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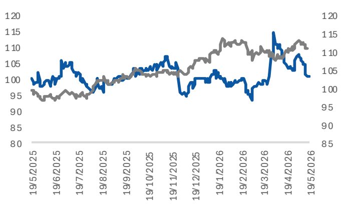
Recommendation:	**BUY**
Current Price:	RM 20.20
Previous Target Price:	RM 26.40
Target Price: ↓	RM 22.06
Capital Upside/Downside:	9.2%
Dividend Yield (%):	3.1%
Total Upside/Downside	**12.3%**

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)	22,495.9
52-Week Price Range (RM)	23.18 - 18.6
Beta (x)	0.8
Free float (%)	45.0
3M Average Volume (m)	0.8
3M Average Value (RM' m)	17.5

Top 3 Shareholders	**(%)**
Batu Kawan Bhd	48.4
Employees Provident Fund Board	19.5
Lembaga Kemajuan Tanah Neg	3.5

Share Price Performance vs KLCI



	1M	3M	12M
Absolute (%)	-4.2	0.9	1.0
Relative (%)	-6.0	2.3	-9.0

Earnings Summary	**FY25**	**FY26F**	**FY27F**
Revenue (RM'm)	25019.5	24953.7	25355.1
PATAMI (RM'm)	817.3	1400.0	1328.2
CNP (RM'm)	1159.1	1400.0	1328.2
EPS - core (sen)	1.0	1.3	1.2
P/E (x)	19.4	16.1	16.9

Kuala Lumpur Kepong Berhad

Plantations Recovery Offset by Manufacturing Margins Pressure

- **KLK recorded 2QFY26 CNP of RM276.8m (+14% YoY and -18% QoQ) in 3QFY25, bringing 2HFY26 CNP to RM614.9m (+56.6% YoY) which missed our forecast at 40% but within consensus at 46%.**
- **Higher CPO prices and seasonal FFB harvests should lift Plantations earnings, but Manufacturing margins are expected to remain suppressed despite potential revenue growth.**
- **Maintain BUY with revised target price of RM22.06, by pegging 18.5x P/E multiple to FY27F EPS and 0% ESG factored premium/discount based on three-star ESG rating.**

Results within expectations. 1HFY26 CNP of RM614.9m missed our expectations at 40% but was within consensus at 46%. CNP was derived after excluding the following items:

- Net write-off of receivables: RM1.64m
- Net write-off of inventories: RM4.29m
- Surplus on land transactions: -RM127.51m
- Net foreign exchange gain: -RM51.19m
- Net loss in derivatives: RM111.20m

YoY. 2QFY26 CNP rose by 14% YoY to RM276.8m, driven mainly by higher revenue contributions from the Manufacturing division and the absence of JV losses. Plantations operating profit fell 20% YoY to RM355.2m, due to weaker CPO/PK prices despite higher volumes of CPO and PK sold and a reduction in CPO production costs. Manufacturing operating profit rose 197% YoY to RM2.6m, mostly due to a lower base of RM0.9m. Overall, quarterly revenue rose 3% YoY to RM6.55bn.

QoQ. CNP fell 18% QoQ, due to lower revenue contributions from Plantations and tighter operating margins in Manufacturing. Plantations operating profit fell 44% QoQ from RM630m, owing to lower CPO/PK prices and sales volume. Manufacturing operating profit fell 97% QoQ to RM2.6m from RM82.9m, due to Refinery losses and continued loss-making in Non-oleochemicals. This is despite a 5% QoQ increase in overall Manufacturing revenue from RM5.4bn to RM5.7bn. Overall, quarterly revenue rose 3% QoQ from RM6.35bn.

Operational highlights. FFB, CPO, and PK production have improved YoY and Rubber production continues to decline owing to the Group's diversification away from Rubber plantations. However, CPO/PK ASPs fell both QoQ and YoY.

Figure 1: YTD production for CY25/26

	CY25	CY26	YoY
FFB (MT)	1,766,847	1,828,450	3.5%
CPO (MT)	425,777	461,290	8.3%
PK (MT)	80,414	89,335	11.1%
Rubber (kg)	1,140,793	744,302	-34.8%

Source: Company

Figure 2: YoY and QoQ CPO/PK average selling prices

	1QCY25	4QCY25	1QCY26	YoY	QoQ
CPO	4,116	3,845	3,688	-10.4%	-4.1%
MK	3,265	3,239	3,183	-2.5%	-1.7%

Source: Company
Note: Prices are RM/mt ex-mill. Financial year ends in 30th Sept.

Dividend. An interim single tier dividend of 20 sen per share was announced with an ex-date of 9th July 2026.

Outlook. Regarding Plantations, higher CPO price expectations for 2HFY26 and FY27 (Financial year ending 30th Sept) alongside higher seasonal FFB harvests and thus CPO production which should lead to improvements in the segment. On the other hand, Manufacturing margins have been compressed recently with operating margins shrinking to <1%. Note that these margins were before the Hormuz conflict and amid depressed CPO prices. Thus, we believe that Manufacturing operating margins will continue to be suppressed, owing to higher CPO feedstock prices for the Oleochemical segment.

Earnings Revision and Assumptions. Owing to our expectations of improvements in Plantation volume and ASPs, we revise our FY26/27 revenue upwards by 4%/2%. In addition, we make the assumption that Manufacturing operating margins are expected to compress and remain at circa 0.20%. Lastly, we incorporate minority interest assumptions into our forecasts. Consequently, our CNP estimates for FY26/27 are adjusted lower by 8%/16%.

Valuation. We retain our BUY recommendation with a revised target price of **RM22.06**, from RM26.40 previously, by pegging 18.5x P/E multiple to FY27F EPS and 0% ESG factored premium/discount based on three-star ESG rating.

Risk. EU export bans and regulations, adverse weather affecting FFB production, Indonesia's taxation and export policies affecting CPO demand, labour shortages, rising operating costs, and downstream competition.

KDN PP13226/06/2024 (035469)

Results Comparison

FYE Sep (RM m)	2QFY26	2QFY25	yoy (%)	1QFY26	qoq (%)	6MFY26	6MFY25	yoy (%)
Revenue	6,549.6	6,337.5	*3.3*	6,348.3	*3.2*	12,897.9	12,282.9	*5.0*
EBITDA	766.7	691.0	*11.0*	951.9	*(19.5)*	1,718.7	1,472.5	*16.7*
Pre-tax profit	411.2	269.9	*52.3*	596.4	*(31.1)*	1,007.6	693.9	*45.2*
PATAMI	294.0	154.3	*90.6*	382.4	*(23.1)*	676.5	374.7	*80.5*
Core net profit	276.8	242.1	*14.3*	338.1	*(18.1)*	614.9	639.1	*(3.8)*
Core EPS (sen)	24.9	21.7	*14.3*	30.4	*(18.1)*	55.2	57.4	*(3.8)*
EBITDA margin (%)	11.7	10.9		15.0		13.3	12.0	
PBT margin (%)	6.3	4.3		9.4		7.8	5.6	
Core net profit margin (%)	4.2	3.8		5.3		4.8	5.2	

Source: Company, Apex Securities

Segmental Breakdown

FYE Sep (RM m)	2QFY26	2QFY25	yoy (%)	1QFY26	qoq (%)	6MFY26	6MFY25	yoy (%)
Revenue								
Plantation	697.8	751.6	*(7.2)*	795.2	*(12.3)*	1,493.0	1,814.4	*(17.7)*
Manufacturing	5,703.8	5,419.7	*5.2*	5,433.9	*5.0*	11,137.6	10,177.7	*9.4*
Property	25.7	39.7	*(35.3)*	28.2	*(8.8)*	53.8	83.8	*(35.7)*
Other	122.4	126.5	*(3.2)*	91.1	*34.4*	213.5	207.0	*3.1*
Total	**6,549.6**	**6,337.5**	***3.3***	**6,348.3**	***3.2***	**12,897.9**	**12,282.9**	***5.0***
Operating Profit								
Plantation	355.2	446.4	*(20.4)*	630.0	*(43.6)*	985.2	1,013.9	*(2.8)*
Manufacturing	2.6	0.9	*196.9*	82.9	*(96.9)*	85.6	(17.9)	*nm*
Property	1.3	4.0	*(67.3)*	2.6	*(50.0)*	3.9	11.5	*(65.7)*
Other	40.5	34.4	*17.8*	27.4	*47.7*	67.9	49.6	*36.8*
Total	**399.6**	**485.6**	***(17.7)***	**743.0**	***(46.2)***	**1,142.6**	**1,057.1**	***8.1***
Op. Profit margin (%)								
Plantation	50.9%	59.4%		79.2%		66.0%	55.9%	
Manufacturing	0.0%	0.0%		1.5%		0.8%	-0.2%	
Property	5.1%	10.1%		9.3%		7.3%	13.7%	
Other	33.1%	27.1%		30.1%		31.8%	24.0%	
Aggregate Total	**6.1%**	**7.7%**		**11.7%**		**8.9%**	**8.6%**	

Source: Company, Apex Securities

Financial Highlights

Income Statement

FYE Sep (RM m)	FY23	FY24	FY25	FY26F	FY27F
Revenue	**23647.6**	**22273.7**	**25019.5**	**24953.7**	**25355.1**
Operating Profit	**1753.4**	**1762.8**	**2109.6**	**2486.6**	**2371.7**
EBITDA	**2714.2**	**2803.0**	**3149.0**	**3560.6**	**3519.3**
Depreciation & Amortisation	960.7	1040.2	1039.4	1074.0	1147.6
EBIT	**1753.4**	**1762.8**	**2109.6**	**2556.2**	**2425.4**
Net Finance Income/ (Cost)	-405.7	-452.8	-488.0	-506.4	-468.0
Associates & JV	-195.5	-126.5	-108.0	0.0	0.0
Pre-tax Profit	**1152.2**	**1183.5**	**1513.6**	**2049.8**	**1957.3**
Tax	-161.5	-445.4	-540.1	-492.0	-469.8
Profit After Tax	**990.7**	**738.1**	**973.6**	**1557.9**	**1487.6**
Minority Interest	-156.4	-147.2	-156.3	-157.8	-159.4
Net Profit	**834.3**	**591.0**	**817.3**	**1400.0**	**1328.2**
Exceptionals	-113.8	-192.7	341.8	0.0	0.0
Core Net Profit	**720.5**	**398.2**	**1159.1**	**1400.0**	**1328.2**

Key Ratios

FYE Dec	FY23	FY24	FY25	FY26F	FY27F
EPS (sen)	0.65	0.36	1.04	1.26	1.19
P/E (x)	31.2	56.5	19.4	16.1	16.9
P/B (x)	1.4	1.5	1.5	1.4	1.3
EV/EBITDA (x)	11.8	11.8	10.6	9.1	9.1
DPS (sen)	0.97	0.27	0.29	0.63	0.60
Dividend Yield (%)	4.8%	1.3%	1.4%	3.1%	3.0%
EBITDA margin (%)	11.5%	12.6%	12.6%	14.3%	13.9%
EBIT margin (%)	7.4%	7.9%	8.4%	10.2%	9.6%
PBT margin (%)	4.9%	5.3%	6.0%	8.2%	7.7%
PAT margin (%)	4.2%	3.3%	3.9%	6.2%	5.9%
NP margin (%)	3.5%	2.7%	3.3%	5.6%	5.2%
CNP margin (%)	3.0%	1.8%	4.6%	5.6%	5.2%
ROE (%)	4.5%	2.7%	7.5%	8.6%	7.8%
ROA (%)	2.4%	1.3%	3.7%	4.5%	4.2%
Gearing (%)	62.4%	77.3%	77.8%	64.8%	59.8%
Net gearing (%)	47.7%	61.4%	61.8%	53.0%	48.6%

Valuations	FY27F
Core EPS (RM)	1.193
P/E multiple (x)	18.5
Fair Value (RM)	**22.06**
ESG premium/discount	0.0%
Implied Fair Value (RM)	**22.06**

Source: Company, Apex Securities

Balance Sheet

FYE Sep (RM m)	FY23	FY24	FY25	FY26F	FY27F
Cash	2382.1	2383.5	2480.6	1914.8	1909.8
Receivables	2268.2	2130.8	2440.9	2434.5	2473.7
Inventories	2956.6	3216.9	4102.6	3806.5	4111.5
Other current assets	1873.8	1595.7	1608.4	1608.4	1608.4
Total Current Assets	**9480.7**	**9327.0**	**10632.6**	**9764.2**	**10103.4**
Fixed Assets	12905.6	13186.9	12958.9	12989.4	13022.0
Other non-current assets	7740.0	8015.8	8146.1	8146.1	8146.1
Total Non-current assets	**20645.7**	**21202.8**	**21105.0**	**21135.5**	**21168.1**
Short-term Debt	2917.4	4806.0	5262.9	5038.6	5949.6
Payables	817.7	744.8	776.0	720.0	777.7
Other Current Liabilities	1396.2	1459.9	1693.2	1693.2	1693.2
Total Current Liabilities	**5131.3**	**7010.7**	**7732.1**	**7451.8**	**8420.5**
Long-term Debt	7157.7	6788.0	6791.0	5501.2	4211.4
Other non-current liabilities	1693.6	1724.1	1727.8	1687.3	1646.9
Total Non-current Liabilities	**8851.3**	**8512.1**	**8518.8**	**7188.6**	**5858.4**
Shareholder's equity	14318.7	13704.3	14243.7	14943.7	15607.8
Minority interest	1825.0	1302.6	1243.0	1315.6	1384.8
Equity	**16143.8**	**15006.9**	**15486.7**	**16259.3**	**16992.6**

Cash Flow

FYE Sep (RM m)	FY23	FY24	FY25	FY26F	FY27F
Pre-tax profit	**1152.2**	**1183.5**	**1513.6**	**2049.8**	**1957.3**
Depreciation & amortisation	960.7	1040.2	1039.4	1074.0	1147.6
Changes in w orking capital	385.9	-214.4	-1165.5	246.5	-286.5
Others	-540.5	-324.6	-96.6	-532.4	-510.2
Operating cash flow	**1958.3**	**1684.6**	**1291.0**	**2837.9**	**2308.3**
Net capex	-1554.5	-1641.4	-1014.4	-1104.4	-1180.2
Others	-26.4	-344.7	-8.5	0.0	0.0
Investing cash flow	**-1581.0**	**-1986.1**	**-1023.0**	**-1104.4**	**-1180.2**
Changes in borrow ings	481.7	1510.9	357.7	-1514.1	-378.8
Dividends paid	-1078.4	-296.3	-325.8	-700.0	-664.1
Others	-116.3	-695.2	-215.2	-85.2	-90.2
Financing cash flow	**-713.1**	**519.4**	**-183.3**	**-2299.3**	**-1133.1**
Net cash flow	**-335.7**	**217.9**	**84.6**	**-565.9**	**-5.0**
Forex	18.8	-135.3	-31.3	0.0	0.0
Others	84.1	2.9	46.6	46.6	46.6
Beginning cash	2614.9	2298.0	2380.7	2434.0	1868.2
Ending cash	**2382.1**	**2383.5**	**2480.6**	**1914.8**	**1909.8**

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	The Group has achieved a 25% reduction in greenhouse gas (GHG) emission intensity for Scope 1 and Scope 2 compared to its FY19 baseline.
Waste & Effluent	★★★	Utilized 39 Filter Belt Press units to recover organic solids from palm oil mill effluent (POME) for use as soil amendments, avoiding 239,623 mt CO2eq of GHG emissions in FY25.
Energy	★★★	The Group derived 59% of its total energy consumption from renewable sources.
Water	★★★	The Group recycled and reused 6,143,372 m^3 of water, up from 5,687,182 m^3 the previous year.
Compliance	★★★	All of KLK's estates and palm oil mills in Malaysia reached 100% RSPO certification in FY25.

Social

Diversity	★★★	Gender representation at the highest level improved in FY25, with the Board of Directors reaching 30% female participation following a new appointment.
Human Rights	★★★	Maintained commitment to zero tolerance for exploitation, reporting no incidents of forced or child labor across operations during FY25.
Occupational Safety and Health	★★★	Achieved a 38% reduction in Lost Time Injury (LTI) in FY25 compared to FY20, significantly exceeding target of a 25% reduction.
Labour Practices	★★★	Completed a three-year RM65.5 million worker housing initiative in Peninsular Malaysia, constructing or upgrading approximately 1,500 units to improve living conditions and workforce stability.

Governance

CSR Strategy	★★★	The Group allocated a RM28.6 million community budget in FY25, supporting 54,072 beneficiaries through investments in education, healthcare, and humanitarian aid.
Management	★★★	Robust five-tier sustainability governance structure, ensuring that climate-related risks and strategies are overseen directly by the Board and cascaded through dedicated steering and working committees.
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

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

As of **Tuesday, 19 May, 2026**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:
(a) nil.