Kuala Lumpur Kepong Berhad

(2445 | KLK MK) Main | Plantation

4 Stars | FTSE4Good | SHARIAH Compliant

Corporate Update

3QFY26 Results Review: Within Estimates

Maintain NEUTRAL. We are NEUTRAL on KLK, viewing the RM1.6b Synthomer impairment as a one-off, non-cash and non-operational EI, with no direct impact on the Group's core operations or cash flow. The sizeable write-down also largely resets Synthomer's carrying value, reducing further impairment overhang. Encouragingly, Synthomer's underlying operations are showing early signs of recovery, although its stretched balance sheet remains a key risk. Meanwhile, KLK's core fundamentals remain intact, supported by resilient upstream operations and gradual downstream recovery. Thus, maintain **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 nearly 5-year average historical-forward mean.

9MFY26 came in within estimates. Despite the headline losses, KLK 9M26's Core PATAMI came in at RM892.4m (-11.2%yoy), broadly within/below our and consensus expectations, accounting for 73.4% and 68.6% of full year estimates, respectively. Overall performance was mixed, as both upstream and upstream earnings continue provides some support, whilst the associates contribution reversed to red, mainly due to weak Synthomer plc performance compounded by higher tax rate.

Upstream & Downstream. The 3Q26 group's upstream profit remained decent at RM658.3m (+7.6%yoy), driven by firmer PK selling price of RM3,488/Mt, higher CPO and sales volume alongside value gain of RM33.0m from the valuation of unharvested FFB. Similarly, downstream gained substantially profit of RM136.5m (>100%yoy), thanks to the higher profit contribution from the Oleochemical division (turns out conflicts in petrochemical industry enhanced the competitiveness of palm-based products) and lower loss from the non-oleochemical division.

Operational. Operationally, FFB production inched by +2.0%yoy, lifting CPO output to 367,000 tonnes (+2.8%yoy), despite crop conditions being affected by the drier weather environment. The group's average realised selling prices for CPO and PK remained mixed, with CPO easing to RM3,756/Mt (-4.0%yoy), while PK firmer by +2.0%yoy, respectively, in line with market pricing. Meanwhile, the estimated all-in cost of production turned relatively lower, supported by firmer OER and better oil yield recovery.

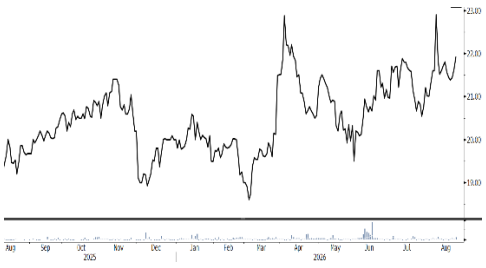
Earnings forecast. Maintained. KLK's 9MFY26 core earnings remained broadly within our expectations after excluding a non-cash RM1.62bn impairment against the carrying value of its 26.8%-owned associate, Synthomer PLC, which dragged 3QFY26 headline earnings into a net loss of RM1.3bn. We treated the Synthomer impairment as an EI given its non-cash and non-operational nature, while the underlying KLK businesses remain broadly intact.

Maintain NEUTRAL

Unchanged Target Price **RM20.15**

RETURN STATISTICS	
Price @ 24th August 2025 (RM)	21.92
Expected share price return (%)	-8.09
Expected dividend yield (%)	+2.78
Expected total return (%)	-5.31

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	5.0	2.8
3 months	3.6	6.0
12 months	10.4	0.5

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 (%)	2.8%	2.6%	2.1%

KEY STATISTICS	
FBM KLCI	1,736.33
Issue shares (m)	1,113.66
Estimated free float (%)	44.99
Market Capitalisation (RM'm)	24,411.41
52-wk price range	RM18.6 – RM23.1
3-mth average daily volume (m)	0.63
3-mth average daily value (RM'm)	13.32
Top Shareholders (%)	
KWAP	50.03
Batu Kawan	48.38
EPF	19.64

KLK: 3QFY26 Results Summary

FYE Sept (RM'm)	Quarterly results					Cumulatively results		
	3Q25	2Q26	3Q26	QoQ (%)	YoY (%)	9M25	9M26	YoY (%)
Revenue	6,432.3	6,550.6	7,054.1	7.7	9.7	18,715.3	19,952.1	6.6
Operating profit	706.8	399.6	781.9	95.6	10.6	1,764.0	1,924.4	9.1
Net Finance Cost	-107.6	-101.4	-98.0	-3.3	-8.9	-317.6	-299.5	-5.7
Associates	0.8	0.6	-163.5	NM	NM	-54.3	-162.1	NM
JVs	-2.3	-0.4	4.5	>100	>100	4.9	3.5	-29.0
Impairment (to be excluded from Core)	-	-	-1,621.3	NM	NM	-	-1,621.3	NM
PBT	525.4	411.2	-1,129.5	NM	NM	1,219.3	-121.9	NM
Tax Expense	-137.4	-94.6	-172.1	81.9	25.3	-398.0	-436.0	9.5
PATAMI	346.6	294.0	-1,344.4	NM	NM	721.3	-668.0	NM
Core PATAMI	340.3	301.7	254.4	-15.7	-25.3	1,004.7	892.4	-11.2
Core EPS (sen)	30.6	27.1	22.8	-15.7	-25.3	90.2	80.1	-11.2
Growth & Margin (%)				+/- ppts				+/- ppts
OP margin (%)	11.0	6.1	11.1	5.0	0.1	9.4	9.6	0.2
PBT margin (%)	8.2	6.3	-16.0	-22.3	-24.2	6.5	-0.6	-7.1
Core PATAMI margin (%)	5.3	4.6	3.6	-1.0	-1.7	5.4	4.5	-0.9
Effective tax rate (%)	26.2	23.0	-15.2	-38.2	-41.4	32.6	357.8	NM

Source: Company, MBSBR

KLK: Segmental Breakdown & Operational Stats.

FYE Sept (RM'm)	Quarterly results					Cumulatively results		
	3Q25	2Q26	3Q26	QoQ (%)	YoY (%)	9M25	9M26	YoY (%)
Revenue (RM'm):	6,432.3	6,550.6	7,054.1	7.7	9.7	18,715.3	19,952.1	6.6
Plantation	925.3	697.8	788.9	13.1	-14.7	2,739.6	2,281.8	-16.7
Manufacturing	5,383.8	5,704.8	6,201.1	8.7	15.2	15,561.5	17,338.8	11.4
Property development	66.6	25.7	35.0	36.4	-47.4	150.4	88.9	-40.9
Investment holding / others	56.7	122.4	29.1	-76.2	-48.7	263.8	242.6	-8.0
Recurring Operating Profit	706.8	399.6	781.9	95.6	10.6	1,764.0	1,924.4	9.1
Plantation	611.8	355.2	658.3	85.3	7.6	1,625.7	1,643.5	1.1
Manufacturing	66.3	2.6	136.5	>100	>100	48.4	222.0	>100
Property development	9.2	1.3	7.2	>100	-22.0	20.7	11.1	-46.2
Investment holding / others	19.6	40.5	-20.1	NM	NM	69.2	47.8	-30.9
Operating Margin (%)	11.0	6.1	11.1	5.0	0.1	9.4	9.6	0.2
Plantation	66.1	50.9	83.4	32.5	17.3	59.3	72.0	12.7
Manufacturing	1.2	0.0	2.2	2.2	1.0	0.3	1.3	1.0
Property development	13.8	5.1	20.5	15.4	6.7	13.8	12.5	-1.2
Investment holding / others	34.5	33.1	-69.0	-102.0	-103.5	26.2	19.7	-6.5
Operational Stats.								
FFB Production ('000 Mt)	1,437	1,335	1,466	9.8	2.0	4,175	4,379	4.9
CPO Production ('000 Mt)	356	335	367	9.3	2.8	1,014	1,086	7.1
PK Production ('000 Mt)	67.2	65	70	8.7	4.6	191	208	9.4

Source: Company, MBSBR

FINANCIAL SUMMARY

Income Statement (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	22,273.7	25,019.5	26,181.3	26,388.0	8,766.1
Operating Profit	1,762.8	2,110	2,068.6	1,958.7	1,558.4
PBT	1,183.5	1,513.6	1,862.4	1,742.7	1,493.4
PATAMI	591.0	817.3	1,215.5	1,135.8	1,006.3
Core PATAMI	1,018.3	1,134.5	1,215.5	1,135.8	1,006.3
EPS (sen)	92.9	101.9	108.9	101.8	90.2
PER (x)	23.6	20.2	20.1	21.5	28.3
DPS (sen)	60.0	60.0	61.0	57.0	54.0
Dividend yield (%)	2.7%	2.7%	2.8%	2.6%	2.1%

Cash Flow (RM'm)	2024A	2025A	2065E	2027F	2028F
PBT	1,183.5	1,513.6	1,862.4	1,742.7	1,493.4
Operating cash flow	1,684.6	1,291.0	2,672.7	2,373.4	2,542.6
Investing cash flow	-1,986.1	-1,023.0	-1,050.0	-1,050.0	-1,050.0
Financing cash flow	519.4	-183.3	-669.7	-680.9	-636.2
Net cash flow	217.9	84.6	953.0	642.5	856.3
Beginning cash flow	2,298.0	2,380.7	3,082.7	3,242.5	3,885.0
Ending cash flow	2,380.7	2,434.0	2,614.9	3,885.0	4,741.3

Balance Sheet (RM'm)	2024A	2025A	2065E	2027F	2028F
Cash	2,391.6	2,492.2	3,300.7	3,943.1	4,799.5
Receivables	3,034.3	3,608.5	3,776.1	3,805.9	2,600.6
Inventories	5,231.8	6,186.7	6,474.0	6,525.1	6,574.5
PPE	13,186.9	12,958.9	12,952.1	12,945.8	12,939.9
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 interests	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

Margins	2024A	2025A	2065E	2027F	2028F
OP margin	7.9%	8.4%	7.9%	7.4%	17.8%
PBT margin	5.3%	6.0%	7.1%	6.6%	17.0%
PATAMI margin	2.7%	3.3%	4.6%	4.3%	11.5%
Core PATAMI margin	4.6%	4.5%	4.6%	4.3%	11.5%

Source: Bloomberg, MBSBR

MBSB RESEARCH is part of MBSB Investment Bank Berhad 197501002077 (24878-X)

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report is prepared by MBSB Investment Bank Berhad (Company Registration No.: 197501002077 (23878-X)) and is for distribution only to the intended readers and under such circumstances as may be permitted by applicable law. Readers should be fully aware that this report is provided solely for informational purposes and does not constitute a Shariah advice nor constitute an investment recommendation or basis for any credit or other evaluation in any manner whatsoever.

The opinions and analyses contained in this report are based on information obtained or derived from sources that MBSB Investment Bank Berhad believes to be reliable. Any forward-looking statements in this report speak only as of the date of such statements. However, MBSB Investment Bank Berhad makes no representation or warranty, expressed or implied, as to the accuracy, completeness, or reliability of such information, and it should not be relied upon as such.

While the information presented in this report may include references to Shariah -compliant and non-compliant securities or other financial instruments, this report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments or to promote or endorse any specific investment. Investors are strongly advised to conduct their own due diligence and to consult licensed Shariah or financial advisors before making any investment decisions. Any action taken based on this report is at the sole discretion and risk of the investor.

The analyses in this report are based on numerous assumptions, and different assumptions could yield different results. All opinions and estimates in this report are subject to change without notice.

The research analysts will initiate, update, and cease coverage solely at the discretion of MBSB Investment Bank Berhad.

The directors, employees, and representatives of MBSB Investment Bank Berhad and MBSB Berhad may have interests in any of the securities mentioned and may benefit from the information contained herein. Members of MBSB Berhad and their affiliates may provide services to any company or its affiliates whose securities are mentioned in this report.

This report shall not be reproduced, distributed, or published in any form or for any purpose without the prior written consent of MBSB Investment Bank Berhad.

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