

02 March 2026

Hap Seng Plantations

Investment Case is Less Compelling

By Khoo Teng Chuan | khootc@kenanga.com.my

HSPLANT's pure upstream exposure continues to offer a more sensitive upside exposure to any surprise spikes in CPO prices while downside is buffered by cash holdings of RM0.6b (RM0.81ps). However recent decision to cut dividend to just 44% of EPS, the bottom-end of past payout range meant current yield of 4% is no longer that compelling for income investors. Meanwhile, its post results' briefing did not suggest strong growth outlook either. Hence, we are trimming our TP down by another 10% from RM2.15 to RM1.95 largely because of a weaker investment case for HSPLANT.

Key takeaways from HSPLANT's FY25 results briefing are as follows:

Stronger FY26 harvest expected. FY25 FFB harvest of 0.613m MT represented a decline of 5% YoY, attributable to natural biological production cycle of the trees as well as delays in some bunches maturing only in 1QFY26 instead of 4QFY25. FY25 did not suffer major flood nor was last year's replanting particularly aggressive. Therefore, HSPLANT is targeting a 17% YoY growth or 0.715m MT of FFB in FY26. We expect a more modest YoY uptick of 6% or 0.650m MT because (a) the group's trees are already 17 years old and oil palm is most productive between 9-18 years old, (b) only FY11 and FY14 saw harvests exceeding 0.715m MT since listing in 2007, and (c) the weather outlook remains uncertain.

Range-bound CPO prices likely for FY26. CPO prices are expected to trade between RM4,000 to RM4,300 per MT, averaging around RM4,100 for 2026-27. As HSPLANT sells more premium-priced certified palm oil, it should average closer to RM4,250 over FY26-27.

Cost to ease from higher production. Although wages and fertiliser costs are expected to inch up by 3% and 3-5%, respectively, in FY26, higher FFB production is expected to lower overall unit CPO cost. As such, HSPLANT is expecting CPO cost of between RM2,200 to RM2,300 per MT in FY26 compared to RM2,477 in FY25. This is broadly in line with our estimate of RM2,300-2,400 for FY26-27.

Dividend pay-out? Historically, HSPLANT pays between 46%-81% of EPS as dividends, averaging at 65%. However, FY25 DPS of 7.6 sen was just 44% of EPS despite having RM646m in net cash. Although HSPLANT indicate possible higher payout when earnings improve, no firm payout commitment was given. There is no indication of any imminent expansion or investment for stronger growth ahead either.

Forecasts. No change to forecasts.

Valuations. Lowering TP by 10% from RM2.15 to RM1.95. Based on 0.9x PBV, HSPLANT's TP should be RM2.40. We earlier applied a 10% discount to this TP after FY25 DPS was cut to 7.6 sen (vs. Kenanga and consensus expectations of 11.0 sen and 11.2 sen, respectively). We are now applying another 10% discount as post-result briefing does not suggest substantially stronger growth prospects either. All in, our TP is now RM1.95 due to a less compelling investment case for HSPLANT despite enough cash to acquire up to 6,000 Ha of planted producing oil palm area. No adjustment to our TP is made given its 3-star ESG rating as appraised by us (see Page 2).

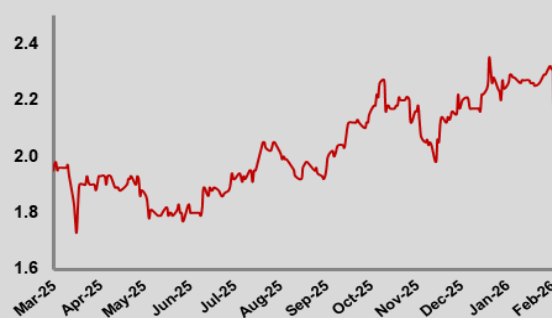
Investment case. HSPLANT's main investment merit is its defensiveness, on its highly cash-generative upstream palm oil operations and solid net cash. However, the recent cut in dividend without strong growth plan has weakened the investment case, hence, we remain **UNDER PERFORM**.

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

UNDERPERFORM ↔

Price : RM2.15
Target Price : RM1.95 ↓

Share Price Performance



| | |
|---------------------|----------|
| KLCI | 1,716.61 |
| YTD KLCI chg | 2.2% |
| YTD stock price chg | -1.6% |

Stock Information

| | |
|-----------------------|----------------|
| Shariah Compliant | Yes |
| Bloomberg Ticker | HAPL MK EQUITY |
| Market Cap (RM m) | 1,719.3 |
| Shares Outstanding | 799.7 |
| 52-week range (H) | 2.35 |
| 52-week range (L) | 1.70 |
| 3-mth avg. daily vol. | 251,500 |
| Free Float | 26% |
| Beta | 0.9 |

Major Shareholders

| | |
|-------------------------|-------|
| Hap Seng Consolidated | 69.5% |
| Public Smallcap Fund | 2.4% |
| Employee Provident Fund | 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 | - | - | - |
| 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) | 12.3 | 13.2 | 12.9 |
| Price/NTA (x) | 0.80 | 0.77 | 0.75 |
| Net Gearing (x) | N Cash | N Cash | N Cash |
| Dividend Yield (%) | 3.5 | 3.7 | 3.7 |

02 March 2026

Peer 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 | 5.11 | 5.40 | 5.7% | 4,584.5 | Y | 12/2026 | 43.7 | 44.2 | 10.7% | 1.2% | 11.7 | 11.6 | 0.8 | 7.2% | 28.0 | 5.5% |
| HAP SENG PLANTATIONS HOLDING | UP | 2.15 | 1.95 | -9.3% | 1,719.3 | Y | 12/2026 | 16.3 | 16.7 | -6.4% | 2.2% | 13.2 | 12.9 | 0.8 | 5.9% | 8.0 | 3.7% |
| IOI CORP BHD | MP | 3.96 | 4.35 | 9.8% | 24,889.4 | Y | 06/2026 | 23.9 | 23.5 | 18.8% | -1.5% | 16.6 | 16.8 | 1.9 | 12.5% | 11.0 | 2.8% |
| KUALA LUMPUR KEPONG BHD | OP | 19.00 | 24.00 | 26.3% | 21,159.5 | Y | 09/2026 | 127.1 | 137.8 | 17.2% | 8.4% | 14.9 | 13.8 | 1.3 | 9.7% | 60.0 | 3.2% |
| PPB GROUP BHD | OP | 10.88 | 14.75 | 35.6% | 15,477.9 | Y | 12/2026 | 115.2 | 119.1 | 21.1% | 3.3% | 9.4 | 9.1 | 0.6 | 6.7% | 42.0 | 3.9% |
| SD GUTHRIE BHD | MP | 5.75 | 5.45 | -5.2% | 39,765.4 | Y | 12/2026 | 27.8 | 28.0 | -3.3% | 0.5% | 20.7 | 20.6 | 1.9 | 11.9% | 15.0 | 2.6% |
| TA ANN HOLDINGS BHD | MP | 4.63 | 3.90 | -15.8% | 2,039.3 | Y | 12/2026 | 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% | 1,537.4 | 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 | 5.82 | 6.45 | 10.8% | 1,220.9 | Y | 04/2026 | 76.1 | 70.8 | 37.2% | -7.0% | 7.6 | 8.2 | 0.8 | 10.4% | 20.0 | 3.4% |
| Simple Average | | | | | 112,393.6 | | | | | | 11.1% | 1.9% | 15.0 | 14.7 | 1.1 | 9.2% | 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 | ★ | ★ | ★ | ★ |
| | 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

02 March 2026

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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KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my