

26 February 2026

Hap Seng Plantations

FY25 Dividend Cut By 39%

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HSPLANT's FY25 core net profit (CNP) declined 6% YoY, coming within consensus, but 18% above Kenanga, expectation. YoY, better CPO and PK prices were dampened by poorer FFB harvest. We are revising up FY26F core EPS (CEPS) by 5% to 16.3 sen and introducing FY27 CEPS of 16.7 sen on softer CPO prices but better FFB harvest. Nevertheless, we are cutting TP by 10% to RM2.15 due to a 39% cut in FY25 dividends and downgrade HSPLANT from MARKET PERFORM to UNDERPERFORM.

FY25. Adjusting for fair value loss (RM14m) and net asset write-off (RM0.3m), FY25 CNP stood at RM139m (-6% YoY). FY25 prices were higher for CPO (+2%) and PK (+26%) but FFB output of 0.614m MT was down 5% YoY despite a good 4QFY25 harvest. PBT margin thus slipped from 36% last year to 23% in FY25.

4QFY25. HSPLANT ended the year with the highest quarterly harvest in six years of 0.187m MT (+24% QoQ, +2% YoY). Nevertheless, average 4QFY25 prices for both CPO (RM4,353; +1% QoQ, -9% YoY) and PK (RM3,483; +1% QoQ, -2% YoY) were flattish QoQ but softer YoY, resulting in a mixed performance with 4QFY25 CNP rising by 121% QoQ but still 6% below that of 4QFY24.

Dividends. Net cash rose QoQ, from RM588m to end FY25 at RM646m. Surprisingly but more disappointingly, HSPLANT declared a final 4QFY25 dividend of only 6.1 sen to bring the group full-year DPS to merely 7.6 sen for FY25, 31% below our expectation of an 11.0 sen DPS. As such, we are cutting FY26 DPS from 11.0 sen to 8.0 sen on softer earnings outlook.

Weaker FY26-27 earnings outlook. Despite higher-than-expected edible oil supply in 2025, global supply-demand balance is still on the tight end peering into 2026-27. Thus, while 2026 CPO prices are expected to weaken YoY, prices should stay firm. We are raising average 2026 CPO price from RM4,000 to RM4,100 per MT with HSPLANT likely to fare better, averaging at RM4,250 in FY26 thanks to its premium-priced certified palm oil even though the premium seems to have narrowed of late. After a poor year, FY26 FFB output should improve 6% YoY towards 0.65m MT on recovering yields.

Forecasts. Upgrade FY26 CEPS by 5% from 15.6 sen to 16.3 sen on higher CPO price assumption and introducing FY27 CEP at 16.7 sen.

Valuations. Based on 0.9x PBV, HSPLANT's TP should still be RM2.40 but we believe the 39% cut in dividend is likely to disappoint investors. With weaker earnings outlook, we applied a 10% discount against RM2.40 to arrive at RM2.15 pending a results briefing on 27 Feb 2025. No adjustment to our TP is made given its 3-star ESG rating as appraised by us (see Page 2).

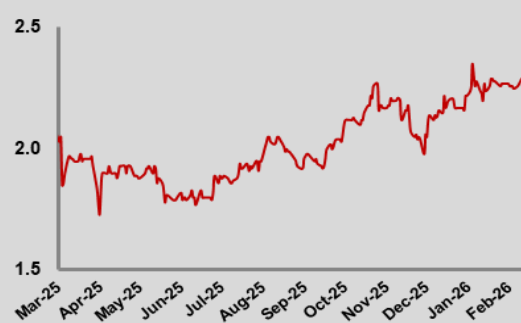
Investment case. Strong defensive net cash holding, good dividend payout record and sustainable income are HSPLANT key investment appeal. However, as we are cautious of the 39% cut in annual dividend, we are downgrading our MARKET PERFORM call to an UNDERPERFORM.

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

UNDERPERFORM ↓

Price : **RM2.31**
Target Price : **RM2.15** ↓

Share Price Performance



KLCI	1,747.81
YTD KLCI chg	4.0%
YTD stock price chg	6.5%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	HAPL MK EQUITY
Market Cap (RM m)	1,847.3
Shares Outstanding	799.7
52-week range (H)	2.35
52-week range (L)	1.70
3-mth avg. daily vol.	198,175
Free Float	26%
Beta	0.9

Major Shareholders

HAP Seng Consolidated Bhd	69.5%
PUBLIC SMALLCAP FUND	2.4%
EPF	1.2%

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	702.4	760.7	772.1
EBIT	136.0	172.9	175.5
PBT	162.3	169.8	172.7
Net Profit (NP)	124.9	130.4	133.2
Core NP	139.2	130.4	133.2
Consensus (CNP)	142.1	156.4	166.8
Earnings Revision	-	+5%	NEW
Core EPS (sen)	17.4	16.3	16.7
Core EPS Growth (%)	-6.2	-6.4	2.2
NDPS (sen)	7.6	8.0	8.0
NTA/Share (RM)	2.70	2.79	2.85
Core PER (x)	13.3	14.2	13.9
Price/NTA (x)	0.85	0.83	0.81
Net Gearing (x)	N Cash	N Cash	N Cash
Dividend Yield (%)	3.3	3.5	3.5

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Results Highlights

FYE Dec (RM m)	4Q25	3Q25	QoQ	4Q24	YoY	FY25	FY24	YoY
Revenue	197.3	169.5	16%	233.4	-15.4%	702.4	752.4	-6.7%
Gross Profit	64.7	38.3	69%	84.2	-23%	177.8	211.6	-16%
EBIT	63.6	(28.3)	-325%	83.8	-24%	179.8	214.8	-16%
Interest expenses	(0.8)	(0.7)	12%	(0.8)	3%	(3.1)	(3.2)	-3%
EI (to be excluded fr N Profit)	(23.1)	28.3	-182%	28.1	-182%	(14.4)	56.1	-126%
Pretax Profit	39.7	66.5	-40%	111.1	-64%	162.3	267.8	-39%
Taxation	(9.4)	(14.1)	-34%	(26.1)	-64%	(37.5)	(63.1)	-41%
Net Profit	30.3	52.4	-42%	85.0	-64%	124.9	204.6	-39%
Core Net Profit	53.4	24.1	121%	56.9	-6%	139.2	148.5	-6%
Core EPS (sen)	6.7	3.0	121%	7.1	-6%	17.4	18.6	-6%
DPS (sen)	6.1	-	-	11.0	N.A.	7.6	12.5	-39%
GP %	33%	23%		36%		25%	28%	
EBIT %	32%	-17%		36%		26%	29%	
PBT %	20%	39%		48%		23%	36%	
Tax %	24%	21%		23%		23%	24%	
CPO (RM / MT)	4,353	4,320	+1%	4,791	-9%	c.4,440	4,309	+3%
PK (RM / MT)	3,483	3,464	+1%	3,538	-2%	c.3,534	2,810	+26%
FFB Production (MT)	186,597	150,394	+24%	182,827	+2%	613,503	649,070	-5%

Source: Company, Kenanga Research

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	
	Corporate Social Responsibility	★	★	★	☆	
	Management/Workforce Diversity	★	★	★		
	Accessibility & Transparency	★	★	★	★	
	Corruption-Free Pledge	★	★	★		
	Carbon-Neutral Initiatives	★	★	★		
	SPECIFIC	Biodiversity Conservation	★	★	★	☆
Sustainable Planting		★	★	★		
Guest Labour Welfare		★	★	★		
Supply Chain Auditing		★	★	★	★	
Occupational Health & Safety		★	★	★		
Waste Disposal & Pollution Control		★	★	★	☆	
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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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. Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
PLANTATION																	
GENTING PLANTATIONS BHD	MP	5.14	5.40	5.1%	4,611.4	Y	12/2026	43.7	44.2	10.7%	1.2%	11.8	11.6	0.8	7.2%	28.0	5.4%
HAP SENG PLANTATIONS HOLDING	UP	2.31	2.15	-7.0%	1,847.3	Y	12/2026	16.3	16.7	-6.4%	2.2%	14.2	13.9	0.8	5.9%	8.0	3.5%
IOI CORP BHD	MP	4.04	4.35	7.7%	25,392.2	Y	06/2026	23.9	23.5	18.8%	-1.5%	16.9	17.2	1.9	12.5%	11.0	2.7%
KUALA LUMPUR KEPONG BHD	OP	19.18	24.00	25.1%	21,360.0	Y	09/2026	127.1	137.8	17.2%	8.4%	15.1	13.9	1.4	9.7%	60.0	3.1%
PPB GROUP BHD	OP	10.96	12.50	14.1%	15,591.7	Y	12/2025	98.5	115.3	21.5%	17.0%	11.1	9.5	0.5	3.0%	45.0	4.1%
SD GUTHRIE BHD	MP	5.86	5.45	-7.0%	40,526.1	Y	12/2026	27.8	28.0	-3.3%	0.5%	21.1	21.0	1.9	11.9%	15.0	2.6%
TA ANN HOLDINGS BHD	MP	4.63	3.90	-15.8%	2,039.3	Y	12/2025	45.5	41.5	20.4%	-8.8%	10.2	11.2	1.1	10.9%	40.0	8.6%
TSH RESOURCES BHD	OP	1.22	1.55	27.0%	1,538.2	Y	12/2026	12.6	13.0	-9.5%	3.1%	9.6	9.4	0.7	7.9%	5.0	4.1%
UNITED MALACCA BHD	OP	5.80	6.45	11.2%	1,216.7	Y	04/2026	76.1	70.8	37.2%	-7.0%	7.6	8.2	0.7	10.4%	20.0	3.4%
Simple Average					114,122.8					10.8%	4.5%	15.8	15.1	1.1	8.8%		4.2%

Source: Bloomberg, Kenanga Research

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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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