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Recommendation: HOLD

Current Price: RM 21.62

Previous Target Price: RM 21.60

Target Price: ↔ RM 21.60

Upside/Downside: -0.1%

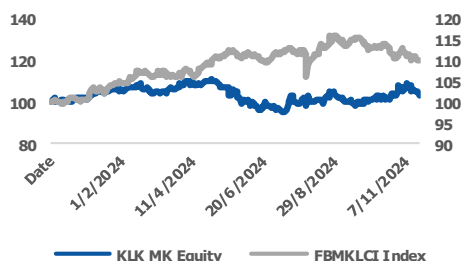
Stock information

| | |
|--------------------------|---------------|
| Board | MAIN |
| Sector | Plantation |
| Bursa / Bloomberg Code | 2445 / KLK MK |
| Syariah Compliant | Yes |
| FTSE4Good Index | Yes |
| FTSE ESG Rating | ★★★★ |
| Bloomberg ESG Rating | ★★★★★ |
| Shares issued (m) | 1,096.4 |
| Market Cap (RM' m) | 23,704.3 |
| 52-Week Price Range (RM) | 23.4-19.74 |
| Beta (x) | 0.8 |
| Free float (%) | 45.6 |
| 3M Average Volume (m) | 0.7 |
| 3M Average Value (RM' m) | 14.4 |

Top 3 Shareholders (%)

| | |
|--------------------------------|------|
| Batu Kawan Bhd | 47.9 |
| Employees Provident Fund Board | 15.6 |
| Lembaga Kemajuan Tanah Neg | 3.5 |

Share Price Performance



| | 1M | 3M | 12M |
|--------------|-----|-----|------|
| Absolute (%) | 2.5 | 0.7 | 1.6 |
| Relative (%) | 3.4 | 3.8 | -8.2 |

Kuala Lumpur Kepong Berhad

Heavy losses from Synthomer










Summary

- **KLK reported 4QFY24 core net profit of RM255.3m (+129.4% qoq, +33.0% yoy) and FY24 CNP of RM866.0m (-8.7% yoy), which was within our expectations at 99% but below consensus forecast at 85%.**
- **We maintain our earnings forecast for FY25-27F as the recent surge of CPO price has already factored into our CPO price assumption.**
- **Re-iterate our HOLD recommendation with a target price of RM21.60 based on 18.1x PER pegged to FY25 EPS of RM1.19.**

Results Review

- **Results review.** KLK's 4QFY24 CNP registered at RM255.3m, grew +33.0% yoy and +129.4% qoq. Meanwhile, revenue recorded at RM5.7bn, marginally eased - 1.7% yoy but grew +3.2% qoq. CNP was derived after stripping out one-off adjustments of RM62.0m (Foreign exchange loss: RM14.4m, gain on derivatives: - RM120.5m, surplus on disposal of land: -RM9.8m, impairment related to Synthomer: RM366.5m and others: RM2.1m). The strong yoy performance was lifted by higher CPO and PK ASP.
- **Within expectations.** The Group's FY24 CNP of RM866.0m came within our expectations, matching 99% of our full year forecast but below consensus estimates at 86%.
- **Operations Highlights.** Plantation segment's revenue picked up to RM925.2m in 4QFY24 (+1.8% yoy) with operating profit of RM526.9m (+26.2% yoy). The strong performance was led by higher selling prices in both CPO (+8.1% yoy) and Palm kernel (+44.8% yoy). Elsewhere, the manufacturing segment revenue declined to RM4.7b (-1.4% yoy) during the quarter. Operating losses has narrowed down to RM9.9m which is a significant improvement from a loss of RM102.0m, thanks to its Malaysia and European oleochemical operations.
- **Outlook.** Looking ahead, we are expecting CPO to remain elevated until 1Q25 on the back of seasonally higher demand for palm oil towards year-end. We maintain our FY25F CPO price assumption at RM4,300 at the moment in view of the uncertainty in the global economy and the potential threat of tariffs from Trump.
- **Valuation.** We maintained our **HOLD** recommendation with an unchanged target price of **RM21.60** based on 3-year forward PE of 18.1x pegged to FY25F EPS of RM1.19.
- **Risk.** EU export ban and regulations, changing weather patterns affect FFB production, taxation and export ban in Indonesia threatens local CPO demand, shortage of labour and rising operational cost.

Figure 1: Results Comparison

| FYE Sep (RM m) | 4QFY24 | 4QFY23 | YoY (%) | 3QFY24 | QoQ (%) | FY23 | FY24 | YoY (%) | 5 Quarters Trend | Comments |
|-----------------------|---------|---------|---------|---------|---------|----------|----------|---------|---|--|
| Revenue | 5,679.0 | 5,777.3 | (1.7) | 5,503.3 | 3.2 | 23,647.6 | 22,273.7 | (5.8) |  | Higher CPO and PK ASP |
| EBITDA | 577.5 | 517.7 | 11.6 | 590.9 | (2.3) | 2,444.6 | 2,604.8 | 6.6 |  | |
| Pre-tax profit | 219.6 | 182.8 | 20.1 | 234.7 | (6.4) | 1,152.2 | 1,183.5 | 2.7 |  | One-off losses from UK associates, Synthomer |
| Net profit | 51.7 | 168.8 | (69.4) | 151.6 | (65.9) | 990.7 | 700.2 | (29.3) |  | |
| Core net profit | 255.3 | 191.9 | 33.0 | 111.3 | 129.4 | 948.0 | 866.0 | (8.7) |  | |
| Core EPS (sen) | 23.7 | 17.8 | 33.0 | 10.3 | 129.4 | 87.9 | 80.3 | (8.7) |  | |
| EBITDA margin (%) | 10.2 | 9.0 | | 10.7 | | 10.3 | 11.7 | |  | |
| PBT margin (%) | 3.9 | 3.2 | | 4.3 | | 4.9 | 5.3 | |  | |
| Core PATMI margin (%) | 4.5 | 3.3 | | 2.0 | | 4.0 | 3.9 | |  | |

Source: Company, Apex Securities

Financial Highlights

Income Statement

| FYE Dec (RM m) | FY22 | FY23 | FY24F | FY25F | FY26F |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| Revenue | 27149.5 | 23647.6 | 22612.4 | 24687.4 | 24751.8 |
| Operating Profit | 2913.2 | 1277.1 | 1434.3 | 1981.4 | 1977.2 |
| EBITDA | 4447.0 | 2444.6 | 2674.1 | 3275.7 | 3295.0 |
| Depreciation & Amortisation | 930.7 | 966.2 | 1028.6 | 1072.7 | 1085.6 |
| EBIT | 3516.2 | 1478.4 | 1645.5 | 2202.9 | 2209.4 |
| Net Finance Income/ (Cost) | 296.8 | 326.2 | 326.2 | 307.3 | 315.4 |
| Associates & JV | 183.6 | -195.5 | -197.5 | -199.4 | -201.4 |
| Pre-tax Profit | 3219.5 | 1152.2 | 1319.4 | 1895.6 | 1894.0 |
| Tax | -781.1 | -161.5 | -290.3 | -454.9 | -454.5 |
| Profit After Tax | 2438.4 | 990.7 | 1029.1 | 1440.7 | 1439.4 |
| Minority Interest | 272.1 | 156.4 | 156.4 | 156.4 | 156.4 |
| Net Profit | 2166.3 | 834.3 | 872.7 | 1284.2 | 1283.0 |
| Exceptionals | -98.2 | 66.4 | 0.0 | 0.0 | 0.0 |
| Core Net Profit | 2068.1 | 900.6 | 872.7 | 1284.2 | 1283.0 |

Key Ratios

| FYE Dec (RM m) | FY22 | FY23 | FY24F | FY25F | FY26F |
|----------------|-------|-------|-------|-------|-------|
| P/E (x) | 11.5 | 26.3 | 27.2 | 18.5 | 18.5 |
| EBITDA margin | 16.4% | 10.3% | 11.8% | 13.3% | 13.3% |
| EBIT margin | 13.0% | 6.3% | 7.3% | 8.9% | 8.9% |
| PBT margin | 11.9% | 4.9% | 5.8% | 7.7% | 7.7% |
| PAT margin | 9.0% | 4.2% | 4.6% | 5.8% | 5.8% |
| NP margin | 8.0% | 3.5% | 3.9% | 5.2% | 5.2% |
| Core NP margin | 8.0% | 3.5% | 3.9% | 5.2% | 5.2% |
| ROE | 13.5% | 5.2% | 5.3% | 7.7% | 7.5% |
| ROA | 11.0% | 4.0% | 4.1% | 6.0% | 6.0% |
| Net gearing | 41.1% | 46.5% | 46.8% | 47.4% | 45.6% |

| Valuations | FY25F |
|------------------------|--------------|
| Core EPS (RM) | 1.19 |
| P/E multiple (x) | 18.1 |
| Fair Value (RM) | 21.60 |

Source: Company, Apex Securities

Balance Sheet

| FYE Dec (RM m) | FY22 | FY23 | FY24F | FY25F | FY26F |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Cash | 2785.2 | 2382.1 | 2231.1 | 1987.9 | 2145.0 |
| Receivables | 1911.7 | 2268.2 | 2168.9 | 2368.0 | 2374.1 |
| Inventories | 4024.2 | 2956.6 | 2827.1 | 3086.6 | 3094.6 |
| Other current assets | 1783.8 | 1873.8 | 1873.8 | 1873.8 | 1873.8 |
| Total Current Assets | 10504.8 | 9480.7 | 9101.0 | 9316.3 | 9487.5 |
| Fixed Assets | 12123.3 | 12905.6 | 13459.9 | 13621.6 | 13773.5 |
| Intangibles | 17.1 | 52.9 | 52.9 | 52.9 | 52.9 |
| Other non-current assets | 7593.3 | 7687.2 | 7687.2 | 7687.2 | 7687.2 |
| Total Non-current assets | 19733.7 | 20645.7 | 21200.0 | 21361.6 | 21513.6 |
| Short-term Debt | 2173.4 | 2891.4 | 2891.4 | 2891.4 | 2891.4 |
| Payables | 1000.5 | 817.7 | 774.1 | 830.0 | 832.5 |
| Other Current Liabilities | 1974.2 | 1422.2 | 1422.2 | 1422.2 | 1422.2 |
| Total Current Liabilities | 5148.1 | 5131.3 | 5087.8 | 5143.6 | 5146.1 |
| Long-term Debt | 7208.9 | 7002.6 | 7002.6 | 7002.6 | 7002.6 |
| Other non-current liabilities | 1829.7 | 1848.7 | 1848.7 | 1848.7 | 1848.7 |
| Total Non-current Liabilities | 9038.6 | 8851.3 | 8851.3 | 8851.3 | 8851.3 |
| Shareholder's equity | 14287.0 | 14318.7 | 14536.9 | 14858.0 | 15178.7 |
| Minority interest | 1764.8 | 1825.0 | 1825.0 | 1825.0 | 1825.0 |
| Equity | 16051.8 | 16143.8 | 16361.9 | 16683.0 | 17003.7 |

Cash Flow

| FYE Dec (RM m) | FY22 | FY23 | FY24F | FY25F | FY26F |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| Pre-tax profit | 3219.5 | 1152.2 | 1319.4 | 1895.6 | 1894.0 |
| Depreciation & amortisation | 930.7 | 966.2 | 1028.6 | 1072.7 | 1085.6 |
| Changes in working capital | -858.6 | 528.3 | 185.1 | -402.6 | -117 |
| Others | -618.9 | -688.4 | -446.7 | -611.4 | -611.0 |
| Operating cash flow | 2672.7 | 1958.3 | 2086.4 | 1954.3 | 2356.9 |
| Net capex | -1281.2 | -1701.6 | -1582.9 | -1234.4 | -1237.6 |
| Others | -180.7 | 120.6 | 0.0 | 0.0 | 0.0 |
| Investing cash flow | -2461.8 | -1581.0 | -1582.9 | -1234.4 | -1237.6 |
| Changes in borrowings | 525.7 | 457.7 | 0.0 | 0.0 | 0.0 |
| Issuance of shares | 17.5 | 0.01 | 0.0 | 0.0 | 18.5 |
| Dividends paid | -1078.2 | -1078.4 | -654.5 | -963.2 | -962.2 |
| Others | -203.4 | -92.3 | 0.0 | 0.0 | -18.5 |
| Financing cash flow | -738.4 | -713.1 | -654.5 | -963.2 | -962.2 |
| Net cash flow | -527.5 | -335.7 | -151.0 | -243.2 | 157.0 |
| Forex | 59.7 | 18.8 | 0.0 | 0.0 | 0.0 |
| Others | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Beginning cash | 3082.7 | 2614.9 | 2382.1 | 2231.1 | 1987.9 |
| Ending cash | 2614.9 | 2298.0 | 2231.1 | 1987.9 | 2145.0 |

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD

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Amir Hamdan (ext 2112)

RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

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