, MBSBR

JPG-Fuji's earnings contribution is expected to remain negligible in FY26F but should scale meaningfully over FY27-28F as refinery utilisation ramps up.

Another major structural shift over the past 2 years was the establishment of JPG Fuji Sdn Bhd, a 51:49 JV between JPG and Fuji Oil Asia Pte. Ltd. As a key pillar of its 10-Year Roadmap, the specialty fats refinery marks JPG's transformation from a predominantly upstream plantation company into a fully integrated PO player, expanding its value chain from upstream operations into higher-margin downstream specialty fats.

The JPG-Fuji refinery, slated for commercialisation alongside the iSPOC mill, will operate under an offtake agreement whereby JPG is committed to supply at least 50% of the JV's feedstock. The remaining volume may be sold either to the JV or 3rd parties, subject to prevailing market prices, although management indicated the JV is prepared to absorb the full volume if commercially competitive. Assuming a 40% utilisation rate, the refinery is expected to generate c.RM350m in revenue with a 7%

EBIT margin. Based on JPG's 51% stake, this could translate into c.RM12.4m profit in FY26F.

Figure 10: iSPOC Specialty Refinery



Source: Company, MBSBR

Figure 11: iSPOC Biomass Plant



Source: Company, MBSBR

D. SECTOR OUTLOOK

Against tighter supply from Indonesia's B50 rollout and a potential Super El Niño in 4QCY26, we expect CPO prices to remain supported at RM4,200-4,600/tonne across CY26-27. This is further underpinned by CPO's sizeable discount to SBO, currently at c. USD531/tonne based on July 2026 World Bank data. In our view, a decent CPO ASP should provide sufficient earnings cushion against any meaningful decline in FFB yields should prolonged dry weather persist over the next 12 months.

That said, cost pressures could remain elevated into 2HCY26–1HCY27, particularly from higher fertiliser prices and diesel-linked logistics costs, while downstream players may continue to face elevated freight and insurance costs amid geopolitical tensions. For JPG, higher fertiliser costs could keep production costs elevated despite locking in FY26 prices. Nevertheless, prudent fertiliser application, alternative sourcing and continued OER efficiencies should help contain cost pressures and partially preserve margins.

E. RISK RELATED TO THE BUSINESS AND INDUTRY

As a predominantly upstream player, JPG's earnings remain exposed to CPO price volatility, where a sharp decline in realised ASP could weigh on revenue/earnings, particularly given its relatively limited forward sales strategy.

CPO price swings remain a key earnings risk.

Adverse weather conditions, particularly El Niño, coupled with foreign labour shortages could disrupt harvesting, upkeep and manuring activities, subsequently affecting FFB production, yields and overall operational efficiency.

Weather and labour risks.

Higher fertiliser prices could partly offset earnings gains from stronger CPO ASPs by raising production costs, further compounded by higher labour expenses following the increase in Malaysia's minimum wage to RM1,700/month.

Elevated fertiliser costs could squeeze margins.

F. FINANCIALS

3M26 Financial Performance

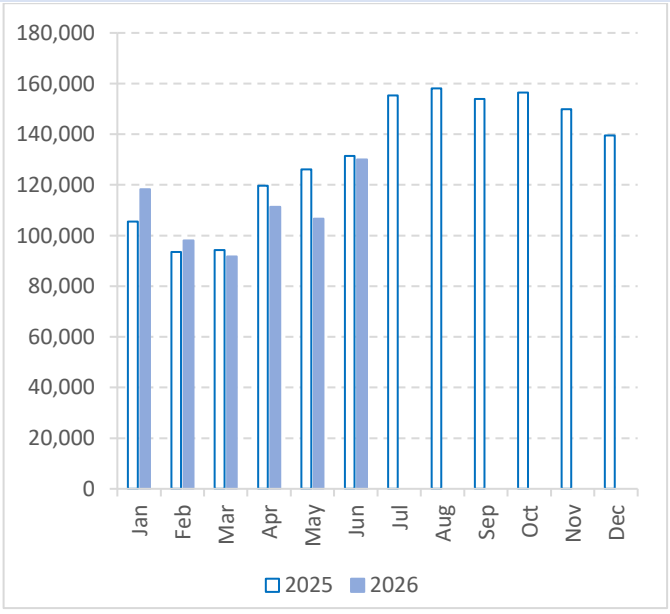
JPG booked 3MFY26 net profit of RM50.4m (-28.6%yoy), despite revenue growing +4.8%yoy to RM356.7m, as margins came under pressure in line with industry backdrop. EBIT and net margins narrowed to 22.1% and 14.1%, respectively, while 3MFY26 net income came in below consensus at 14.0%. The weaker performance was mainly due: i) cost headwinds, with production cost rising to RM2,526/tonne (+6.5%yoy), ii) lower OCP economics, as purchased crops command limited certification premium amid elevated inventories, and iii) weaker FFB output. Management expects FFB production to gradually normalise, albeit conservatively. Meanwhile, the potential Super El Niño impact is unlikely to be immediate, with the biological impact on FFB yields typically emerge after 6-month (6-month lag).

Figure 12: 1Q26 Results

RM'm	1Q25	4Q25	1Q26	qoq %	yoy %	3M25	3M26	yoy %
Revenue	340.4	489.8	356.7	-27.2	4.8	340.4	356.7	4.8
CPO Sales (tonne)	56,203	91,100	69,288	-23.9	23.3	56,203	69,288	23.3
ASP (RM/tonne)	4,969	4,389	4,260	-2.9	-14.3	4,969.0	4,260.0	-14.3
EBIT	106.8	120.2	78.9	-34.3	-26.1	106.8	78.9	-26.1
margin	31.4	24.5	22.1	-2.4	-9.2	31.4	22.1	-9.2
Net Proft	70.5	101.8	50.4	-50.6	-28.6	70.5	50.4	-28.6
margin	20.7	20.8	14.1	-6.7	-6.6	20.7	14.1	-6.6

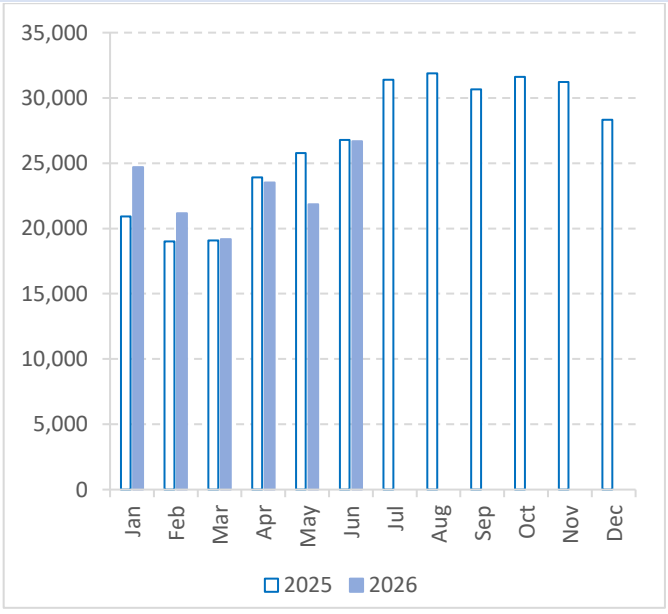
Source: Company, MBSBR

Figure 13: FFB Production (6M26 vs 6M25)



Company, MBSBR

Figure 14: CPO Production (6M26 vs 6M25)

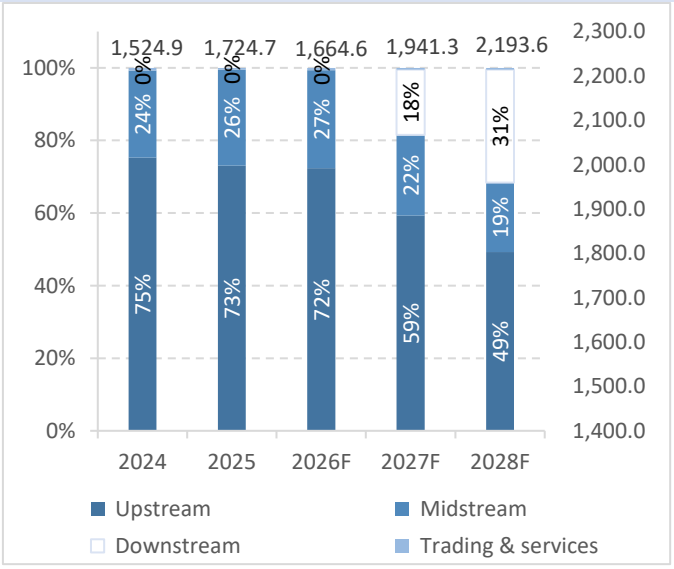


Company, MBSBR

+10.6% revenue CAGR projected for 2025-2028F

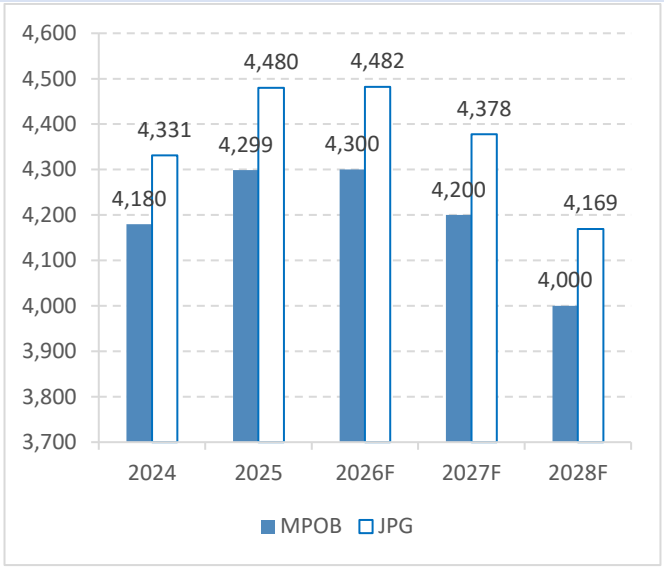
Forecast. We expect JPG's earnings to remain steady at RM392.5m-RM420.2m over FY26-28F, underpinned by improving output as more young mature areas enter their prime production profile, alongside supportive CPO prices of RM4,200-4,500/tonne. Our key earnings assumptions are detailed below.

Figure 15: Revenue Forecast (RM'm)



Company, MBSBR

Figure 16: CPO price (RM/tonne)



Company, MBSBR

Revenue. As aforementioned, we expect revenue to rebound by +15.9% over FY26-28F, anchored by supportive CPO prices of RM4,200-4,500/tonne, higher throughput from the new iSPOC mill and steady FFB yields of >23.0 tonnes/ha. While some CPO price moderation remains possible in certain years, volume growth should provide a decent support.

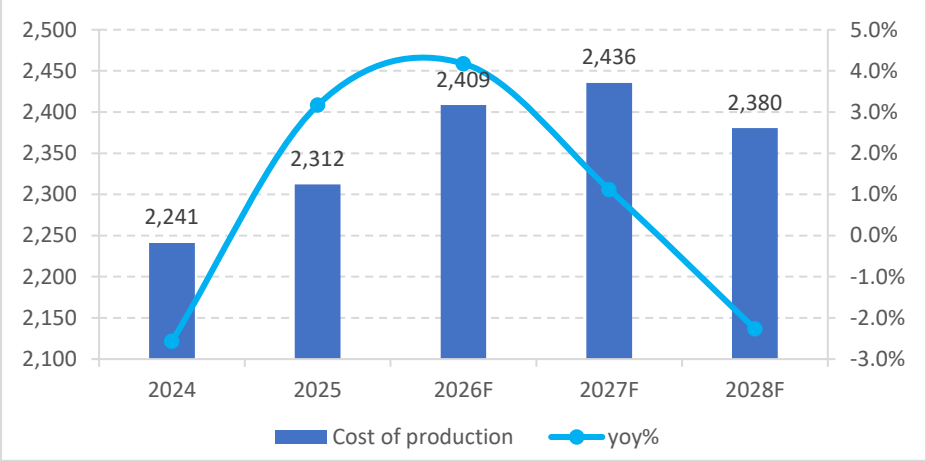
Group mill utilisation also is expected to remain strong at >98%, supported by higher OCP availability and mechanisation coverage rising to 82%-86%. This should further improve harvesting and in-field FFB evacuation efficiency, reduce crop losses and support more consistent mill intake, ultimately sustaining production growth (+3.3% over FY24-28F) and partially offsetting any softness in realised CPO prices.

EBIT. Like most planters, JPG is operating in a higher-cost environment, with production costs expected at >RM2,400/tonne, mainly due to elevated fertiliser prices amid Straits of Hormuz tensions - which generally inline current industry backdrop (*Figure 18*). Despite locking in its FY26 fertiliser requirements since Dec-25, 1 supplier has requested a price revision, posing further cost upside.

Nevertheless, JPG has consistently maintained EBIT margins of >27% over FY24–25, in which anticipated to continue >20% over FY26-28F. We expect costs to stabilise, supported by prudent fertiliser application, alternative procurement sourcing and

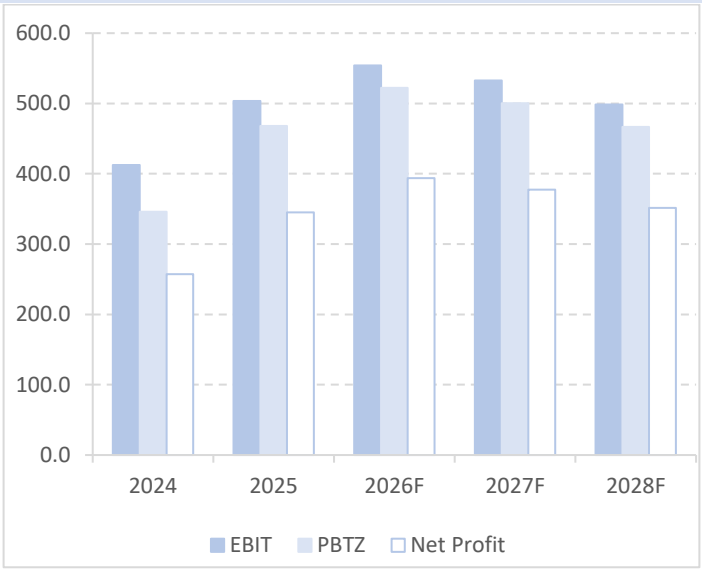
further OER improvements, which would keep cost pressures in check and margins sustainability.

Figure 17: Cost of Production estimate (RM/tonne)



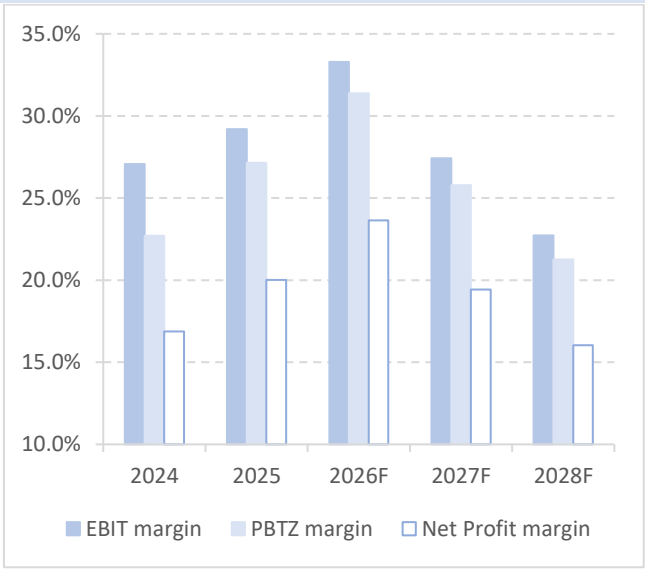
Company, MBSBR

Figure 18: Gross Profit, EBIT, and Net Profit (RM'm)



Source: Company, MBSBR

Figure 19: Profitability margin (%)



Source: Company, MBSBR

Earnings. We forecast net margins at 16.8%-19.6% over FY26-28F, supported by normalising production costs and higher FFB yields. While start-up costs from iSPOC could initially weigh on margins, we see the impact as manageable, with Pasir Panjang mill gradually phased out in tandem with the commissioning of the new iSPOC mill in early FY27F, allowing for a smoother production transition, simultaneously minimising potential margin disruption.

Downstream, elevated cocoa prices should also bode well for the specialty refinery. A wider price gap between cocoa butter and palm-based CBEs/CBS should encourage food manufacturers to increase substitution, supporting specialty fats demand as the

refinery gradually ramps up utilisation. Together with steady upstream earnings, the progressive downstream contribution should provide another leg of earnings growth from FY27F onwards. Accordingly, we forecast net profit to grow at a +4.4% CAGR, from RM345.0m in FY25 to RM392.5m by FY28F.

Sensitivity Analysis

Our sensitivity analysis reveals that a RM100/tonne higher/lower ASP would translate to +5% higher/lower EBIT for 2026F. A 2,000 tonne higher/lower CPO production would translate to +1% higher/lower EBIT.

Figure 20: ASP and CPO sensitivity analysis on FY26F Group EBIT

EBIT		CPO Production (tonne)				
		302,000	304,000	306,000	308,000	310,000
ASP (RM/tonne)	4,100	451.2	456.5	461.8	467.1	472.4
	4,200	475.0	480.5	485.9	491.3	496.8
	4,300	498.8	504.4	510.0	515.5	521.1
	4,400	522.7	528.3	534.0	539.7	545.4
	4,500	546.5	552.3	558.1	563.9	569.7

Source: Company, MBSBR

Dividend Policy

Recently, JPG distributed its 1st interim dividend of 1 Sen (ex-date May 29, 2026), translating into a 49.6% payout ratio, equals to RM25.0m. During our latest discussion, management reiterated its commitment to maintain a c.50% dividend payout. Given the group's strong cash generation, we continue assume a steady 50% payout ratio over FY26-28F, which implies an attractive dividend yield of 3.8% /3.8% /3.8%, respectively.

Distribution of business capex

With Pasir Panjang mill already mature and higher external crop intake pushing group mill utilisation close to its limit, JPG is investing in a new mill at iSPOC Sedili to gradually replace the ageing facility. The new mill carries an estimated capex of RM175.3m, which we expect to be spread across FY25-26F, ahead of commissioning in early FY27F.

We estimate FY26 capex to peak at c.RM600m, mainly front-loaded for iSPOC-related development, including the specialty refinery (c.RM204.5m), RE power plant (RM214.2m), Kernel Crushing Plant (RM31.7m) and Animal Feed Mill (c.RM20.5m), spread across FY25-26F. This would temporarily push FY26F FCF into negative territory at RM279.8m, which we view as largely a one-off during the peak investment cycle.

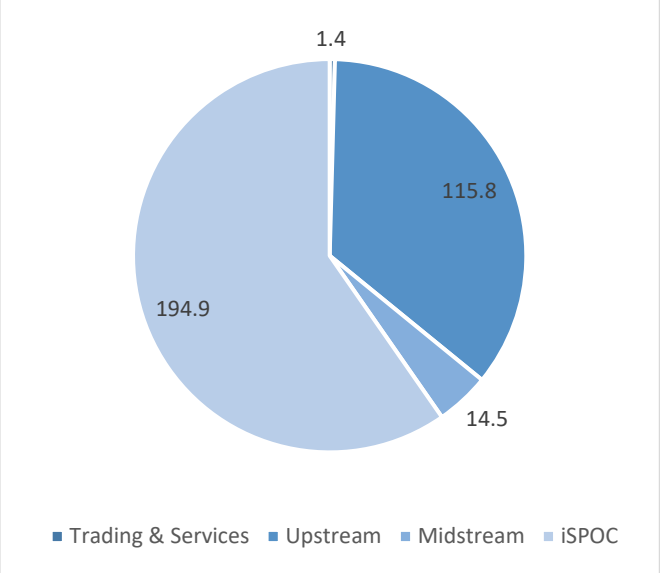
Balance-sheet risk remains manageable, with healthy CFO of RM520.2m funding a large portion of capex and c.RM200m dividend payout, while a comfortable 24%

cash-to-debt ratio provides an additional buffer. Beyond the peak spending, we expect FCF to normalise strongly to RM165.7m/RM209.1m in FY27F/FY28F, respectively.

Balance sheet remains comfortable despite peak capex cycle

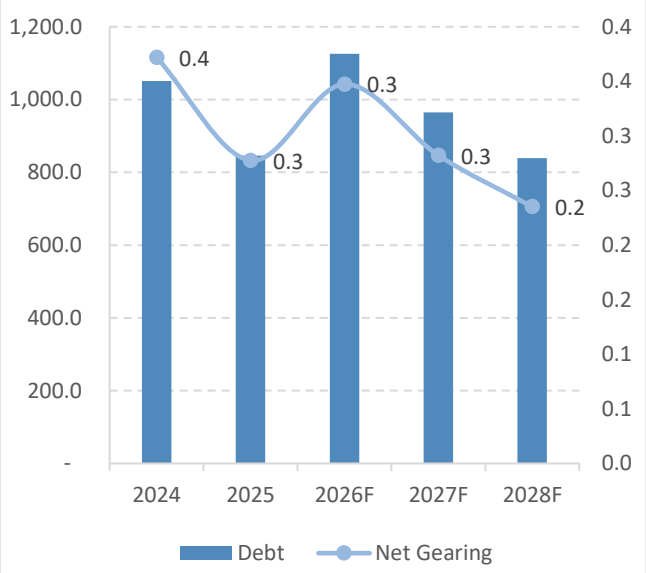
Assuming if the c.RM279.8m FY26F funding shortfall is fully debt-funded, we estimate JPG's net gearing to rise from 0.35x to c.0.43x. We view this as manageable, backed by healthy operating cash generation and sufficient balance-sheet headroom to fund its peak iSPOC capex cycle and dividend payout.

Figure 21: FY25 Capex estimates and mills capacity



Source: Company, MBSBR

Figure 22: Debt and net gearing



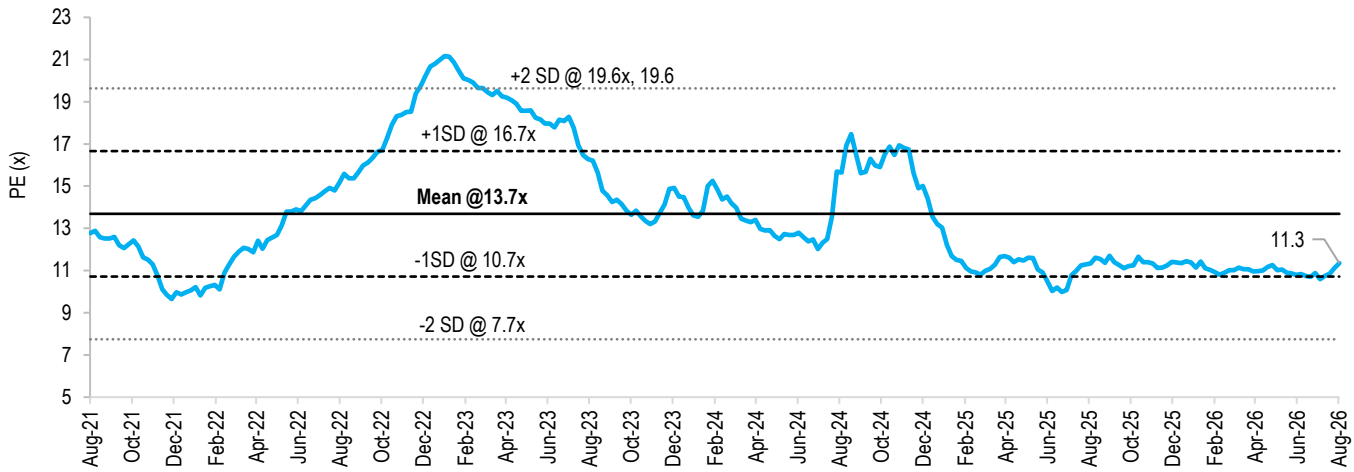
Source: Company, MBSBR

G. VALUATION

We initiate coverage on JPG with a BUY and TP of RM2.40, pegging FY27F EPS of 16.8 sen to 14.3x PER, near the upper end of our pure upstream band (*Figure 23*). The premium is justified by JPG's quality assets, Malaysia-centric exposure, strong ESG credentials and consistent CPO pricing premium over MPOB. Its improving age profile and growing downstream presence should also support better earnings visibility and warrant a higher valuation multiple.

We see room for a re-rating as JPG continues to lift FFB output and oil yields, supported by higher mechanisation and better asset utilisation. More importantly, its move to unlock greater value from existing assets comes at a timely juncture ahead of the next sector downcycle. Strong operating cash generation and healthy liquidity provide sufficient flexibility to fund its expansion plans, while positioning the Group to better withstand any consolidation in CPO prices over the medium term.

Figure 23: Historical-Forward Upstream Sector PE Band (GENP, SPLB, TAH, TSH) 5-year PE



Source: Bloomberg, MBSBR

Figure 24: JPG Peer Comparison

Company	Rating	Price (RM)	TP (RM)	PER (x)		Core EPS (Sen)		Dividend Yield (%)	
				FY26F	FY27F	FY26F	FY27F	FY26F	FY27F
SD Guthrie	BUY	6.60	7.00	16.70	16.86	40.90	40.50	2.6%	2.6%
IOI Corp	NEUTRAL	4.47	4.42	22.29	22.29	20.50	20.50	2.3%	2.2%
GenP	BUY	5.68	5.80	14.88	15.24	37.90	37.00	4.4%	4.4%
KLK	NEUTRAL	21.20	20.15	20.06	21.45	108.90	101.80	2.8%	2.6%
Ta Ann	BUY	5.80	6.08	11.10	12.66	52.80	46.30	6.8%	6.0%
SPB	NEUTRAL	4.26	3.98	13.24	11.10	32.70	39.00	5.8%	4.6%
TSH	NEUTRAL	1.19	1.28	11.46	9.83	10.30	12.00	2.1%	2.1%
Total Average				**15.7**	**15.6**	**43.4**	**42.4**	**3.9%**	**3.6%**

Source: MBSBR

FINANCIAL SUMMARY

Income Statement (RM'm)	2024A	2025A	2026E	2027F	2028F	Cash Flow (RM'm)	2024A	2025A	2065E	2027F	2028F
Revenue	1,524.9	1,724.7	2,012.6	2,362.4	2,333.2	PBT	346.2	468.2	522.2	557.4	520.8
Operating Profit	412.7	503.6	554.2	589.4	552.8	CFO	494.4	597.7	520.2	579.1	535.7
PBZT	346.2	468.2	522.2	557.4	520.8	CFI	-283.3	-209.3	-600.0	-170.0	-170.0
PATAMI	257.3	345.0	393.6	420.2	392.5	CFF	-15.0	-36.7	-200.0	-200.0	-200.0
Core PATAMI	257.3	345.0	393.6	420.2	392.5	Net cash flow	196.1	351.7	-279.8	209.1	165.7
EPS (sen)	11.4	13.8	15.7	16.8	15.7	Beginning cash flow	140.7	336.8	688.5	408.7	617.8
PER (x)	18.4x	15.1x	13.3x	12.4x	13.3x	Ending cash flow	336.8	688.5	408.7	617.8	783.5
DPS (sen)	5.3	7.0	8.0	8.0	8.0						
Dividend yield (%)	2.5%	3.3%	3.8%	3.8%	3.8%						

Balance Sheet (RM'm)	2024A	2025A	2065E	2027F	2028F	Margins	2024A	2025A	2065E	2027F	2028F
PPE	2,655.3	2,889.1	3,380.4	3,437.5	3,490.3	OP margin	27.1%	29.2%	27.5%	25.0%	23.7%
ROU assets	1,616.5	1,593.0	1,564.0	1,535.0	1,506.0	PBT margin	22.7%	27.1%	25.9%	23.6%	22.3%
Non-current assets	4,271.8	4,482.1	4,944.4	4,972.5	4,996.3	PATAMI margin	16.9%	20.0%	19.6%	17.8%	16.8%
Inventories	1,881.0	1,881.0	1,881.0	1,881.0	1,881.0	Core PATAMI margin	16.9%	20.0%	19.6%	17.8%	16.8%
Receivables	65.1	57.0	66.5	78.1	77.1						
Current assets	687.4	923.2	693.2	932.4	1,095.6						
Total Assets	4,959.5	5,405.2	5,637.6	5,904.9	6,091.9						
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	281.7	330.6	326.6						
Current liabilities	252.6	279.0	319.3	368.2	364.2						
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	1,922.6	2,142.7	2,335.2						
Equity	2,826.1	3,049.5	3,241.5	3,460.0	3,650.9						

H. ESG

JPG does not publish a standalone short-term ESG roadmap. However, sustainability is embedded within its long-term business strategy and 10-Year Roadmap, supported by clearly defined ESG themes, guiding principles and sustainability targets. Key commitments include:

- Halving greenhouse gas (GHG) emissions by 2025 (against the 2012 baseline) and pursuing net-zero aspirations by 2050.
- Maintaining industry best practices in environmental management, labour standards, governance and business ethics.
- Strengthening community impact through inclusive development and stakeholder engagement.
- Embedding ESG considerations into day-to-day operations and long-term value creation.

Figure 25: ESG Progress, Achievements and Highlights

Environmental (E)	Social (S)	Governance (G)
Target	**Target**	**Target**
Maintain strong governance, ethics, transparency and sustainability oversight.	Strengthen smallholder inclusion, community development and responsible labour practices.	Maintain strong governance, ethics, transparency and sustainability oversight.
Progress	**Progress**	**Progress**
• GHG emissions intensity reduction vs 2012 baseline • Continued deployment of sustainability initiatives such as mechanization, EV-assisted estate operations, cattle integration programmes and bioenergy projects. • Advancing circular economy and renewable energy initiatives through biomass and biogas projects under its growing Greenergy platform	• Through JPG's Smallholder Inclusion Programme (SIP), RSPO-certified smallholders increased from 256 in 2023 to 390 in June 2026, with certified smallholder FFB supply rising • Continued supporting smallholders towards RSPO-certification and EUDR readiness. • Maintained commitment to Free, Prior and Informed Consent (FPIC) practices and a zero-recruitment cost policy for foreign workers. • Recorded a multi-year track record of zero fatality rate as disclosed in analyst ESG reviews.	• ESG performance indicators form part of Board and senior management assessments. • Established dedicated sustainability governance structures, including Board-level oversight and sustainability committees. • Sustainability disclosures are independently verified by BSI Services Malaysia and aligned with recognized reporting frameworks including GRI, TCFD and ISSB

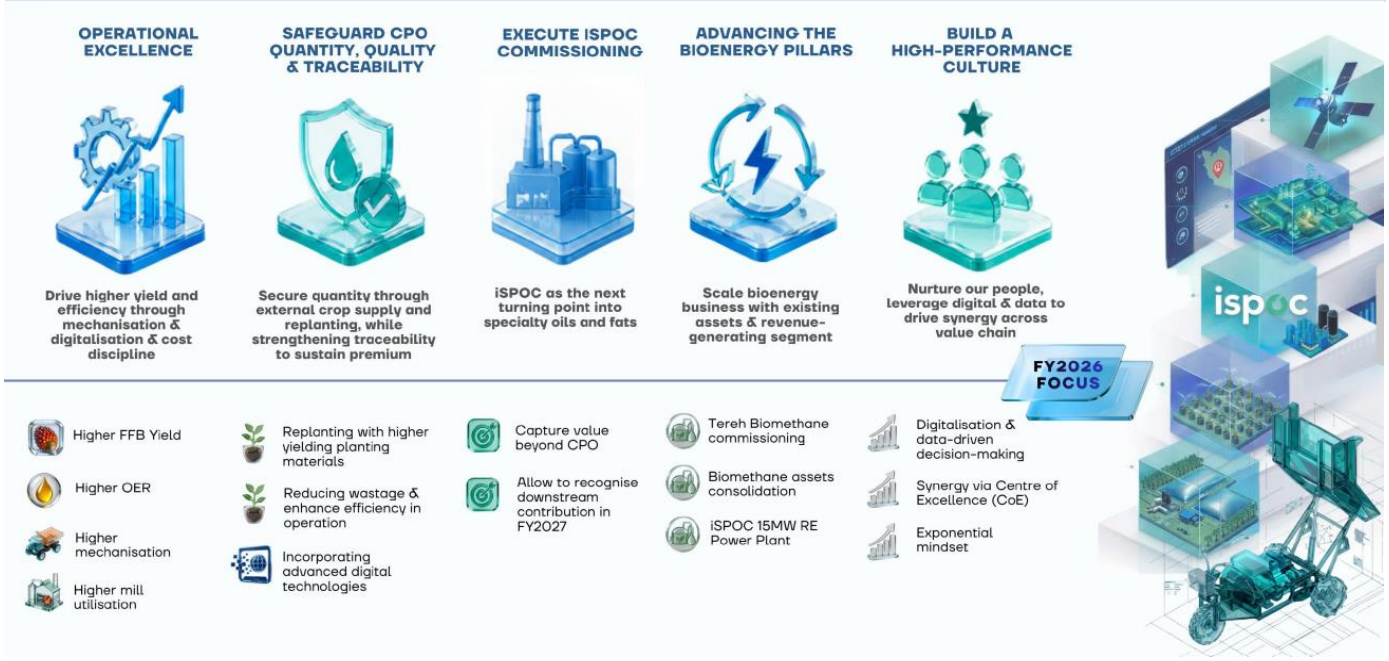
Source: Company, MBSBR

At present, JPG does not publicly disclose MSCI, FTSE4Good Bursa Malaysia Index, Sustainalytics or UNGCMYB ESG ratings in its annual reporting materials. As such, below were publicly disclosed recognitions such as:

- SPOTT Global Palm Oil Ranking (6 globally in 2025)
- Inclusion in FTSE4Good Bursa Malaysia, FTSE4Good Bursa Malaysia Shariah with 3-star rating, FBM Top 100 ESG Low Carbon Select Shariah,
- Bursa-MSWG Corporate Governance - with 4-star rating
- 100% RSPO and MSPO certification across estates and mill

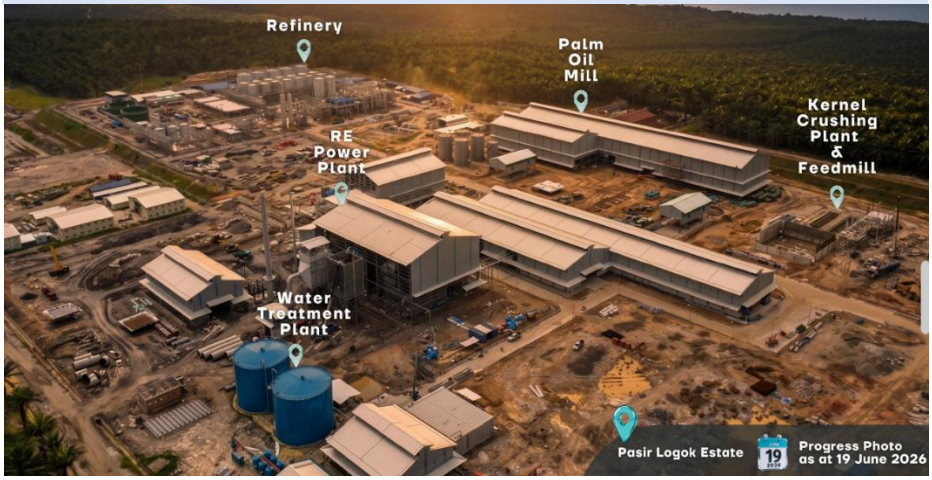
I. Appendix

Figure 26: JPG's FY26 Focus Area



Source: Company

Figure 27: A Closer Look into iSPOC



Source: Company, MBSR

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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