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Recommendation:	HOLD
Current Price:	RM 19.64
Previous Target Price:	RM 19.90
Target Price:	↔ RM 19.90
Capital Upside/Downside:	1.3%
Dividend Yield (%):	3.1%
Total Upside/Downside	4.4%

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)	21,872.3
52-Week Price Range (RM)	22.66- 18.34
Beta (x)	0.9
Freefloat (%)	45.4
3M Average Volume (m)	0.4
3M Average Value (RM' m)	7.2

Top 3 Shareholders

	(%)
Batu Kawan Bhd	48.2
Employees Provident Fund Board	16.3
Lembaga Kemajuan Tanah Neg	3.5

Share Price Performance

	1M	3M	12M
Absolute (%)	-1.7	-3.5	-7.4
Relative (%)	-5.3	-7.5	-2.3

Earnings Summary	FY24	FY25F	FY26F
Revenue (RM'm)	22274	25013	24804
PATAMI (RM'm)	591	1291	1124
CNP (RM'm)	781	1291	1124
EPS - core (sen)	72	119	103
P/E(x)	27.7	16.8	19.2

Kuala Lumpur Kepong Berhad

Robust Plantation Performance

- **KLK recorded CNP of RM344.1m (+ 11.9% YoY and +42.1% QoQ) in 3QFY25, bringing 9MFY25 CNP to RM983.2m (+56.6% YoY) which was within our forecast (76.2%) but above consensus projection (86.2%).**
- **Upstream profits are expected to remain solid with peak-season FFB output, while downstream margins face pressure from higher feedstock costs.**
- **Property outlook stays anchored by Bandar Seri Coalfields and Caledonia, though margins may soften due to middle-class market launches, with no industrial or commercial launches planned in FY25.**
- **No change to our forecasts. Keep our HOLD recommendation with unchanged target price of RM19.90, based on 19.3x FY26F EPS and neutral ESG adjustment (three-star ESG rating).**

Results within expectations. 9MFY25 CNP of RM983.2m was within our forecast (76.2%) but above consensus (86.2%). CNP was derived after adjusting one-off items totalling +RM261.9m (Foreign exchange loss: +RM96.7m, loss on derivatives: +RM149.1m, provision for inventory write-offs: +25.7m and others: -RM9.7m).

YoY. 3QFY25 CNP rose 11.9% YoY to RM344.1m, driven mainly by higher contributions from the plantation division. Operating profit in plantations surged 74.3%, supported by stronger CPO/PK selling prices and higher FFB output. The manufacturing division also recorded a 16% YoY increase in operating profit, as the refinery segment rebounded from earlier losses. However, the oleo division continued to face headwinds in Europe and Malaysia, while operations in China remained resilient. Quarterly revenue rose 16.9% YoY to RM6.4bn.

QoQ. CNP surged 42.1% QoQ, underpinned by strong growth in the plantation and manufacturing segments. Plantation division's operating profit rose 37.1% QoQ to RM611.8m, supported by higher ASP for PK (RM3,420/mt, +4.7% QoQ), and improved CPO/PK sales volume. Manufacturing division's operating profit jumped to RM66.3m from RM0.9m in 2QFY25, driven by improved refinery and kernel crushing operations. Nonetheless, revenue only grew modestly at +1.5% QoQ.

Outlook. In 3QFY25, FFB output climbed 12.1% YoY, bringing 9MFY25 production to 4.2m mt, or 72% of our target. With the Group heading into its peak harvest season, we expect the upstream business to post solid profits. On the flip side, the downstream segment could still see margin pressure from higher feedstock costs. Under the property arm, we believe long-term outlook remains intact, anchored by the two key townships, Bandar Seri Coalfields (BSC) and Caledonia. That said, margins could soften as new launches are currently concentrated in Caledonia, which targets the middle-class market. We also understand there are no industrial or commercial launches planned in FY25.

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

Valuation. We keep our recommendation to **HOLD** with unchanged target price of **RM19.90**, based on 19.3x FY26F EPS and neutral ESG adjustment (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

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Results Comparison

FYE Sep (RM m)	3QFY25	3QFY24	yoy (%)	2QFY25	qoq (%)	9MFY25	9MFY24	yoy (%)	Comments
Revenue	6,432.3	5,503.3	16.9	6,337.5	1.5	18,715.3	16,594.7	12.8	Quarterly YoY: CPQ/PKASP, FFB output rose
EBITDA	896.2	727.0	23.3	691.0	29.7	2,368.6	2,111.3	12.2	
Pre-tax profit	525.4	364.1	44.3	269.9	94.6	1,219.3	964.9	26.4	
PATAMI	346.6	241.2	43.7	154.3	124.7	721.3	585.2	23.3	
Core net profit	344.1	307.5	11.9	242.1	42.1	983.2	627.7	56.6	
Core EPS (sen)	31.6	28.2	11.9	22.2	42.1	90.3	57.6	56.6	Mainly boosted by Upstream division
EBITDA margin (%)	13.9	13.2		10.9		12.7	12.7		
PBT margin (%)	8.2	6.6		4.3		6.5	5.8		
Core net profit margin (%)	5.3	5.6		3.8		5.3	3.8		

Source: Company, Apex Securities

Segmental Breakdown

FYE Sep (RM m)	3QFY25	3QFY24	yoy (%)	2QFY25	qoq (%)	9MFY25	9MFY24	yoy (%)	Comments
Revenue									
Plantation	925.3	898.0	3.0	751.6	23.1	2,739.6	2,832.8	(3.3)	
Manufacturing	5,383.8	4,464.9	20.6	5,419.7	(0.7)	15,561.5	13,321.4	16.8	
Property	66.6	78.2	(14.9)	39.7	67.8	150.4	205.3	(26.7)	
Other	56.7	62.2	(8.8)	126.5	(55.2)	263.8	235.3	12.1	
Total	6,432.3	5,503.3	16.9	6,337.5	1.5	18,715.3	16,594.7	12.8	
Operating Profit									
Plantation	611.8	351.0	74.3	446.4	37.1	1,625.7	1,068.6	52.1	
Manufacturing	66.3	57.1	16.0	0.9	7,437.0	48.4	197.3	(75.5)	Quarterly YoY: Rebound in refinery segment
Property	9.2	18.9	(51.3)	4.0	129.5	20.7	37.7	(45.1)	
Other	19.6	7.2	173.4	34.4	(43.1)	69.2	22.9	202.3	
Total	706.8	434.2	62.8	485.6	45.6	1,764.0	1,326.5	33.0	
Op. Profit margin (%)									
Plantation	66.1%	39.1%		59.4%		59.3%	37.7%		
Manufacturing	1.2%	1.3%		0.0%		0.3%	1.5%		
Property	13.8%	24.2%		10.1%		13.8%	18.4%		YoY: margin eroded due to new launches in Caledor
Other	34.5%	11.5%		27.1%		26.2%	9.7%		
Aggregate Total	11.0%	7.9%		7.7%		9.4%	8.0%		

Source: Company, Apex Securities

Results Note

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Financial Highlights

Income Statement

FYE Sep (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	23648	22274	25013	24804	24872
Operating Profit	1277	1341	2012	1847	1826
EBITDA	2640	2731	3435	3344	3391
Depreciation & Amortisation	966	1048	1071	1134	1190
EBIT	1674	1684	2365	2211	2200
Net Finance Income/ (Cost)	-326	-374	-393	-409	-392
Associates & JV	-196	-127	-128	-129	-130
Pre-tax Profit	1152	1183	1844	1672	1678
Tax	-162	-445	-406	-401	-403
Profit After Tax	991	738	1438	1271	1275
Minority Interest	156	147	147	147	147
Net Profit	834	591	1291	1124	1128
Exceptionals	108	190	0	0	0
Core Net Profit	942	781	1291	1124	1128

Key Ratios

FYE Sep	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	86.5	71.8	118.6	103.2	103.6
P/E (x)	23.0	27.7	16.8	19.2	19.2
P/B (x)	1.3	1.4	1.4	1.3	1.2
EV/EBITDA (x)	11.7	11.6	9.5	9.6	9.4
DPS (sen)	60.0	60.0	60.0	60.0	60.0
Dividend Yield (%)	3.0%	3.0%	3.0%	3.0%	3.0%
EBITDA margin (%)	11.2%	12.3%	13.7%	13.5%	13.6%
EBIT margin (%)	7.1%	7.6%	9.5%	8.9%	8.8%
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%	8.3%	6.8%	6.5%
ROA (%)	3.1%	2.6%	4.1%	3.4%	3.3%
Gearing (%)	61.3%	74.8%	74.8%	72.0%	68.0%
Net gearing (%)	46.5%	58.9%	61.1%	56.3%	52.0%

Valuations

	FY26F
Core EPS (RM)	1032
P/E multiple (x)	19.3
Fair Value (RM)	19.90
ESG premium/discount	0.0%
Implied Fair Value (RM)	19.90

Source: Company, Apex Securities

Balance Sheet

FYE Sep (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	2382	2384	2138	2596	2791
Receivables	2268	2131	2393	2373	2379
Inventories	2957	3217	3613	3582	3592
Other current assets	1874	1596	1596	1596	1596
Total Current Assets	9481	9327	9739	10147	10358
Fixed Assets	12906	13137	13964	14662	15308
Intangibles	53	47	47	47	47
Other non-current assets	7687	7969	7969	7969	7969
Total Non-current assets	20646	21203	21979	22678	23324
Short-term Debt	2891	4783	4987	5076	5055
Payables	818	745	818	817	820
Other Current Liabilities	1422	1482	1482	1482	1482
Total Current Liabilities	5131	7011	7288	7375	7358
Long-term Debt	7003	6442	6716	6836	6808
Other non-current liabilities	1849	2070	2070	2070	2070
Total Non-current Liabilities	8851	8512	8786	8906	8878
Shareholder's equity	14319	13704	14342	15241	16143
Minority interest	1825	1303	1303	1303	1303
Equity	16144	15007	15645	16544	17446

Cash Flow

FYE Sep (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	1152	1183	1844	1672	1678
Depreciation & amortisation	966	1048	1071	1134	1190
Changes in working capital	528	-196	-584	49	-13
Others	-688	-351	-553	-548	-550
Operating cash flow	1958	1685	1778	2306	2305
Net capex	-1702	-1645	-1847	-1832	-1837
Others	121	-341	0	0	0
Investing cash flow	-1581	-1986	-1847	-1832	-1837
Changes in borrowings	458	1504	477	209	-48
Issuance of shares	17	0	0	0	18
Dividends paid	-1078	-296	-653	-225	-226
Others	-110	-689	0	0	-18
Financing cash flow	-713	519	-176	-16	-274
Net cash flow	-336	218	-246	459	194
Forex	19	-135	0	0	0
Others	-86	-81	0	0	0
Beginning cash	2785	2382	2384	2138	2596
Ending cash	2382	2384	2138	2596	2791

Results Note

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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.