

26 May 2026

# Hap Seng Plantations

## A Weaker-Than-Consensus Start

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HSPLANT's 1QFY26 core net profit (CNP) slipped QoQ and YoY, coming in at 25% within Kenanga, but only 21% of consensus, full-year estimate. CPO and PK prices were softer, almost flattish QoQ but weaker YoY while FFB output fell seasonally QoQ though up YoY. Maintain FY26 core EPS (CEPS) at 17.5 sen but trim FY27 by 7% to 16.2 sen on higher fertiliser costs. Maintain TP of RM1.95 and our UNDERPERFORM recommendation.

**1QFY26.** Adjusting for fair value loss (RM25.1m), 1QFY26 CNP of RM35.1m (-34% QoQ, -1% YoY) was softer as CPO price slipped 2% QoQ and 13% YoY to RM4,248 per MT while FFB harvest of 0.153m MT was mix, down seasonally by 18% QoQ but rose by 16% YoY. PK price held better, averaging at RM3,437 per MT (-1% QoQ, -8% YoY) for 1QFY26 which helped contained cost. However, margins shrank due to a one-off RM29m non-cash fair value write down. At PBT level, margin fell from 17% a year ago and 20% in 4QFY25 to only 7%.

Net cash fell from RM646m a quarter ago to RM592m after a RM49m payout of 4QFY25 dividends. No 1QFY26 dividend was declared, which is normal for HSPLANT; hence, we maintain annual FY26-27F DPS of 8.0 sen.

**Stronger FY26-27 earnings.** Despite starting the year with an inventory uptick from good soya and oil palm harvests in 2025, international edible oil supply may now end up tighter than expected. Not only from rising bio-diesel demand due to the Middle East conflict but also food security stock build-up. Meanwhile, the risk of a "very strong" or serious El Nino in 2H 2026 has risen from 1/4 to 1/3 chance but still below 50% chance. Hence, respective 2026-27 CPO price of RM4,250 and RM4,200 per MT are maintained but with an upward bias as prolonged dry weather (>6 months) from a very strong El Nino can disrupt operations and yields. Historically, such El Nino conditions can pull palm oil production down by 2%-9% in the following year, thus nudging up CPO prices by 5%-10%.

**Forecasts.** Maintain FY26 CEPS of 17.5 sen but trim FY27 CEPS by 7% from 16.2 sen on higher fertiliser prices. Maintain HSPLANT's CPO price of RM4,350 per MT for FY26 and RM4,300 for FY27. Note, our HSPLANT's CPO price forecasts are higher than the average of RM4,250 for 2026 and RM4,200 in 2027 due to HSPLANT having higher proportion of premium-priced certified palm oil.

**Valuations.** Maintain TP of RM1.95 based on 0.9x PBV less 20% discount due to: (a) dividend expectations staying low, (b) no expansion growth at the moment, and (c) risk of weaker ROEs if current RM0.6b net cash grows further. No adjustment to our TP is made given its 3-star ESG rating as appraised by us (see Page 2).

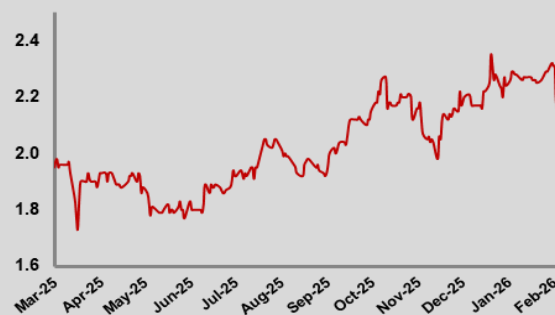
**Investment case.** Strong defensive net cash holding, good dividend payout record and sustainable income are HSPLANT's key investment appeals. However, annual dividend may stay soft in light of the lower reported 1QFY26 earnings. Maintain UNDERPERFORM pending a results briefing on Thursday (28 May).

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

## UNDERPERFORM ↔

Price : **RM2.18**  
Target Price : **RM1.95** ↔

### Share Price Performance



KLCI 1,708.50  
YTD KLCI chg 1.7%  
YTD stock price chg 0.5%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	HAPL MK Equity
Market Cap (RM m)	1,743.3
Shares Outstanding	799.7
52-week range (H)	2.38
52-week range (L)	1.77
3-mth avg. daily vol.	457,690
Free Float	26%
Beta	0.97

### 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	783.4	788.6
EBIT	165.4	157.0	167.9
PBT	162.3	154.3	165.4
<b>Net Profit (NP)</b>	<b>124.9</b>	<b>110.6</b>	<b>129.5</b>
<b>Core NP</b>	<b>139.2</b>	<b>140.5</b>	<b>129.5</b>
Consensus (CNP)	-	166.1	167.3
Earnings Revision	-	-	-7%
Core EPS (sen)	17.4	17.5	16.2
Core EPS Growth (%)	-6.2	0.4	-7.3
NDPS (sen)	7.6	8.0	8.0
NTA/Share (RM)	2.66	2.71	2.77
Core PER (x)	12.5	12.5	13.5
Price/NTA (x)	0.82	0.81	0.79
Net Gearing (x)	N Cash	N Cash	N Cash
Dividend Yield (%)	3.5	3.7	3.7

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### Results Highlights

FYE Dec (RM m)	1Q26	4Q25	QoQ	1Q25	YoY	1QFY26	1QFY25	YoY
<b>Revenue</b>	<b>192.4</b>	<b>197.3</b>	<b>-2%</b>	<b>179.4</b>	<b>7.3%</b>	<b>192.4</b>	<b>179.4</b>	<b>7.3%</b>
Gross Profit	40.2	64.7	-38%	44.8	-10%	40.2	44.8	-10%
EBIT	<b>39.5</b>	<b>63.6</b>	<b>-38%</b>	<b>43.4</b>	<b>-9%</b>	<b>25.1</b>	<b>283.8</b>	<b>-91%</b>
Interest expenses	(1.0)	(0.8)	26%	(0.8)	30%	(1.0)	(0.8)	30%
EI (to be excluded fr N Profit)	(25.1)	(23.1)	9%	(12.9)	95%	(25.1)	(12.9)	95%
<b>Pretax Profit</b>	<b>13.4</b>	<b>39.7</b>	<b>-66%</b>	<b>29.7</b>	<b>-55%</b>	<b>13.4</b>	<b>29.7</b>	<b>-55%</b>
Taxation	(3.4)	(9.4)	-64%	(7.2)	-53%	(3.4)	(7.2)	-53%
<b>Net Profit</b>	<b>10.0</b>	<b>30.3</b>	<b>-67%</b>	<b>22.5</b>	<b>-56%</b>	<b>10.0</b>	<b>22.5</b>	<b>-56%</b>
<b>Core Net Profit</b>	<b>35.1</b>	<b>53.4</b>	<b>-34%</b>	<b>35.4</b>	<b>-1%</b>	<b>35.1</b>	<b>35.4</b>	<b>-1%</b>
Core EPS (sen)	4.4	6.7	-34%	4.4	-1%	4.4	4.4	-1%
DPS (sen)	-	6.1	N.A.	-	-	-	-	-
GP %	21%	33%		25%		21%	25%	
EBIT %	21%	32%		24%		13%	158%	
PBT %	7%	20%		17%		7%	17%	
Tax %	25%	24%		24%		25%	24%	
CPO (RM / MT)	4,248	4,353	-2%	4,866	-13%	4,248	4,866	-13%
PK (RM / MT)	3,437	3,483	-1%	3,741	-8%	3,437	3,741	-8%
FFB Production (MT)	152,996	186,597	-18%	132,239	+16%	152,996	132,239	+16%

Source: Company, Kenanga Research

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

☆ 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.
<b>PLANTATION</b>																	
GENTING PLANTATIONS BHD	MP	5.22	5.50	5.4%	4,683.2	Y	12/2026	44.0	44.7	11.5%	1.5%	11.9	11.7	0.9	7.8%	28.0	5.4%
HAP SENG PLANTATIONS HOLDING	UP	2.18	1.95	-10.6%	1,743.3	Y	12/2026	17.5	16.2	0.4%	-7.3%	12.5	13.5	0.8	5.3%	8.0	3.7%
IOI CORP BHD	OP	4.01	4.55	13.5%	25,203.6	Y	06/2026	24.7	24.6	22.8%	-0.5%	16.2	16.3	1.9	12.9%	11.0	2.7%
KUALA LUMPUR KEPONG BHD	OP	19.92	24.50	23.0%	22,184.1	Y	09/2026	133.2	143.0	22.8%	7.3%	15.0	13.9	1.4	10.2%	60.0	3.0%
PPB GROUP BHD	OP	10.02	14.85	48.2%	14,254.5	Y	12/2026	117.7	119.1	23.7%	1.2%	8.5	8.4	0.6	6.9%	42.0	4.2%
SD GUTHRIE BHD	MP	5.94	5.80	-2.4%	41,079.3	Y	12/2026	29.7	27.7	3.2%	-6.7%	20.0	21.4	2.0	12.4%	15.0	2.5%
TA ANN HOLDINGS BHD	UP	5.38	4.40	-18.2%	2,369.7	Y	12/2026	46.4	45.8	-4.3%	-1.4%	11.6	11.8	1.2	10.8%	40.0	7.4%
TSH RESOURCES BHD	OP	1.10	1.60	45.5%	1,372.8	Y	12/2026	11.7	12.3	-16.7%	5.2%	9.4	9.0	0.7	7.3%	5.0	4.5%
UNITED MALACCA BHD	OP	5.87	6.70	14.1%	1,231.3	Y	04/2026	79.3	76.5	43.0%	-3.5%	7.4	7.7	0.8	10.8%	20.0	3.4%
<b>Simple Average</b>					<b>114,121.9</b>					<b>14.6%</b>	<b>-0.3%</b>	<b>14.7</b>	<b>14.7</b>	<b>1.1</b>	<b>9.4%</b>		<b>4.1%</b>

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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