United Plantations

As Expected, A Strong 3Q

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

OUTPERFORM ↔

Price : RM30.24

Target Price : RM37.00 ↔

Thanks to stronger 3QFY26 harvest and firmer CPO prices, 9MFY26 core net profit (CNP) came to 87% of our full-year estimate (we have sole coverage). Although a seasonally slower 4QFY26 is expected, we are revising up slightly FY26F core EPS (CEPS) by 5% to 124.9 sen on firmer CPO price estimate (+2%) with FY27 CEPS left intact and hence our FY27 PBV driven TP of RM37.00 is unchanged. Maintain OUTPERFORM as we expect a solid year ahead for UTDPLT. Longer term, increasingly limited land for expansion also favours its efficiency driven operations and growth.

9MFY26. Excluding fair value gain RM4m) and disposal gain (RM0.5m), UTDPLT saw CNP inching up 5% YoY to RM641.2m as softer YTD CPO price of RM4,251 per MT (-1% YoY) was mitigated by a very good harvest in the recent 3Q thus lifting YTD CPO output to 0.228m MT (+6% YoY). 9MFY26 PK price of RM3,405 per MT also contributed to CNP uptick.

3QFY26. The current third quarter CNP surged to RM293.6m (+56% QoQ, +46% YoY), thanks to a very good harvest which lifted CPO production to 0.091m MT (+25% QoQ, +15% YoY) while CPO price firmed up to an estimated RM4,396 per MT (+6% QoQ, +4% YoY). 3QFY26 net cash nearly doubled QoQ from RM221m in 2QFY26 to RM417m thanks to strong 3Q cashflow. As is the practice of the group, UTDPLT declared an interim dividend per share (DPS) of 30 sen and interim special dividend of 15 sen in 3QFY26 which is slightly better than the combined 3QFY25 interim DPS of 30 sen and interim special DPS of 14 sen. As such, we are maintaining our full year FY26 aggregated DPS estimate of 120 sen.

Slightly softer YoY FY26 earnings followed by stronger FY27 likely. Tight international edible oil supply is taking shape this year and more so in 2027. We see energy security driving bio-diesel demand following the Middle East conflict. Shipping disruption is also hampering sunflower exports through the Black Sea while a very strong El Nino, which is taking place, is expected to trim palm oil supply next year. All in, we expect end inventory levels to stay tight this year as well as the next hence our general expectation for CPO price of RM4,400-4,500 per MT in 2026 and RM4,700 in 2027. However, UTDPLT typically sells forward, resulting in less extreme prices over time. For FY26 we are tweaking up our CPO price estimate from RM4,150 to RM4,250 in view of YTD average but leaving FY27 CPO price at RM4,500 per MT.

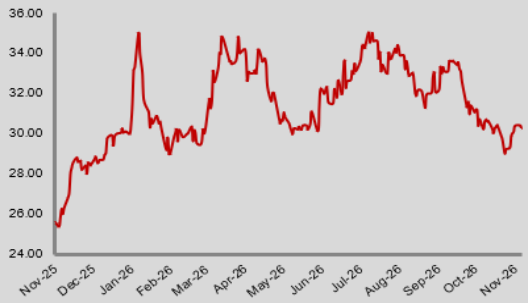
Forecasts. We are revising up CEPS in FY26 from 118.6 sen to 124.9 sen on firmer CPO price but maintaining FY27 CEPS at 141.4 sen.

Valuations. Maintain TP of RM37.00 which is driven mostly by a 2x FY27 PBV adjusted for its superior 3-year average ROE of 26% versus the sector's 8%. Over and above this, we believe UTDPLT deserve premium rating, 20% for scarcity to reflect the group's efficiency which translates to 2-3x higher than peers in terms of profit-per-hectare and ROE. Another 5% premium for having the its 4.5-star ESG rating, the highest in the sector highest (see page 3).

Investment case. One the best run oil palm planter in the world, UTDPLT is a rare gem for investment. It has net cash with highly cash generative operations to sustain DPS of around 120 sen. Maintain OUTPERFORM.

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

Share Price Performance



KLCI	1,595.19
YTD KLCI chg	-5.1%
YTD stock price chg	1.5%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	UPL MK EQUITY
Market Cap (RM m)	18,814.6
Shares Outstanding	622.2
52-week range (H)	35.55
52-week range (L)	24.89
3-mth avg. daily vol.	701,029
Free Float	41%
Beta	0.6

Major Shareholders

Maximum Vista Sdn Bhd	43.7%
Employees Provident Fund	7.2%
UIE PLC	4.7%

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	2,514.2	2,325.6	2,351.4
EBIT	1,066.8	1,037.6	1,159.7
PBT	1,108.6	1,049.9	1,174.8
Net Profit (NP)	**825.1**	**776.9**	**879.8**
Core NP	**813.0**	**776.9**	**879.8**
Consensus (CNP)	-	-	-
Earnings Revision	-	5%	-
Core EPS (sen)	130.7	124.9	141.4
Core EPS growth (%)	16.0	-4.4	13.3
NDPS (sen)	118.0	120.0	123.0
NTA/Share (RM)	4.52	4.53	4.58
Core PER (x)	23.1	24.2	21.4
Price/NTA (x)	6.5	6.7	6.6
Net Gearing (x)	N.Csh	N.Csh	N.Csh
Dividend Yield (%)	3.9	4.0	4.1

Results Highlights

FYE Dec (RM m)	*3Q26*	*2Q26*	*QoQ*	*3Q25*	*YoY*	*9MFY26*	*9MFY25*	*YoY*
Revenue	**722.2**	**641.8**	**+13%**	**677.1**	**+7%**	**2,004.6**	**1,833.1**	**+9%**
EBIT	370.8	260.4	+42%	275.8	+34%	836.4	803.2	+4%
Interest expenses	3.0	2.9	+3%	3.9	-23%	10.0	14.1	-29%
Associates & JVs	7.0	2.6	+175%	2.9	+144%	10.0	16.9	-41%
EI (excluded fr N Profit)	(2.7)	5.9	-146%	2.3	-216%	4.4	4.1	+8%
Pretax Profit	**380.9**	**265.9**	**+43%**	**282.6**	**+35%**	**856.4**	**834.1**	**+3%**
Taxation	(88.6)	(70.5)	+26%	(78.1)	+13%	(207.0)	(214.5)	-3%
Minorities	(1.3)	(1.4)	-9%	(1.2)	+5%	(3.8)	(3.7)	+2%
Net Profit	**290.9**	**194.0**	**+50%**	**203.3**	**+43%**	**645.6**	**615.9**	**+5%**
Core Net Profit	**293.6**	**188.1**	**+56%**	**200.9**	**+46%**	**641.2**	**611.8**	**+5%**
Core EPS (sen)	47.2	30.2	+56%	32.3	+46%	103.1	98.3	+5%
DPS (sen)	45.0	-	N.A.	44.0	+2%	45.0	44.0	+2%
EBIT %	51%	41%		41%		42%	44%	
PBT %	53%	41%		42%		43%	46%	
Tax %	23%	27%		28%		24%	26%	
CPO (RM / MT)	c.4,396	c.4,142	+6%	c.4,235	+4%	4,251	4,315	-1%
PK (RM / MT)	c.3,425	c.3,514	-3%	c.3,131	+9%	3,405	3,246	+5%
CPO Production (MT)	90,895	72,726	+25%	79,097.0	+15%	227,847	215,610	+6%

Source: Company, Kenanga Research

Segmental Breakdown

FYE Dec (RM m)	*3Q26*	*2Q26*	*QoQ*	*3Q25*	*YoY*	*9MFY26*	*9MFY25*	*YoY*
Segmental Revenue:								
Plantation	288.0	220.4	+31%	265.4	+8%	706.2	674.6	+5%
Refining	434.3	421.4	+3%	411.7	+5%	1,298.5	1,158.6	+12%
Revenue	**722.2**	**641.8**	**+13%**	**677.1**	**+7%**	**2,004.6**	**1,833.1**	**+9%**
Segmental Pretax Profit:								
Plantation	355.5	252.2	+41%	288.1	+23%	820.0	777.6	+5%
Refining	25.2	13.3	+90%	(5.7)	-541%	35.9	57.1	-37%
Others	0.1	0.5	-78%	0.2	-49%	0.5	(0.6)	-176%
Pretax Profit	**380.9**	**265.9**	**+43%**	**282.6**	**+35%**	**856.4**	**834.1**	**+3%**

Source: Company, Kenanga Research

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.
Stocks Under Coverage																	
GENTING PLANTATIONS BHD	OP	4.83	6.40	32.5%	4,331.5	Y	12/2026	49.8	57.8	26.2%	16.0%	9.7	8.4	0.8	8.8%	28.0	5.8%
HAP SENG PLANTATIONS HOLDINGS	OP	2.20	3.00	36.4%	1,759.3	Y	12/2026	18.9	20.1	8.6%	6.5%	11.6	10.9	0.8	6.1%	9.0	4.1%
IOI CORP BHD	OP	4.39	5.40	23.0%	27,592.0	Y	06/2027	24.0	25.1	19.5%	5.1%	18.3	17.5	2.1	12.6%	11.0	2.5%
KUALA LUMPUR KEPONG BHD	OP	21.08	25.80	22.4%	23,475.9	Y	09/2026	125.6	163.9	15.8%	30.4%	16.8	12.9	1.7	-1.6%	60.0	2.8%
PPB GROUP BHD	OP	8.58	13.40	56.2%	12,190.6	Y	12/2026	103.3	116.2	8.6%	12.5%	8.3	7.4	0.5	6.3%	45.0	5.2%
SD GUTHRIE BHD	OP	5.99	7.20	20.2%	41,425.1	Y	12/2026	31.7	33.1	10.3%	4.5%	18.9	18.1	2.1	15.9%	16.0	2.7%
TA ANN HOLDINGS BHD	UP	5.46	5.00	-8.4%	2,404.9	Y	12/2026	53.9	60.7	11.2%	12.8%	10.1	9.0	1.2	12.3%	40.0	7.3%
TSH RESOURCES BHD	OP	1.16	1.85	59.5%	1,407.3	Y	12/2026	14.2	17.0	-7.4%	19.6%	8.2	6.8	0.7	9.1%	5.0	4.3%
UNITED MALACCA BHD	OP	6.08	7.00	15.1%	1,275.4	Y	04/2027	79.6	68.8	6.8%	-13.6%	7.6	8.8	0.7	10.1%	30.0	4.9%
UNITED PLANTATIONS BHD	OP	30.24	37.00	22.4%	18,814.6	Y	12/2026	124.9	141.4	-4.4%	13.3%	24.2	21.4	6.7	27.3%	120.0	4.0%
SECTOR AGGREGATE					**115,862.1**					**12.8%**	**11.6%**	**15.0**	**13.5**	**1.2**	**8.8%**		**4.4%**

Source: Kenanga Research

	Criterion	Rating				
Material Topics	Greenhouse Gas Emissions	★	★	★	★	★
	Energy Management	★	★	★	★	★
	Water Management	★	★	★	★	
	Workforce Health & Safety	★	★	★	★	
	Environmental & Social Impacts of Ingredient Supply Chain	★	★	★	★	★
	Ingredient Sourcing	★	★	★	★	
	OVERALL	★	★	★	★	☆

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

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.***

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

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