

29 May 2026

Hap Seng Plantations

Ratings Are Getting More Attractive

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Post-1QFY26 results briefing suggests healthy FY26-27 earnings ahead which we concur but on different grounds. HSPLANT is budgeting for good FFB production on conservative CPO prices while our assumptions are the reverse. Possible applications for its RM592m cash hoard were also discussed, such as expansion or higher dividends but there was no solid guidance. Maintain forecasts and TP of RM1.95 but raise our call from UNDERPERFORM to MARKET PERFORM as the expected total return is -5% of our TP.

Key takeaways from HSPLANT's 1QFY26 results briefing are as follows:

Target FY26 harvest could be ambitious. 1Q is often a slow quarter for HSPLANT. However, for 1QFY26, HSPLANT saw above-trend FFB output of 0.153m MT as some bunches due for harvest in 4QFY25 only ripened in 1QFY26. Lower 2QFY26 output is thus likely but, all in, HSPLANT is still expecting to harvest 0.715m MT (+17% YoY) of FFB in FY26. We believe this could be optimistic for the following reasons: (a) HSPLANT trees are old, 17 years on average, (b) the group has only harvested above 0.715m MT twice (FY11 and FY14) since listing in 2007, and (c) the weather looks uncertain including the possibility of a very strong El Nino later in the year. We are expecting lower FY26 FFB output of 0.650m MT for HSPLANT.

However, guided CPO price now looks conservative. HSPLANT estimated FY26 CPO price of RM4,100 per MT now looks conservative post the Middle East conflict. We are expecting higher CPO prices, RM4,250 per MT in 2026 and RM4,200 in 2027. With the chance of a "very strong" El Nino rising, from 1/4 chance in April to 1/3 currently (according to NOAA), higher prices cannot be ruled out as such serious El Ninos in the past have reduced FFB harvest in the following year by 2%-9%, thus lifting CPO prices by 5%-10%.

Unit cost should ease from higher production. Fuel cost has risen and so has fertiliser. However, HSPLANT has earlier locked in its entire FY26 fertiliser requirement just as the Middle East conflict erupted. Together with expectation of better FFB production this year, HSPLANT continues to guide unit cost of RM2,200 to RM2,300 per MT for FY26 (vs. RM2,477 in FY25), broadly within our RM2,300-2,450 estimates for FY26-27.

Dividend pay-out? HSPLANT pays 46%-81% of EPS as dividends historically, which average out at 65%. However, FY25 DPS (7.6 sen) was cut to 44% of EPS despite RM646m in net cash. Although no firm payout was given for FY26, higher payout is not ruled out. The group also does not rule out using the cash for acquisition / expansion either.

Forecasts. No change to forecasts.

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. Upgrade from UNDERPERFORM to MARKET PERFORM as the share price has declined to within -5% of expected total return to our TP. Defensive net cash holding, reasonable and sustainable dividend payout along with pure Malaysian upstream operations with no Indonesia uncertainty are among HSPLANT's investment attractions but FY26 dividend may stay soft in light of the low reported 1QFY26 earnings with lower FFB harvest looming as aggressive replanting is needed to refresh its ageing estates.

MARKET PERFORM ↑

Price : **RM2.13**
Target Price : **RM1.95** ↔

Share Price Performance



KLCI	1,684.93
YTD KLCI chg	0.3%
YTD stock price chg	-1.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	HAPL MK Equity
Market Cap (RM m)	1,703.3
Shares Outstanding	799.7
52-week range (H)	2.38
52-week range (L)	1.77
3-mth avg. daily vol.	493,724
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
Net Profit (NP)	124.9	110.6	129.5
Core NP	139.2	140.5	129.5
Consensus (CNP)	-	168.3	168.1
Earnings Revision	-	-	-
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)	12.2	12.2	13.2
Price/NTA (x)	0.80	0.79	0.77
Net Gearing (x)	N Cash	N Cash	N Cash
Dividend Yield (%)	3.6	3.8	3.8

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

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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	5.18	5.50	6.2%	4,647.3	Y	12/2026	44.0	44.7	11.5%	1.5%	11.8	11.6	0.9	7.8%	28.0	5.4%
HAP SENG PLANTATIONS HOLDING	MP	2.13	1.95	-8.5%	1,703.3	Y	12/2026	17.5	16.2	0.4%	-7.3%	12.2	13.2	0.8	5.3%	8.0	3.8%
IOI CORP BHD	OP	4.02	4.55	13.2%	25,266.5	Y	06/2026	24.7	24.6	22.8%	-0.5%	16.3	16.3	1.9	12.9%	11.0	2.7%
KUALA LUMPUR KEPONG BHD	OP	19.96	24.50	22.7%	22,228.6	Y	09/2026	133.2	143.0	22.8%	7.3%	15.0	14.0	1.4	10.2%	60.0	3.0%
PPB GROUP BHD	UP	9.82	12.90	31.4%	13,969.9	Y	12/2026	108.3	114.8	13.9%	5.9%	9.1	8.6	0.6	6.6%	42.0	4.3%
SD GUTHRIE BHD	MP	5.90	5.80	-1.7%	40,802.7	Y	12/2026	29.7	27.7	3.2%	-6.7%	19.9	21.3	1.9	12.4%	15.0	2.5%
TA ANN HOLDINGS BHD	MP	5.25	4.40	-16.2%	2,312.4	Y	12/2026	46.4	45.8	-4.3%	-1.4%	11.3	11.5	1.2	10.8%	40.0	7.6%
TSH RESOURCES BHD	OP	1.09	1.55	29.7%	1,359.8	Y	12/2026	11.7	12.3	-16.7%	5.2%	9.3	8.9	0.7	7.3%	5.0	4.6%
UNITED MALACCA BHD	OP	5.85	6.70	14.5%	1,227.1	Y	04/2026	79.3	76.5	43.0%	-3.5%	7.4	7.6	0.8	10.8%	20.0	3.4%
Simple Average					113,517.8					12.6%	0.6%	14.9	14.8	1.1	9.4%		4.1%

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

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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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