

26 February 2026

Kuala Lumpur Kepong

Good 1Q but Still Below Expectation

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KLK's 1QFY26 core net profit (CNP) came in weaker than expected, accounting for only 20% of Kenanga full-year estimate and 23% of consensus. Flat QoQ to weaker YoY CPO prices was mitigated by a good harvest while its downstream segment turned profitable but margin stayed more muted than expected at just 0.8%. Property earnings were also weaker than expected. We are downgrading FY26F and FY27F core EPS (CEPS) by 10% to 127.1 sen and 2% to 137.8 sen, respectively, but retain PBV-driven TP of RM24.00 and our OUTPERFORM call as the CEPS growth trajectory remains intact despite the cuts.

1QFY26. Adjusting for fair value gains (RM97m), forex losses (RM23m) and net disposal gain (RM1m), 1QFY26 CNP came to RM307m (+45% QoQ, -20% YoY). Flat-to-weaker CPO price of RM3,845 per MT (+1% QoQ, -4% YoY) was offset by strong FFB production (+9% QoQ, +6% YoY) leading to Plantation EBIT holding well at RM635m (+1% QoQ, +10% YoY). Downstream segment reversed form losses a quarter as well as a year ago into RM42m earnings but margin of <1% is sub-par. Property earnings dipped QoQ and YoY to only RM3m.

Net debt rose QoQ from RM9.56b to RM10.26b (75% net gearing). No dividend was declared which is as expected for a first quarter.

Muted but still decent upstream prospects. CY25 edible oil supply exceeded estimates leading to softer CY26 prices due to inventory overhang. Nevertheless, supply outlook remains tight, hence we are nudging up FY26-27 CPO outlook of RM4,000 per MT to RM4,100. Cost looks to inch up further as wages and fertiliser prices increase YoY but also on weaker PK prices which is sold to help offset CPO cost. However, better FFB yield is expected from mechanization, infrastructure as well as agronomic practices. Some estates in southern Sabah also recovered from a sooty mould attack in the previous year.

Downstream business environment remains tough. Regional refining overcapacity, higher raw material costs and flattish demand are capping better profitability. Nevertheless, input PKO prices should ease YoY, as new East Kalimantan integrated downstream complex gains traction and restructured EU operations should see margins improving.

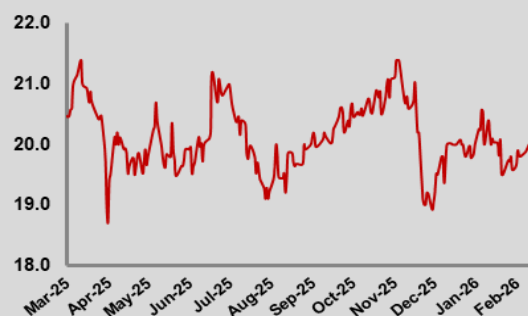
Property segment should grow bigger. KLK's history in real estate dates back to 1990s when it developed "Sierramas" with Tan & Tan. Today, 3,925 Ha has been identified for property development, mostly (1,442 Ha) in Selangor and Johor (1,241 Ha). Ongoing projects are:

- 15 years old, 1,001-acre Bandar Seri Coalfields now plans to open Coalfields Retail Park late this year, key tenants have been secured.
- New to industrial property development, KLK joint venture with AME Elite Consortium Bhd (Not Rated) in Nov CY24 to develop 178 acres at Ijok, Selangor with contributions expected late FY26 / early FY27.
- In Sept CY25, KLK TechPark at Tanjung Malim (Perak) sold its 150-acre Phase 1 to BYD with adjacent 200-acre Vendor Park launched in Dec CY25. Meaningful earnings are likely from FY27 onwards.
- In Dec CY25, KLK sold 419 acres in Kulai (Johor) to a JV vehicle with Mah Sing Group Bhd (OP; TP: RM1.78) for RM273m cash. The JV will develop "MS Industrial Park @ Kulai," a RM2.3b GDV project lasting over 10 years. Estimated disposal gain from selling the 419

OUTPERFORM ↔

Price : RM19.18
Target Price : RM24.00 ↔

Share Price Performance



KLCI	1,747.81
YTD KLCI chg	4.0%
YTD stock price chg	-4.1%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KLK MK EQUITY
Market Cap (RM m)	21,360.0
Shares Outstanding	1,113.7
52-week range (H)	21.70
52-week range (L)	18.34
3-mth avg. daily vol.	868,381
Free Float	45%
Beta	0.8

Major Shareholders

Batu Kawan	48.3%
Employees Provident Fund Board	19.0%
Lembaga Kemajuan Tanah	3.5%

Summary Earnings Table

FYE Sept (RM m)	2025A	2026F	2027F
Turnover	25,020	25,869	26,202
EBIT	1,514	2,522	2,513
PBT	1,514	2,172	2,294
Net Profit (NP)	817	1,445	1,485
Core NP	1,169	1,370	1,485
Consensus NP	-	1,218	1,301
Earnings Revision	-	-10%	-2%
Core EPS (sen)	108.5	127.1	137.8
Core EPS Growth (%)	55.1	17.2	8.4
NDPS (sen)	60.0	60.0	60.0
NTA/Share (RM)	13.39	14.13	14.91
Core PER (x)	17.7	15.1	13.9
Price/NTA (x)	1.4	1.4	1.3
Net Gearing (x)	0.5	0.4	0.3
Dividend Yield (%)	3.1	3.1	3.1

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acres into a 40:60 KLK:Mah Sing JV is RM77m. KLK still own 2,081 acres left in the surrounding area.

Forecasts. Despite raising CPO price assumption, we are downgrading FY26F and FY27F CEPS by 10% and 2%, from 141.3 sen to 127.1 sen and from 142.2 sen to 137.8 sen, respectively, on the back of still weak downstream margin despite improving. Property contribution is also looking to grow more gradually than earlier expected.

Valuations. Our TP of RM24.00 is also left unchanged based on 1.7x PBV which is the lowest among the larger integrated planters as its 5-year average ROE of 10% has started trailing SD Guthrie (12%) and IOI Corp (12%). However, forward ROE should improve following recent push into industrial property development in Johor and Selangor. A 5% premium is also imputed into its TP for its 4-star ESG rating as appraised by us (see Page 3).

Investment case. Better FY26-27 earnings are expected despite our cut in earnings due to the following:

- Poor comparative as FY25 net profit was held back by RM654m losses, being RM302m in operating losses (RM174m from downstream + RM128m in 27% share of associate Synthomer loss) and RM352m in non-recurring losses, provisions and impairments.
- New agronomic practices and investments should enhance upstream productivity moving forward, from introducing new pollination weevil to improving drainage / water management and more mechanisation to include hillier estates.
- Property earnings should grow over time as KLK has set aside 3,925 Ha for real estate. The proportion of such development area to its overall land holding in Malaysian (or total landbank per se), is among the highest for planters we cover.
- Downstream challenges remain but new plants and specialty product tie-up should help margins over FY26-27.

Lastly, trading at 1.4x PBV and prospective PER of 14-16x, KLK's valuations are not demanding for a large integrated planter. 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)	1Q26	4Q25	QoQ	1Q5	YoY	1QFY26	1QFY25	YoY
Revenue	6,348.3	6,304.3	1%	5,945.5	7%	6,348.3	5,945.5	7%
Gross Profit	545.4	443.1	23%	353.6	54%	545.4	353.6	54%
EBIT	637.5	448.2	42%	682.6	-7%	637.5	682.6	-7%
Interest expense	(115.0)	(102.2)	13%	(104.1)	10%	(115.0)	(104.1)	10%
Associates & JVs	0.1	65.1	-100%	7.2	-99%	0.1	7.2	-99%
Misc	(1.3)	(1.6)	-20%	1.0	-231%	(1.3)	1.0	-231%
El (excl. fr core net profit)	75.2	(115.2)	-165%	(162.6)	-146%	75.2	(162.6)	-146%
Pretax Profit	596.4	294.4	103%	424.0	41%	596.4	424.0	41%
Taxation	(169.3)	(142.1)	19%	(161.6)	5%	(169.3)	(161.6)	5%
MI	(44.8)	(56.3)	-21%	(41.9)	7%	(44.8)	(41.9)	7%
Net Profit	382.4	96.0	299%	220.5	73%	382.4	220.5	73%
Core Net Profit	307.2	211.2	45%	383.1	-20%	307.2	383.1	-20%
Core EPS (sen)	27.6	19.0	45%	34.9	-21%	27.6	34.9	-21%
DPS (sen)	-	40.0	-100%	-	N.A.	-	-	N.A.
GP %	9%	7%		7%		9%	6%	
EBIT %	10%	7%		10%		10%	11%	
PBT %	9%	5%		7%		9%	7%	
Tax %	28%	48%		26%		28%	38%	
FFB ('000 MT)	1,578.3	1,442.2	9%	1,482.4	6%	1,578.3	1,482.4	6%
CPO (RM / MT)	3,845	3,821.0	1%	4,018.0	-4%	3,845.0	4,018.0	-4%
PK (RM / MT)	3,239	3,272.0	-1%	2,924.0	11%	3,239.0	2,924.0	11%

Source: Company, Kenanga Research

Segmental Breakdown

FYE Sept (RM m)	1Q26	4Q25	QoQ	1Q25	YoY	1QFY26	1QFY25	YoY
Segmental Revenue:								
Plantation	795.2	937.6	-15%	1,062.8	-25%	795.2	1,062.8	-25%
Manufacturing	5,433.9	5,304.1	2%	4,758.1	14%	5,433.9	4,758.1	14%
Property Development	28.2	32.5	-13%	44.1	-36%	28.2	44.1	-36%
Investment / Others	91.1	30.0	203%	80.5	13%	91.1	80.5	13%
Group Revenue	6,348.3	6,304.3	1%	5,945.5	7%	6,348.3	5,945.5	7%
Segmental Pretax Profit:								
Plantation / Upstream	635.0	625.9	1%	578.4	10%	635.0	578.4	10%
Manufacturing / Downstream	42.0	(109.0)	-139%	(53.4)	-179%	42.0	(53.4)	-179%
Property Development	3.0	21.7	-86%	7.5	-60%	3.0	7.5	-60%
Investment / Others	(37.1)	(196.6)	-81%	(58.1)	-36%	(37.1)	(58.1)	-36%
Corporate (exp)/income	(46.5)	(47.7)	-3%	(50.6)	-8%	(46.5)	(50.6)	-8%
Group Pretax Profit	596.4	294.4	103%	424.0	41%	596.4	424.0	41%

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)	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

	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		★	★	★	★	
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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