Genting Plantations (GENP MK)

1H26: Above Expectations; FFB Production Momentum To Sustain

Highlights

- GENP's 1H26 core net profit came in above expectations, at 52/56% of our/consensus full-year forecasts, driven by strong FFB production and improved downstream performance.
- Management revised up its FFB production growth guidance from 3-5% to 5-10%, expecting the momentum to sustain in 2H26. However, the current dry weather condition in Indonesia could pose downside risk to next year's production.
- We raise our 2026-27 earnings forecasts by 8%/4% following an upward revision to our FFB production assumption. Maintain HOLD with a higher target price of RM6.10 (previously RM5.44), pegged to 13x 2027F PE.

1H26 Results

Year to 31 Dec (RMm)	2Q26	2Q25	qoq%	Yoy%	1H26	yoy%
Revenue	996.8	767.0	38.4	30.0	1,717.0	15.5
Adjusted EBITDA	302.2	208.8	52.2	44.7	500.7	9.2
Plantation	267.1	201.9	43.6	32.3	453.1	2.6
Property Development	20.6	19.0	160.8	8.4	28.5	15.4
Downstream Manufacturing	11.3	(7.8)	121.6	250	16.4	890
Net Profit	141.0	192.6	107.1	(26.8)	209.0	(17.7)
Core Net Profit	141.9	58.0	132.0	145.0	203.0	14.0
Margin						
EBITDA	30.3	27.2	10.0	11.3	29.2	(5.4)
Core net profit	14.2	7.5	67.6	88.2	11.9	(1.3)

Source: GENP, UOB Kay Hian

Analysis

- **Above expectations.** Genting Plantations' (GENP) 1H26 core net profit of RM203m (+14% yoy) beat our expectation, accounting for 52%/56% of our and consensus full-year estimates, driven by strong FFB production (+9% yoy) and better-than-expected downstream earnings.
- 2Q26 earnings more than doubled yoy to RM141.9m, mainly due to increased FFB production (+12%) and improved sales volumes in the downstream segment which helped to turn this segment profitable. Earnings rose sharply qoq due to higher realised CPO prices of RM3,758 per tonne (+4%) on top of seasonally stronger FFB production, as well as higher contribution from the property segment.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	2,937.9	3,367.6	3,663.5	3,738.0	3,866.2
EBITDA	845.0	942.2	966.4	957.6	979.5
Operating profit	520.7	636.9	670.0	658.4	677.2
Net profit (rep./act.)	323.1	354.5	425.0	420.7	437.2
Net profit (adj.)	323.3	381.3	425.0	420.7	437.2
EPS	36.0	39.5	47.4	46.9	48.7
PE (x)	15.6	14.2	11.8	11.9	11.5
P/B (x)	1.0	1.0	1.0	1.0	1.0
EV/EBITDA (x)	6.5	6.1	6.0	6.1	6.0
Dividend yield (%)	4.5	5.0	5.2	5.4	5.7
Net margin (%)	11.0	10.5	11.6	11.3	11.3
Net debt/(cash) to equity(%)	25.4	32.5	33.3	33.8	34.5
Interest cover (x)	4.9	5.7	6.1	6.1	6.3
ROE (%)	6.1	6.9	8.5	8.4	8.8
Consensus net profit	n.a	n.a	360	363	365
UOBKH/Consensus (x)	n.a	n.a	1.2	1.2	1.2

Source: GENP, Bloomberg, UOB Kay Hian

Analyst(s)

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HOLD (Maintained)

Share Price	RM5.60
Target Price	RM6.10
Upside	8.8%
Previous TP	RM5.44

Stock Data

Sector	Consumer Staples
Bloomberg ticker	GENP MK
Shares issued (m)	897.4
Market cap (RMm)	5,025.2
Market cap (US$m)	1238.0
3-mth avg daily t'over (US$m)	5.0

Price Performance (%)

52-week high/low				RM5.77RM4.76
1mth	3mth	6mth	1yr	YTD
(1.8)	6.9	9.6	13.1	11.8

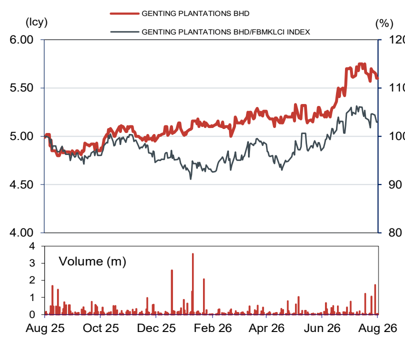
Major Shareholders (%)

Genting Berhad	53.6
Employees Provident Fund	15.4

Balance Sheet Metrics

FY26 NAV/Share (RM)	5.50
FY26 Net Debt/Share (RM)	17.4

Price Chart



Source: Bloomberg

Company Description

Palm oil company with a total landbank of 64,100 ha in Malaysia and 179,100 ha in Indonesia.

- **FFB production growth is expected to sustain in 2H26.** The group's 7M26 FFB production rose 11% yoy, driven by both of its Sabah estates, due to recovery from previous year's low crop cycle, and Indonesia estates from improved yield and favourable weather for harvesting. Sequentially, management has raised its FFB production growth guidance for 2026 from 3-5% to 5-10% yoy. However, its Kalimantan estates have been experiencing dry weather conditions since Jun 26, which could bring risk to next year's production level.
- **Anticipate higher fertiliser costs in 2H26.** Production cost eased to RM2,140 per tonne in 2Q26 and RM2,250 per tonne in 1H26 (-11% yoy) following higher FFB production. However, we expect higher cost of production in 2H26 due to an increase in fertiliser prices and higher fertiliser application. We note that GENP has secured its 2H26 fertiliser requirement at higher prices of 20-25% while its fertiliser application was at 30% of the full-year requirement as of 1H26.
- **Positive outlook on the property segment.** Property sales improved to RM80m due to higher progress billing after a soft start in 1Q26. Unbilled sales trended lower to RM179m (1Q26: RM296m) following a large sales recognition in 2Q26. GENP is planning to launch its next phase of property projects, potentially worth over RM500m in GDV in 2H26, which should support medium-term earnings visibility for the segment. Additionally, management expects improving performance from Jakarta Premium Outlets, possibly breakeven in 2H26, driven by higher tenant sales and footfalls.
- The downstream segment delivered a strong performance with EBITDA of RM11.3m, which was a turnaround from losses in the previous year. This was mainly attributed to higher sales volume and improved margin, where GENP managed to secure high margin sales during the period of price volatility due to the Middle-East conflict. While we expect the segment's margin to normalise in 2H26, management still foresees a possibility of this situation recurring due to heightened volatility in the current market. Nonetheless, the group maintained its structurally challenging outlook amid overcapacity and intense competition from Indonesian refineries.

Valuation/Recommendation

- **Maintain HOLD with a higher target price of RM6.10** (previously RM5.44), pegged to 13x 2027F PE (-1SD to five-year average PE of 17x) on our revised earnings forecast. We view the current valuation as fair and as having largely priced in the recovery in the group's FFB production, while cost pressure and downside risk to next year's production could cap further upside on share price.

Earnings Revision/Risk

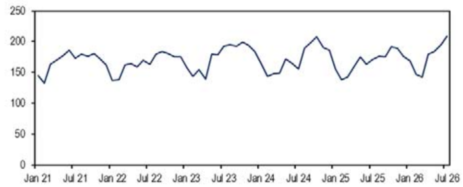
- **We revise up our 2026/27 earnings forecasts by 8%/4% respectively,** after raising our FFB production growth assumption from 5% to 9% yoy but maintain CPO production cost at RM2,600 per tonne due to expectation of higher fertiliser costs in 2H26.

Operational Highlights

	2Q26	Qoq (%)	Yoy (%)	1H26	Yoy (%)
FFB production ('000 tonnes)	560	22.5	12.4	1,017	8.9
CPO Price (RM/tonne)	3,758	3.9	(1.2)	3,694	(7.2)
PK Price (RM/tonne)	3,478	10.1	2.2	3,329	(0.8)

Source: GENP

FFB Production Trend



Source: GENP

Environmental, Social and Governance (ESG)

Environmental
- Committed to "Zero-burning Policy" for all land-clearing activities as well as No Deforestation, No Peat and No Exploitation ("NDPE") Policy.
- Recycled about 1,133m mt of biomass and reduced water consumption by 31%.

Social
- Provided educational support to 119 schools situated within plantation areas in Malaysia and Indonesia.
- Enabled smallholders' access to certified markets through RM1.00/mt premium for certified FFB and buyer-linked physical uptake incentives.

Governance
- Transparent governance along with an Anti-Bribery and Anti Corruption Policy

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	3,367.6	3,663.5	3,738.0	3,866.2
EBITDA	942.2	966.4	957.6	979.5
Deprec. & amort.	(305.4)	(296.3)	(299.2)	(302.3)
EBIT	636.9	670.0	658.4	677.2
Associate contributions	33.1	36.4	41.9	48.1
Net interest income/(expense)	(74.0)	(80.6)	(80.7)	(81.5)
Pre-tax profit	569.2	625.9	619.6	643.8
Tax	(200.7)	(187.8)	(185.9)	(193.2)
Minorities	(14.0)	(13.1)	(13.0)	(13.5)
Net profit	354.5	425.0	420.7	437.2
Net profit (adj.)	381.3	425.0	420.7	437.2

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	4,215.0	4,251.5	4,297.0	4,339.7
Other LT assets	2,408.7	2,470.6	2,457.0	2,442.9
Cash/ST investment	1,186.2	1,144.0	1,118.5	1,081.7
Other current assets	1,206.4	1,294.4	1,327.0	1,381.4
Total assets	9,016.3	9,160.5	9,199.6	9,245.8
ST debt	571.6	571.6	571.6	571.6
Other current liabilities	647.9	754.9	781.0	803.8
LT debt	2,135.2	2,135.2	2,135.2	2,135.2
Other LT liabilities	671.6	707.2	720.1	743.6
Shareholders' equity	4,992.7	4,994.2	4,994.2	4,994.2
Minority interest	35.6	35.6	35.6	35.6
Total liabilities & equity	9,016.3	9,160.5	9,199.6	9,245.8

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	3,598	4,437	3,917	3,670
Pre-tax profit	3,530	3,210	2,965	3,070
Tax	-842	-855	-802	-891
Deprec. & amort.	1,439	1,591	1,591	1,591
Working capital changes	-510	325	-8	-273
Other operating cashflows	-19	167	171	173
Investing	-1,668	-1,184	-1,196	-1,184
Capex (maintenance)	-2,125	-2,000	-2,000	-2,000
Investments	-365	2	2	2
Proceeds from sale of assets	711	800	800	800
Others	111	14	2	14
Financing	-1,943	-3,009	-2,948	-2,958
Dividend payments	-1,346	-1,519	-1,458	-1,468
Issue of shares	0	0	0	0
Proceeds from borrowings	-95	0	0	0
Loan repayment	-502	10	10	10
Others/interest paid	-13	245	-227	-472
Net cash inflow (outflow)	625	624	863	630
Beginning cash & cash equivalent	12	-6	-6	-6
Changes due to forex impact	624	863	630	152
Ending cash & cash equivalent	3,598	4,437	3,917	3,670

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	28.0	26.4	25.6	25.3
Pre-tax margin	16.9	17.1	16.6	16.7
Net margin	10.5	11.6	11.3	11.3
ROA	4.9	5.6	5.5	5.7
ROE	6.9	8.5	8.4	8.8
Growth				
Turnover	14.6	8.8	2.0	3.4
EBITDA	11.5	2.6	(0.9)	2.3
Pre-tax profit	18.4	10.0	(1.0)	3.9
Net profit	9.7	19.9	(1.0)	3.9
Net profit (adj.)	9.7	19.9	(1.0)	3.9
EPS	9.7	19.9	(1.0)	3.9
Leverage				
Debt to total capital	31.1	30.6	30.5	30.4
Debt to equity	56.2	56.2	56.2	56.2
Net debt/(cash) to equity	32.5	33.3	33.8	34.5
Interest cover	5.7	6.1	6.1	6.3