

Research Team

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Recommendation:	BUY
Current Price:	RM21.92
Previous Target Price:	RM25.47
Target Price:	↓ RM23.80
Capital Upside/Downside:	8.6%
Dividend Yield (%):	2.9%
Total Upside/Downside	11.5%

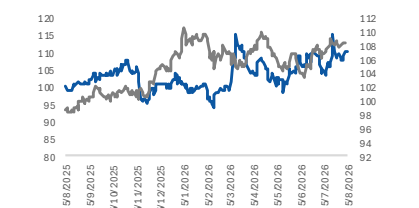
Stock information

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)	24,411.4
52-Week Price Range (RM)	23.18-18.6
Beta (x)	0.7
Free float (%)	45.0
3M Average Volume (m)	0.6
3M Average Value (RM' m)	13.5

Top 3 Shareholders

	(%)
Batu Kawan Bhd	48.4
Employees Provident Fund Board	19.6
Lembaga Kemajuan Tanah Neg	3.5

Share Price Performance vs KLCI



	1M	3M	12M
Absolute (%)	5.0	10.0	10.4
Relative (%)	2.8	7.7	0.5

Earnings Summary	FY25	FY26F	FY27F
Revenue (RM'm)	25019.5	25042.1	25620.3
PATAMI (RM'm)	817.3	1353.4	1433.1
CNP (RM'm)	1159.1	1353.4	1433.1
EPS - core (sen)	1.0	1.2	1.3
P/E(x)	21.0	18.0	17.0

Kuala Lumpur Kepong Berhad

Higher CPO Prices to Support Earnings Amid Yield and Margin Pressures

- **KLK recorded 3QFY26 CNP of RM287.4m (-16.5% YoY and +3.8% QoQ), bringing 9MFY26 CNP to RM902.3m (-8.2% YoY) which missed our forecast at 61% but narrowly missing consensus at 69%.**
- **Higher CPO prices are expected to support KLK's plantation earnings in 4QFY26 and 6MFY27, driven by El Niño-related supply constraints and stronger Indonesian biodiesel demand, though FFB yields are projected to decline by about 7% in 2Q-3QFY27.**
- **Manufacturing earnings should continue recovering, but higher CPO feedstock costs may pressure oleochemical margins and refining remains weak, while ongoing Synthomer losses are expected to remain a drag on overall earnings.**
- **Maintain BUY with a lower TP of RM23.80 (from RM25.47 previously), by pegging 18.5x P/E multiple to our revised lower FY27F EPS estimate.**

Results missed expectations. 9MFY26 CNP of RM902.3m was at 61.4% and 69.2% of our and consensus expectations respectively. CNP missed our expectations due to higher-than-expected quarterly net JV & associate loss of -RM158.9m. 3QFY26 CNP was derived after excluding the following non-core items:

- Impairment loss of investment in an associate: RM1,621.25m
- Provision for and write-off of receivables: RM7.82m
- Provision for and write-off of inventories: RM12.06m
- Surplus on disposal of land: -RM1.99m
- Loss on government acquisition of land: RM0.09m
- Foreign exchange loss: RM21.28m
- Gain on derivatives: -RM28.72m

Of note was the impairment loss of investment in an associate amounting to RM1.6bn referring to the Group's investment into Synthomer. As at 30 June 2026, the market value of the Group's investment in Synthomer plc was RM190.1m, significantly below its carrying amount of RM1,811m, net of cumulative impairment losses of RM240m recognised in prior years. The Group had recognized the impairment owing to the prolonged decline in Synthomer's market value, together with its slower-than-expected earnings recovery. Accordingly, the Group recognised the impairment loss, based on a recoverable amount of RM190.1 million, determined as the higher of value in use and fair value less costs of disposal.

9MFY26. 9MFY26 CNP had fallen 8.2% from RM983.2m, partially driven by higher JV losses throughout the year. Thus far, 9MFY26 net JV & Associate results stood at -RM158.6m (9MFY25: -RM49.39m). This is despite positive results in Plantation and Manufacturing operating profit of RM1,643.5m (+1.1%) and RM222m (358.9%) respectively.

YoY. 3QFY26 CNP fell by 16.5% to RM287.4m, driven mainly by the Group's share of associate losses in Synthomer which had overridden improvements in Plantation and Manufacturing operating profit rising to RM658.3m (+7.6%) and RM136.5m (+106%) respectively. The gains in Plantation were attributed to higher PK prices of RM3,488 (3QFY25: RM3,420) and higher CPO and PK sales volume which was partially offset by softer CPO ASPs at RM3,756 (3QFY25: RM3,912). Manufacturing saw higher profit contributions from the Oleochemical division while the non-Oleochemical division saw lower losses.

QoQ. CNP rose 3.8% QoQ, due to higher operating profit contributions from Plantations and Manufacturing. Plantations operating profit rose 85.3% while Manufacturing operating profit rose significantly by 5,128% from just RM2.6m in 2QFY26. Plantations had improved on the back of higher CPO and PK prices in 2QCY26 whereby CPO price increases followed the onset of the Middle-East conflict. Also, higher CPO and PK volumes were sold. As for Manufacturing, higher

profit contributions from Oleochemicals and a reduced loss from Non-oleochemicals had more than offset losses incurred by Refineries.

Operational highlights. FFB, CPO, and PK production continues to improve YoY, however, Rubber production continues to decline owing to the Group's diversification away from Rubber plantations. Nevertheless, CPO ASPs rose QoQ but fell YoY while PK ASPs rose QoQ and YoY.

Figure 1: YTD production for CY25/26 ending July

	CY25	CY26	YoY
FFB (MT)	3,158,244	3,361,229	6.4%
CPO (MT)	770,817	840,063	9.0%
PK (MT)	145,393	161,133	10.8%
Rubber (kg)	2,008,619	1,239,951	-38.3%

Source: Company

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

	2QCY25	1QCY26	2QCY26	YoY	QoQ
CPO	3,912	3,688	3,756	-4.0%	1.8%
PK	3,420	3,183	3,488	2.0%	9.6%

Source: Company

Note: Financial year ends in 30th Sept.

Outlook. Regarding Plantations, we expect higher CPO prices to support topline performance in Q4FY26 and 6MFY27 driven by supply constraints from El-Nino conditions and increasing ramp-up in demand from Indonesia's biodiesel programme. This would be partially offset by yield declines next year starting in 2QFY27. As mentioned in [our sector report](#), our expectations are for moderate-strong El Nino conditions to effect lower monthly FFB yields with KLK's yields to be impacted by 7% for 2Q & 3Q of FY27. We also had raised our average input CPO prices to RM4,800/RM4,600 in 1H/2HCY27 respectively. Regarding Manufacturing, despite recent performance, threats exist to the division's recovery. Although topline performance has improved overtime, higher CPO feedstock prices may begin to squeeze Oleochemical margins further though this impact on Group performance is somewhat mitigated by KLK's use of internal CPO feedstocks. Nevertheless, we expect Manufacturing earnings to continue recovering, although the magnitude of improvement will hinge largely on whether Oleochemical margin gains can outweigh persistent weakness in refining. Lastly, we expect persistent losses in Synthomer to continue weigh on earnings.

Earnings Revision and Assumptions. Although we have raised our earnings assumptions to reflect higher CPO prices, we have also incorporated higher expected associate losses from Synthomer. **Consequently, our FY26F/27F CNP estimates are lowered by 8%/7%.**

Valuation. We retain our BUY recommendation with a lower target price of **RM23.80**, from RM25.47 previously, by pegging 18.5x P/E multiple to our revised FY27F EPS of **RM1.29** 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.

Results Note

Wednesday, 26 Aug, 2026

Results Comparison

FYE Sep (RM m)	3QFY26	3QFY25	yoy (%)	2QFY26	qoq (%)	9MFY26	9MFY25	yoy (%)
Revenue	7,054.1	6,432.3	9.7	6,549.6	7.7	19,952.1	18,715.3	6.6
EBITDA	(620.9)	896.2	<i>nm</i>	766.7	<i>nm</i>	1,097.8	2,368.6	(53.7)
Pre-tax profit	(1,129.5)	525.4	<i>nm</i>	411.2	<i>nm</i>	(121.9)	1,219.3	<i>nm</i>
PATAMI	(1,344.4)	346.6	<i>nm</i>	294.0	<i>nm</i>	(668.0)	721.3	<i>nm</i>
Core net profit	287.4	344.1	(16.5)	276.8	3.8	902.3	983.2	(8.2)
Core EPS (sen)	25.8	30.9	(16.5)	24.9	3.8	81.0	88.3	(8.2)
EBITDA margin (%)	(8.8)	13.9		11.7		5.5	12.7	
PBT margin (%)	(16.0)	8.2		6.3		(0.6)	6.5	
Core net profit margin (%)	4.1	5.3		4.2		4.5	5.3	

Source: Company, Apex Securities

Segmental Breakdown

FYE Sep (RM m)	3QFY26	3QFY25	yoy (%)	2QFY26	qoq (%)	9MFY26	9MFY25	yoy (%)
Revenue								
Plantation	788.9	925.3	(14.7)	697.8	13.1	2,281.8	2,739.6	(16.7)
Manufacturing	6,201.1	5,383.8	15.2	5,703.8	8.7	17,338.8	15,561.5	11.4
Property	35.0	66.6	(47.4)	25.7	36.4	88.9	150.4	(40.9)
Other	29.1	56.7	(48.7)	122.4	(76.2)	242.6	263.8	(8.0)
Total	7,054.1	6,432.3	9.7	6,549.6	7.7	19,952.1	18,715.3	6.6
Operating Profit								
Plantation	658.3	611.8	7.6	355.2	85.3	1,643.5	1,625.7	1.1
Manufacturing	136.5	66.3	106.0	2.6	5,128.0	222.0	48.4	358.9
Property	7.2	9.2	(22.0)	1.3	448.0	11.1	20.7	(46.2)
Other	(20.1)	19.6	<i>nm</i>	40.5	<i>nm</i>	47.8	69.2	(30.9)
Total	781.9	706.8	10.6	399.6	95.6	1,924.4	1,764.0	9.1
Op. Profit margin (%)								
Plantation	83.4%	66.1%		50.9%		72.0%	59.3%	
Manufacturing	2.2%	1.2%		0.0%		1.3%	0.3%	
Property	20.5%	13.8%		5.1%		12.5%	13.8%	
Other	-69.0%	34.5%		33.1%		19.7%	26.2%	
Aggregate Total	11.1%	11.0%		6.1%		9.6%	9.4%	

Source: Company, Apex Securities

Results Note

Wednesday, 26 Aug, 2026

Financial Highlights

Income Statement

FYE Sep (RM m)	FY23	FY24	FY25	FY26F	FY27F	FY28F
Revenue	23647.6	22273.7	25019.5	25042.1	25620.3	25710.9
EBITDA	2714.2	2803.0	3149.0	3719.6	3841.3	3786.4
Depreciation & Amortisation	960.7	1040.2	1039.4	1074.0	1147.6	1221.2
EBIT	1753.4	1762.8	2109.6	2645.6	2693.7	2565.2
Net Finance Income/ (Cost)	-405.7	-452.8	-488.0	-507.2	-468.8	-453.4
Associates & JV	-195.5	-126.5	-108.0	-150.0	-129.6	-130.9
Pre-tax Profit	1152.2	1183.5	1513.6	1988.5	2095.4	1980.9
Tax	-161.5	-445.4	-540.1	-477.2	-502.9	-475.4
Profit After Tax	990.7	738.1	973.6	1511.2	1592.5	1505.5
Minority Interest	-156.4	-147.2	-156.3	-157.8	-159.4	-161.0
Net Profit	834.3	591.0	817.3	1353.4	1433.1	1344.5
Exceptionals	-113.8	-192.7	341.8	0.0	0.0	1.0
Core Net Profit	720.5	398.2	1159.1	1353.4	1433.1	1345.5

Key Ratios

FYE Sep	FY23	FY24	FY25	FY26F	FY27F	FY28F
EPS (RM)	0.65	0.36	1.04	1.22	1.29	1.21
P/E (x)	33.8	61.1	21.0	18.0	17.0	18.1
P/B (x)	1.5	1.6	1.6	1.5	1.4	1.4
EV/EBITDA (x)	12.5	12.4	11.2	9.2	8.8	8.8
DPS (sen)	0.97	0.27	0.29	0.61	0.64	0.68
Dividend Yield (%)	4.4%	1.2%	1.3%	2.8%	2.9%	3.1%
EBITDA margin (%)	11.5%	12.6%	12.6%	14.9%	15.0%	14.7%
EBIT margin (%)	7.4%	7.9%	8.4%	10.6%	10.5%	10.0%
PBT margin (%)	4.9%	5.3%	6.0%	7.9%	8.2%	7.7%
PAT margin (%)	4.2%	3.3%	3.9%	6.0%	6.2%	5.9%
NP margin (%)	3.5%	2.7%	3.3%	5.4%	5.6%	5.2%
CNP margin (%)	3.0%	1.8%	4.6%	5.4%	5.6%	5.2%
ROE (%)	4.5%	2.7%	7.5%	8.3%	8.4%	7.6%
ROA (%)	2.4%	1.3%	3.7%	4.4%	4.6%	4.3%
Gearing (%)	62.4%	77.3%	77.8%	65.1%	59.7%	54.5%
Net gearing (%)	47.7%	61.4%	61.8%	53.3%	48.5%	43.1%

Valuations	FY27F
Core EPS (RM)	1.287
P/E multiple (x)	18.5
Fair Value (RM)	23.80
ESG premium/discount	0.0%
Implied Fair Value (RM)	23.80

Source: Company, Apex Securities

Balance Sheet

FYE Sep (RM m)	FY23	FY24	FY25	FY26F	FY27F	FY28F
Cash	2382.1	2383.5	2480.6	1914.8	1909.8	2000.0
Receivables	2268.2	2130.8	2440.9	2443.2	2499.6	2501.5
Inventories	2956.6	3216.9	4102.6	3806.5	4111.5	4141.3
Other current assets	1873.8	1595.7	1608.4	1608.4	1608.4	1608.4
Total Current Assets	9480.7	9327.0	10632.6	9772.8	10129.2	10251.2
Fixed Assets	12905.6	13186.9	12958.9	12989.4	13022.0	13056.7
Other non-current assets	7740.0	8015.8	8146.1	8146.1	8146.1	8146.1
Total Non-current assets	20645.7	21202.8	21105.0	21135.5	21168.1	21202.8
Short-term Debt	2917.4	4806.0	5262.9	5070.5	5946.3	6674.8
Payables	817.7	744.8	776.0	720.0	777.7	783.3
Other Current Liabilities	1396.2	1459.9	1693.2	1693.2	1693.2	1693.2
Total Current Liabilities	5131.3	7010.7	7732.1	7483.7	8417.2	9151.3
Long-term Debt	7157.7	6788.0	6791.0	5501.2	4211.4	2921.7
Other non-current liabilities	1693.6	1724.1	1727.8	1687.3	1646.9	1606.5
Total Non-current Liabilities	8851.3	8512.1	8518.8	7188.6	5858.4	4528.1
Shareholder's equity	14318.7	13704.3	14243.7	14920.4	15636.9	16228.7
Minority interest	1825.0	1302.6	1243.0	1315.6	1384.8	1384.8
Equity	16143.8	15006.9	15486.7	16236.0	17021.8	17613.5

Cash Flow

FYE Sep (RM m)	FY23	FY24	FY25	FY26F	FY27F	FY28F
Pre-tax profit	1152.2	1183.5	1513.6	1988.5	2095.4	1980.9
Depreciation & amortisation	960.7	1040.2	1039.4	1074.0	1147.6	1221.2
Changes in working capital	385.9	-214.4	-1165.5	237.9	-303.7	-26.1
Others	-540.5	-324.6	-96.6	-517.7	-543.3	-515.8
Operating cash flow	1958.3	1684.6	1291.0	2782.7	2395.9	2660.2
Net capex	-1554.5	-1641.4	-1014.4	-1104.4	-1180.2	-1255.9
Others	-26.4	-344.7	-8.5	0.0	0.0	0.0
Investing cash flow	-1581.0	-1986.1	-1023.0	-1104.4	-1180.2	-1255.9
Changes in borrowings	481.7	1510.9	357.7	-1482.2	-414.0	-561.3
Dividends paid	-1078.4	-296.3	-325.8	-676.7	-716.5	-752.8
Others	-116.3	-695.2	-215.2	-85.2	-90.2	0.0
Financing cash flow	-713.1	519.4	-183.3	-2244.1	-1220.7	-1314.1
Net cash flow	-335.7	217.9	84.6	-565.9	-5.0	90.2
Forex	18.8	-135.3	-31.3	0.0	0.0	0.0
Others	84.1	2.9	46.6	46.6	46.6	46.6
Beginning cash	2614.9	2298.0	2380.7	2434.0	1868.2	1863.2
Ending cash	2382.1	2383.5	2480.6	1914.8	1909.8	2000.0

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 CO ₂ eq 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

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(a) nil.