

Steven Chong

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Recommendation:	BUY
Current Price:	RM 19.62
Previous Target Price:	RM 21.60
Target Price:	↔ RM 21.60
Capital Upside/Downside:	10.1%
Dividend Yield (%):	1.0%
Total Upside/Downside	11.1%

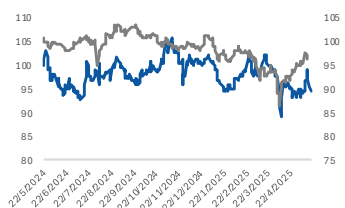
Stock information

Board	MAIN
Sector	Plantation
Bursa / Bloomberg Code	2445 / KLK MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	1,113.7
Market Cap (RM' m)	21,850.0
52-Week Price Range (RM)	22.66-18.34
Beta (x)	0.8
Free float (%)	45.4
3M Average Volume (m)	0.5
3M Average Value (RM' m)	9.8

Top 3 Shareholders

(%)

Batu Kawan Bhd	48.2
Employees Provident Fund Board	16.0
Lembaga Kemajuan Tanah Neg	3.5

Share Price Performance

	1M	3M	12M
Absolute (%)	-1.6	-6.6	-9.2
Relative (%)	-3.3	-2.7	-3.1

Earnings Summary	FY24	FY25F	FY26F
Revenue (RM' m)	22274	25013	25091
PATAMI (RM' m)	591.0	1291.2	1123.7
CNP (RM' m)	781.4	1291.2	1123.7
EPS - core (sen)	71.8	118.6	103.2
P/E(x)	27.3	16.5	19.0

Kuala Lumpur Kepong Berhad

Strong Performance Amid Seasonal Challenges

- KLK recorded CNP of RM154.3m (+128.3% yoy and -36.0% qoq) in 2QFY25, bringing 6MFY25 CNP to RM651.1m (+103.4% yoy) which came within ours and consensus expectations at 50.4% and 52.9% respectively.
- FFB output assumption still intact, with production reaching 2.7m mt, meeting 44.6% of our forecasts of 6.1m mt.
- Following the recent price correction, we upgrade our recommendation to BUY (from HOLD) with unchanged target price of RM21.60, by pegging 18.2x P/E multiple to FY25F EPS and 0% ESG factored premium/discount based on three-star ESG rating.

Results within expectations. 6MFY25 CNP of RM651.1m came within expectations, accounting for 50.4%/52.9% of both ours and consensus CNP forecast. CNP was derived after adding one-off adjustments of +RM99.8m (Foreign exchange loss: +RM69.4m, loss on derivatives: +RM34.4m, surplus on land disposal: -3.9m).

YoY. 2QFY25 CNP jumped +128.3% yoy, partly aided by the higher contribution from plantation division. The operating profit of the plantation division improved by 26.1% yoy, mainly lifted by the higher selling price of CPO (2QFY25: RM4,116/mt vs 2QFY24: RM3,265/mt), despite CPO production was marginally lower. Meanwhile, the downstream division reported a steep 98.9% yoy drop in operating profit, impacted by losses in the non-oleochemical segment, refineries, and kernel crushing operations. Quarterly revenue rose +16.2% yoy to RM6.3bn.

QoQ. CNP declined -30.0% qoq, primarily due to the seasonal low harvest period, which led to a -15.4% qoq drop in FFB output. Consequently, lower CPO and PK sales volumes weighed on earnings. Nonetheless, revenue grew +6.6% qoq.

Outlook. In 6MFY25, FFB production reached 2.7m mt, meeting 44.6% of our forecasts of 6.1m mt. We expect profit from the plantation segment to moderate, given the prevailing softer CPO prices. That said, higher capacity utilisation and operational efficiencies in oleochemical operations, particularly from China and Europe should partly mitigate the effect. These efforts include optimisation of production lines, better feedstock cost management, and improved plant reliability, which could help elevate some pressure from upstream margin compression.

Dividend. Declared an interim single tier dividend of 20 sen per share with ex-date on 29 Jul 2025, translating into a dividend yield of 1%.

Earnings Revision. As reported figures were in line with expectations, we maintain our current earnings forecast.

Valuation. Following the recent price correction, we revised our recommendation to **BUY** (from HOLD) with unchanged target price of **RM21.60**, by pegging 18.2x P/E multiple to FY25F EPS and 0% ESG factored premium/discount based on three-star ESG rating.

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.

Results Note

Friday, 23 May, 2025

Results Comparison

FYE Sep (RM m)	2QFY25	2QFY24	yoy (%)	1QFY25	qoq (%)	6MFY25	6MFY24	yoy (%)	Comments
Revenue	6,337.5	5,455.4	16.2	5,945.5	6.6	12,282.9	11,091.4	10.7	
EBITDA	691.0	675.6	2.3	781.5	(11.6)	1,472.5	1,384.3	6.4	
Pre-tax profit	269.9	234.7	15.0	424.0	(36.3)	693.9	600.9	15.5	
Net profit	154.3	117.1	31.8	220.5	(30.0)	374.7	344.0	8.9	
Core net profit	254.1	111.3	128.3	397.0	(36.0)	651.1	320.2	103.4	Lifted by higher CPO and PKASP
Core EPS (sen)	23.3	10.2	128.3	36.5	(36.0)	59.8	29.4	103.4	
EBITDA margin (%)	10.9	12.4		13.1		12.0	12.5		
PBT margin (%)	4.3	4.3		7.1		5.6	5.4		
Core net profit margin (%)	4.0	2.0		6.7		5.3	2.9		

Source: Company, Apex Securities

Segmental Breakdown

FYE Sep (RM m)	2QFY25	2QFY24	yoy (%)	1QFY25	qoq (%)	6MFY25	6MFY24	yoy (%)	Comments
Revenue									
Plantation	751.6	983.6	(23.6)	1,062.8	(29.3)	1,814.4	1,934.7	(6.2)	
Manufacturing	5,419.7	4,379.5	23.8	4,758.1	13.9	10,177.7	8,856.5	14.9	
Property	39.7	56.7	(30.0)	44.1	(10.0)	83.8	127.0	(34.1)	
Other	126.5	35.5	256.3	80.5	57.2	207.0	173.1	19.6	
Total	6,337.5	5,455.4	16.2	5,945.5	6.6	12,282.9	11,091.4	10.7	
Operating Profit									
Plantation	446.4	353.9	26.1	567.5	(21.4)	1,013.9	717.6	41.3	
Manufacturing	0.9	82.3	(98.9)	(18.8)	nm	(17.9)	140.2	nm	Dragged by intense competition from refinery sub-
Property	4.0	7.0	(43.0)	7.5	(46.1)	11.5	18.7	(38.8)	
Other	34.4	(8.8)	nm	15.3	24.9	49.6	15.7	215.4	
Total	485.6	434.5	11.8	571.5	(15.0)	1,057.1	892.3	18.5	
Op. Profit margin (%)									
Plantation	59.4%	36.0%		53.4%		55.9%	37.1%		
Manufacturing	0.0%	1.9%		-0.4%		-0.2%	1.6%		
Property	10.1%	12.4%		16.9%		13.7%	14.8%		
Other	27.1%	-24.7%		19.0%		24.0%	9.1%		
Aggregate Total	7.7%	8.0%		9.6%		8.6%	8.0%		

Source: Company, Apex Securities

Results Note

Friday, 23 May, 2025

Financial Highlights

Income Statement

FYE Sep (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	23647.6	22273.7	25012.6	25091.2	25161.9
Operating Profit	1277.1	1340.9	1992.4	1810.1	1801.8
EBITDA	2444.6	2604.7	3288.1	3170.4	3182.1
Depreciation & Amortisation	966.2	1047.7	1070.5	1125.7	1136.2
EBIT	1478.4	1557.1	2217.6	2044.6	2045.9
Net Finance Income/ (Cost)	326.2	373.6	373.6	372.4	367.7
Associates & JV	-195.5	-126.5	-127.8	-129.1	-130.4
Pre-tax Profit	1152.2	1183.5	1844.0	1672.2	1678.2
Tax	-161.5	-445.4	-405.7	-401.3	-402.8
Profit After Tax	990.7	738.1	1438.3	1270.9	1275.4
Minority Interest	156.4	147.2	147.2	147.2	147.2
Net Profit	834.3	591.0	1291.2	1123.7	1128.2
Exceptionals	107.6	190.5	0.0	0.0	0.0
Core Net Profit	941.8	781.4	1291.2	1123.7	1128.2

Key Ratios

FYE Sep	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	86.5	71.8	118.6	103.2	103.6
P/E (x)	22.7	27.3	16.5	19.0	18.9
P/B (x)	1.3	1.4	1.4	1.4	1.3
EV/ EBITDA (x)	12.6	12.1	9.9	10.2	10.1
DPS (sen)	20.0	20.0	20.0	20.0	20.0
Dividend Yield (%)	1.0%	1.0%	1.0%	1.0%	1.0%
EBITDA margin (%)	10.3%	11.7%	13.1%	12.6%	12.6%
EBIT margin (%)	6.3%	7.0%	8.9%	8.1%	8.1%
PBT margin (%)	4.9%	5.3%	7.4%	6.7%	6.7%
PAT margin (%)	4.2%	3.3%	5.8%	5.1%	5.1%
NP margin (%)	3.5%	2.7%	5.2%	4.5%	4.5%
CNP margin (%)	4.0%	3.5%	5.2%	4.5%	4.5%
ROE (%)	5.8%	5.2%	8.4%	7.2%	7.1%
ROA (%)	3.1%	2.6%	4.2%	3.6%	3.6%
Gearing (%)	61.3%	74.8%	73.2%	71.9%	70.6%
Net gearing (%)	46.5%	58.9%	63.8%	61.8%	59.7%

Valuations

	FY25F
Core EPS (RM)	1.186
P/E multiple (x)	18.2
Fair Value (RM)	21.60
ESG premium/discount	0.0%
Implied Fair Value (RM)	21.60

Source: Company, Apex Securities

Balance Sheet

FYE Sep (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	2382.1	2383.5	1442.6	1585.1	1731.1
Receivables	2268.2	2130.8	2392.8	2400.3	2407.1
Inventories	2956.6	3216.9	3612.5	3623.9	3634.1
Other current assets	1873.8	1595.7	1595.7	1595.7	1595.7
Total Current Assets	9480.7	9327.0	9043.7	9205.1	9368.0
Fixed Assets	12905.6	13186.9	13867.3	13996.1	14118.0
Intangibles	52.9	46.9	46.9	46.9	46.9
Other non-current assets	7687.2	7968.9	7968.9	7968.9	7968.9
Total Non-current assets	20645.7	21202.8	21883.1	22012.0	22133.9
Short-term Debt	2891.4	4783.4	4783.4	4783.4	4783.4
Payables	817.7	744.8	819.1	828.4	831.2
Other Current Liabilities	1422.2	1482.5	1482.5	1482.5	1482.5
Total Current Liabilities	5131.3	7010.7	7085.0	7094.3	7097.1
Long-term Debt	7002.6	6441.8	6441.8	6441.8	6441.8
Other non-current liabilities	1848.7	2070.3	2070.3	2070.3	2070.3
Total Non-current Liabilities	8851.3	8512.1	8512.1	8512.1	8512.1
Shareholder's equity	14318.7	13704.3	14027.1	14308.0	14590.1
Minority interest	1825.0	1302.6	1302.6	1302.6	1302.6
Equity	16143.8	15006.9	15329.7	15610.6	15892.7

Cash Flow

FYE Sep (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	1152.2	1183.5	1844.0	1672.2	1678.2
Depreciation & amortisation	966.2	1047.7	1070.5	1125.7	1136.2
Changes in working capital	528.3	-195.9	-583.3	-9.6	-14.2
Others	-688.4	-350.7	-552.8	-548.5	-549.9
Operating cash flow	1958.3	1684.6	1778.3	2239.8	2250.3
Net capex	-1701.6	-1644.9	-1750.9	-1254.6	-1258.1
Others	120.6	-341.2	0.0	0.0	0.0
Investing cash flow	-1581.0	-1986.1	-1750.9	-1254.6	-1258.1
Changes in borrowings	457.7	1504.3	0.0	0.0	0.0
Issuance of shares	17.5	0.01	0.0	0.0	18.5
Dividends paid	-1078.4	-296.3	-968.4	-842.8	-846.2
Others	-109.8	-688.6	0.0	0.0	-18.5
Financing cash flow	-713.1	519.4	-968.4	-842.8	-846.2
Net cash flow	-335.7	217.9	-940.9	142.5	146.0
Forex	18.8	-135.3	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	2614.9	2298.0	2383.5	1442.6	1585.1
Ending cash	2298.0	2380.7	1442.6	1585.1	1731.1

Results Note

Friday, 23 May, 2025

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	GHG intensity fell 21% yoy to 0.22mt CO2 eq/ mt in FY24. Close to hitting its FY30 target of 0.21 mt CO2 eq/mt.
Waste & Effluent	★★★	Total waste generated was down by 5% to 52,208 mt in FY24.
Energy	★★★	Energy consumption rose from 26,631,237 GJ to 26,703,310 GJ, where the bulk was generated from renewable fuel.
Water	★★	Water consumption increased 4% yoy to 16,310,311 m3 in FY24.
Compliance	★★★	In compliance with local and international environmental regulations.

Social

Diversity	★★★	20% of total workforce are female with most of them at executive level.
Human Rights	★★★	Enforce and adopts Code of Ethics and Conduct
Occupational Safety and Health	★★	While LTI h reduced by 23% from FY20-FY24, the group has reported 4 fatal incidents in FY24.
Labour Practices	★★★	Pay scale based on prevailing industry market rates as stipulated by the Act 732 National Wages Consultative Council Act

Governance

CSR Strategy	★★★	Allocated RM11.8m to sustain and manage more than 200 childcare centres, learning centres, and schools within the Group's estates in FY24.
Management	★★	Average board members age @ 64, 2/8 female board composition, 4/8 Independent Directors
Stakeholders	★★	Lack of consistency in analyst briefing, 1x AGM per annum

Overall ESG Scoring: ★★★

Recommendation Framework:

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 + dividend yield

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.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.