



## Kuala Lumpur Kepong Berhad

(2445 | KLK MK) Main | Plantation

**Maintain BUY**

### Acquisition of Boustead Plantations Discontinued

**Unchanged Target Price: RM24.60**

#### KEY INVESTMENT HIGHLIGHTS

- **LTAT and Boustead Holdings decided to discontinue with stake sale**
- **No material effect on KLK**
- **KLK's plans for M&A are still in the air**
- **No change to our earnings forecast**
- **Maintain BUY with an unchanged TP of RM24.60**


**LTAT and Boustead Holdings decided to discontinue with stake sale.** After receiving backlash from opposition leaders on strategic collaboration agreement (SCA) with KLK over a concern Bumiputera shareholding where it deems the selling stake doesn't align with the 30% Bumiputera corporate equity target by 2025, LTAT and Boustead Holdings Berhad (BHB) decided to terminate the deal.

**It's unfortunate for BPLANT as offer price were quite compelling and shareholders could have ride on KLK outstanding operation.** The offer price of RM1.55/share propels the total market value of BPlant to RM3.47bn. This offer price represents a 13% premium to BPlant's Wednesday August 23<sup>rd</sup>, closing price of RM1.37/share. In fact, the offer price of RM1.55/share was valued at 1.21x P/B based on 1H23 performance, which is at a high premium to BPLANT's 5-year historical average of 0.57x. Furthermore, the deal comes to an approximate EV to planted hectare of RM56,009k/ha on the planted of 72,291 Ha, which we found fair and lower than average sector EV/Planted of RM56,448/ha.

While KLK overall yields for FY22 was amongst the lowest in the past 10 years due to yield dilution from IJM Plants acquisition in the prior year, however it remains among the top tier if we were to compare in term of OER, FFB yield, age profile as well oil yield. Hence the pullback from SCA is a missed opportunity for BPlant to leverage on KLK proven expertise.

**No material effect on KLK.** Based on the announcement, the SCA will be terminated with immediate effect on October 4, 2023, and BHB shall return the deposit (equivalent to the sum of RM229.2m) to KLK within 14 business days from 4 October 2023, or such other later date as may be agreed between the parties. Additionally, this termination does not have a material effect on KLK.

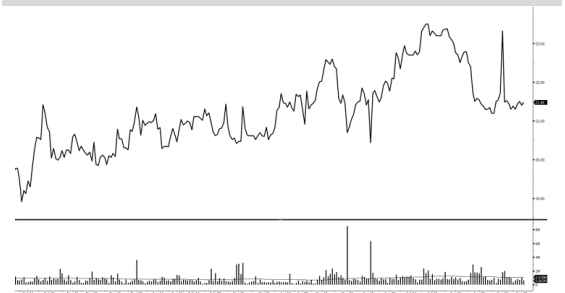
**KLK's plans for M&A are still in the air.** With the consolidation of year-to-date CPO price of RM3,862/Mt coupled with attractive average sector EV of RM39,163/planted ha, we observed that, SOP, Ta Ann, TSH, United Malacca and BLD Plant were notable privatization candidate for KLK moving onwards, as it trades below the average sector EV/ha (Table 1). Affordability is not a big issue, since KLK balance sheet remain stable with a cash of RM2.78b and net gearing about 40.6%.

**Maintain BUY.** Maintain **BUY** with unchanged **TP of RM24.60** based on our PER of 32.0x on FY24F EPS of 76.9sen. 

#### RETURN STATISTICS

Price @ 04 <sup>th</sup> Oct 2023 (RM)	21.48
Expected share price return (%)	+14.50
Expected dividend yield (%)	+2.00
<b>Expected total return (%)</b>	<b>+16.50</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.8	3.6
3 months	0.4	-8.2
12 months	3.8	4.1

#### INVESTMENT STATISTICS

FYE Sep	2023E	2024F	2025F
Revenue	21,051.7	20,059	19,429
Operating Profit	2,516.0	1,903	1,906
Profit Before Tax	1,717.9	1,176	1,074
Core PATAMI	1,187	829	726
Core EPS	219.2	76.9	67.3
DPS	61.0	42.0	37.0
Dividend Yield	2.8%	2.0%	1.7%

#### KEY STATISTICS

FBM KLCI	1,415.8
Issue shares (m)	1,078.16
Estimated free float (%)	33.3
Market Capitalisation (RM'm)	23,164.8
52-wk price range	RM19.4-RM23.9
3-mth average daily volume (m)	1.0
3-mth average daily value (RM'm)	23.4
Top Shareholders (%)	
Batu Kawan Bhd	47.7
EPF	10.5
Amanah Saham Nasional	5.7

## Small- Mid Cap EV/ Ha

Company	Price (RM)	Mkt Cap (RM'm)	Planted Area (Ha)	EV / Ha
SOP	2.56	2,279.17	84,487	32,790
Ta Ann	3.33	1,466.74	49,968	33,965
Hap Seng Plant	1.90	1,519.40	34,856	46,413
TSH Resources	0.98	1,345.67	39,071	29,695
Kretam	0.59	1,348.16	20,152	70,466
United Malacca	5.10	1,069.82	31,992	31,340
BLD Plant.	10.98	1,026.63	31,420	29,471
Sector Average EV/Ha				39,163

Source: Bloomberg, Latest Annual Reports

## FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	19,916	27,149.5	21,051.7	20,059	19,429
EBITDA	3,520	4,316.1	2,516.0	1,903	1,906
PBT	2,976	3,219.5	1,717.9	1,176	1,074
PATAMI	2,258	2,166.3	1,186.8	829	726
Core PATAMI	1,706	2,364	1,187	829	726
EPS (sen)	158.3	219.3	219.2	76.9	67.3
PER (x)	13.4	9.7	9.8	27.9	31.9
DPS (sen)	100.0	100.0	61.0	42.0	37.0
Dividend yield (%)	4.7%	4.7%	2.8%	2.0%	1.7%

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
PPE	11,014.9	12,123.3	12,251.3	12,372.6	12,487.7
Right-of-use assets	1,316.6	1,338.5	1,337.2	1,335.8	1,334.6
Associates	1,777.894	2,366.997	2,519.497	2,685.122	2,701.122
Non-current assets	18,054.6	19,733.7	19,499.9	19,727.1	19,830.7
Inventories	2,991.026	4,024.163	3,120.338	2,973.195	2,879.798
Biological assets	210.218	209.344	209.344	209.344	209.344
Trade receivables	1,965.410	1,911.690	1,482.325	1,412.425	1,368.056
Current assets	10,022.8	10,504.8	9,206.0	9,150.4	9,342.4
Total Assets	28,077.4	30,238.5	28,705.9	28,877.5	29,173.1
Loans & borrowings	3,152.5	2,173.4	2,173.4	2,173.4	2,173.427
Trade & other payables	879.7	1,000.5	775.8	739.2	715.996
Current liabilities	6,500.1	5,148.1	4,986.5	4,894.7	4,836.5
Deferred income	98.5	90.1	90.1	90.1	90.1
Lease liabilities	133.5	158.3	158.3	158.3	158.3
Non-current liabilities	7,370.3	9,038.6	9,038.6	9,038.6	9,038.6
Equity	14,207.0	16,051.8	14,677.3	14,940.6	15,294.5
Liabilities & equity	28,077.4	30,238.5	28,705.9	28,877.5	29,173.1

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	2,976.4	3,219.5	1,717.9	1,175.6	1,073.8
Cash flow from operations	1,156.6	2,672.7	3,762.4	1,699.6	1,652.0
Cash flow from investing	-1,868.1	-2,461.8	-2,461.8	-850.0	-850.0
Cash flow from financing	943.4	-738.4	-1,077.9	-657.5	-452.7
Net cash flow	231.9	-527.5	222.7	192.1	349.3
Net cash/(debt) b/f	2,823.8	3,082.7	2,614.9	2,837.6	3,029.6
Net cash/(debt) c/f	3,082.7	2,614.9	2,837.6	3,029.6	3,378.9

Profitability Margins	2021A	2022A	2023E	2024F	2025F
EBITDA margin (%)	17.7	15.9	12.0	9.5	9.8
Core PATAMI margin (%)	8.6	8.7	5.6	4.1	3.7

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### MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

#### ESG RECOMMENDATIONS\* - source Bursa Malaysia and FTSE Russell

☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

\* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology