

27 November 2025

Kuala Lumpur Kepong

4Q Dampened by Non-Plantation Units

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KLK's FY25 disappointed. Full-year core net profit (CNP) came in below Kenanga, but in line with consensus, forecast. 4QFY25 upstream earnings held well but downstream losses widened on persistent poor margins and lumpy commissioning cost. UK-associate, Synthomer, also performed poorly. Moving ahead, we expect upstream to stay healthy with downstream recovering and rising property profits. We are keeping FY26F core EPS (CEPS) unchanged at 141.3 sen and introducing FY27 CEPS at 142.2 sen. Maintain TP of RM24.00 as well as our OUTPERFORM call.

FY25. Adjusting for fair value loss (RM194.9m), forex loss (RM103.6m) and net impairment (RM53.4m), FY25 CNP of RM1,169.2m (+71% YoY) formed 96% of consensus but only 89% of Kenanga estimate. Firmer CPO price (+9%) and PK price (+52%) along with better FFB harvest (+3%) lifted Plantation PBT to RM2,278.6m (+41% YoY). However, downstream reported losses of RM173.6m compared to profit of RM95.3m in FY24 while UK-associate, Synthomer, reported wider losses of RM64m in FY25 against RM48m loss last year. KLK impaired its 27% holding of Synthomer by another RM60m in FY25, after having impaired RM180m a year ago.

4QFY25 CNP soared 77% YoY but dipped 34% QoQ to RM211.2m on robust upstream Plantation PBT of RM625.9m (+1% QoQ, +19% YoY) despite softer-than-expected QoQ prices for CPO and PK, but still better YoY. FFB output was flat at 1.442m MT (+0.3% QoQ, +2% YoY). Downstream did badly in 4QFY25 with pre-tax loss of RM109m as oleochemical margins eroded further. Investment losses also rose QoQ due largely to Synthomer's losses.

Net debt crept up QoQ from 3QFY25's net debt of RM9.43b to RM9.56b (67% net gearing). A final dividend of 40 sen was declared which brings KLK's full-year FY25 DPS to 60 sen which is the same as last financial year's DPS. We are nudging up full-year DPS from 50 sen to 60 sen for FY26 and introducing DPS of 60 sen for FY27.

Softer but decent upstream likely. Global edible oil tightness in CY25 is expected to stretch into CY26 given the prospects of rising bio-diesel demand in Indonesia, Brazil and US. As such, CPO prices are expected to stay firm with average CPO of RM4,000 per MT for KLK in FY26-27. Meanwhile, cost inflation is expected to be contained on recovering Indonesian output and still elevated prices.

Downstream to stay challenging. Regional refining overcapacity, higher raw material costs and soft demand are dampening downstream profitability while UK-based associate, Synthomer, is expected to still report losses in FY26 before breaking even in FY27.

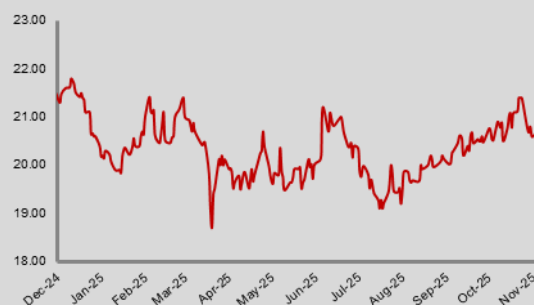
Emerging tailwind for property. KLK's property development history dates back to the 1990s when it partnered Tan & Tan to develop "Sierramas." KLK has since ventured into the following developments:

- KLK launched 1,001-acre Bandar Seri Coalfields on its own in CY11 which is still ongoing. A fortnight ago, it started marketing its 1m sq ft Coalfields Retail Park ahead of its 2HFY26 opening in 2HFY26.
- In June CY24, KLK paid RM386m cash for the remaining 40% in a 2,500-acre JV with UEM Sunrise in Senai, Johor. Good for industrial development but still at its infancy so no profits likely over FY26-27.

OUTPERFORM ↔

Price : RM20.60
Target Price : RM24.00 ↔

Share Price Performance



KLCI 1,624.50
YTD KLCI chg -1.1%
YTD stock price chg -5.5%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KLK MK EQUITY
Market Cap (RM m)	22,941.4
Shares Outstanding	1,113.7
52-week range (H)	21.88
52-week range (L)	18.34
3-mth avg. daily vol.	772,278
Free Float	45%
Beta	0.8

Major Shareholders

Batu Kawan	48.2%
Employees Provident Fund Board	17.4%
Lembaga Kemajuan Tanah	3.5%

Summary Earnings Table

FYE Sept (RM m)	2025A	2026F	2027F
Turnover	25,020	25,788	25,828
EBIT	1,514	2,614	2,393
PBT	1,514	2,384	2,273
Net Profit (NP)	817	1,604	1,533
Core NP	1,169	1,523	1,533
Consensus NP	1,219	1,314	1,316
Earnings Revision	-	-	NEW
Core EPS (sen)	108.5	141.3	142.2
Core EPS Growth (%)	70.9	30.3	0.7
NDPS (sen)	60.0	60.0	60.0
NTA/Share (RM)	13.39	14.28	15.10
Core PER (x)	19.0	14.6	14.5
Price/NTA (x)	1.5	1.4	1.4
Net Gearing (x)	0.5	0.4	0.3
Dividend Yield (%)	2.9	2.9	2.9

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c) In Nov CY24, KLK teamed up with AME Elite Consortium Bhd (Not rated) to develop a 178-acre industrial park at Ijok, Selangor.

d) In Sept CY25, BYD bought 150 acres of KLK TechPark at Tanjung Makim, Perak. Soon another block is scheduled for launch.

Overall, KLK's property earnings should grow over the coming years.

Forecasts. No change to FY26 CEPS at 141.3 sen and we are introducing FY27 CEPS of 142.2 sen.

Valuations. Maintain TP of RM24.00 based on 1.7x PBV. At this TP, the implied prospective PER of 15x which is well within the sector's long-term trading average for the larger integrated planters such as KLK. However, a 5% premium for its 4-star ESG rating as appraised by us is still imputed into the TP (see Page 3).

Investment case. KLK's upstream is expected to fare better moving ahead from yield enhancement and cost optimisation while property contributions should grow over FY26-27. Downstream looks set to face headwinds but the absence of commissioning cost of a new plant in FY25 and recent tie-up with AAK AB of Europe to focus on specialty products should help margins moving forward. Trading at 1.4x PBV and prospective PER of 15x, KLK's valuations are not demanding. Maintain **OUTPERFORM**.

Risks to our call include: (i) weather impact on edible oil supply, (ii) unfavourable commodity prices fluctuations, and (iii) cost inflation.

Results Highlights

FYE Sept (RM m)	4Q25	3Q25	QoQ	4Q24	YoY	FY25	FY24	YoY
Revenue	6,304.3	6,432.3	-2%	5,679.0	11%	25,019.5	22,273.7	12%
Gross Profit	443.1	570.7	-22%	193.2	129%	1,821.1	1,340.9	36%
EBIT	588.8	622.3	-5%	504.4	17%	2,462.5	1,866.5	32%
Interest expense	(102.2)	(107.6)	-5%	(100.9)	1%	(419.8)	(373.6)	12%
Associates & JVs	65.1	(1.6)	-4230%	(43.5)	-250%	(8.0)	(126.5)	-94%
Misc	(1.6)	2.8	-157%	(10.0)	-84%	(1.1)	(10.6)	-90%
El (excl. fr core net profit)	(115.2)	25.8	-547%	(112.8)	2%	(351.9)	(93.1)	278%
Pretax Profit	294.4	525.4	-44%	219.6	34%	1,513.6	1,183.5	28%
Taxation	(142.1)	(137.4)	3%	(167.9)	-15%	(540.1)	(445.4)	21%
MI	(56.3)	(41.4)	36%	(45.0)	25%	(156.3)	(147.2)	6%
Net Profit	96.0	346.6	-72%	6.8	1318%	817.3	591.0	38%
Core Net Profit	211.2	320.8	-34%	119.6	77%	1,169.2	684.1	71%
Core EPS (sen)	19.0	28.8	-34%	10.9	74%	105.6	62.8	68%
DPS (sen)	40.0	-	N.A.	40.0	-	60.0	60.0	-
GP %	7%	9%		7%		7%	6%	
EBIT %	9%	10%		10%		10%	8%	
PBT %	5%	8%		7%		6%	5%	
Tax %	48%	26%		26%		36%	38%	
FFB ('000 MT)	1,442.2	1,437.5	0%	1,417.4	2%	5,616.8	5,473.2	3%
CPO (RM / MT)	3,821	3,912	-2%	3,758	2%	3,964	3,653	9%
PK (RM / MT)	3,272	3,420	-4%	2,523	30%	3,215	2,115	52%

Source: Company, Kenanga Research

Segmental Breakdown

FYE Sept (RM m)	4Q25	3Q25	QoQ	4Q24	YoY	FY25	FY24	YoY
Segmental Revenue:								
Plantation	937.6	925.3	1%	925.2	1%	3,677.3	3,758.0	-2%
Manufacturing	5,304.1	5,383.8	-1%	4,698.1	13%	20,865.6	18,019.4	16%
Property Development	32.5	66.6	-51%	24.2	35%	182.9	229.4	-20%
Investment / Others	30.0	56.7	-47%	31.5	-5%	293.8	266.8	10%
Group Revenue	6,304.3	6,432.3	-2%	5,679.0	11%	25,019.5	22,273.7	12%
Segmental Pretax Profit:								
Plantation	625.9	620.0	1%	526.9	19%	2,278.6	1,618.4	41%
Manufacturing	(109.0)	27.0	-504%	(9.9)	999%	(173.6)	95.3	-282%
Property Development	21.7	9.0	140%	8.3	163%	41.8	46.4	-10%
Investment / Others	(196.6)	(58.4)	237%	(308.2)	-36%	(407.9)	(572.3)	-29%
Corporate (exp)/income	(47.7)	(72.3)	-34%	2.6	-1953%	(225.4)	(4.3)	5118%
Group Pretax Profit	294.4	525.4	-44%	219.6	34%	1,513.6	1,183.5	28%

Source: Company, Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen) 1-Yr. Fwd.	Net Div Yld 1-Yr. Fwd.
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.				
PLANTATION																	
GENTING PLANTATIONS BHD	MP	5.05	5.10	1.0%	4,530.7	Y	12/2025	34.6	42.6	1.9%	23.0%	14.6	11.9	0.8	8.0%	25.0	5.0%
HAP SENG PLANTATIONS HOLDING	MP	2.18	2.40	10.1%	1,744.0	Y	12/2025	14.8	15.6	-20.4%	5.2%	14.7	14.0	0.8	5.6%	11.0	5.0%
IOI CORP BHD	MP	4.07	4.20	3.2%	25,581.0	Y	06/2026	22.9	22.5	13.1%	-1.8%	17.8	18.1	1.9	11.2%	11.0	2.7%
KUALA LUMPUR KEPONG BHD	OP	20.60	24.00	16.5%	22,994.0	Y	09/2025	141.3	142.2	30.3%	0.7%	14.6	14.5	1.4	10.8%	60.0	2.9%
PPB GROUP BHD	OP	11.30	12.50	10.6%	16,075.0	Y	12/2025	98.5	115.3	21.5%	17.0%	11.5	9.8	0.6	3.0%	45.0	4.0%
SD GUTHRIE BHD	MP	5.30	5.10	-3.8%	36,653.0	Y	12/2025	28.7	26.5	32.3%	-7.5%	18.5	20.0	1.9	13.0%	17.0	3.2%
TA ANN HOLDINGS BHD	MP	4.32	3.90	-9.7%	1,922.0	Y	12/2025	45.5	41.5	20.4%	-8.8%	9.5	10.4	1.0	10.9%	40.0	9.3%
TSH RESOURCES BHD	OP	1.35	1.55	14.8%	1,865.0	Y	12/2025	13.3	12.7	39.3%	-4.2%	10.2	10.6	0.8	8.3%	3.0	2.2%
UNITED MALACCA BHD	OP	5.85	6.00	2.6%	1,227.0	Y	04/2026	56.4	54.8	1.6%	-2.8%	10.4	10.7	0.8	7.8%	18.0	3.1%
Simple Average					112,591.7						22.1%	1.7%	15.5	15.2	1.1	8.7%	4.2%

Source: Bloomberg, Kenanga Research

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	★
	Corporate Social Responsibility	★	★	★	★	★
	Management/Workforce Diversity	★	★	★	☆	
	Accessibility & Transparency	★	★	★	☆	
	Corruption-Free Pledge	★	★	★	★	
	Carbon-Neutral Initiatives	★	★	★	★	
	Biodiversity Conservation	★	★	★	★	
SPECIFIC	Sustainable Planting	★	★	★	★	
	Guest Labour Welfare	★	★	★	☆	
	Supply Chain Auditing	★	★	★	★	
	Work Site Safety	★	★	★	★	
	Industrial Waste Disposal	★	★	★	★	
OVERALL		★	★	★	★	

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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Published by:

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