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Plantation Sector

Neutral (↔)

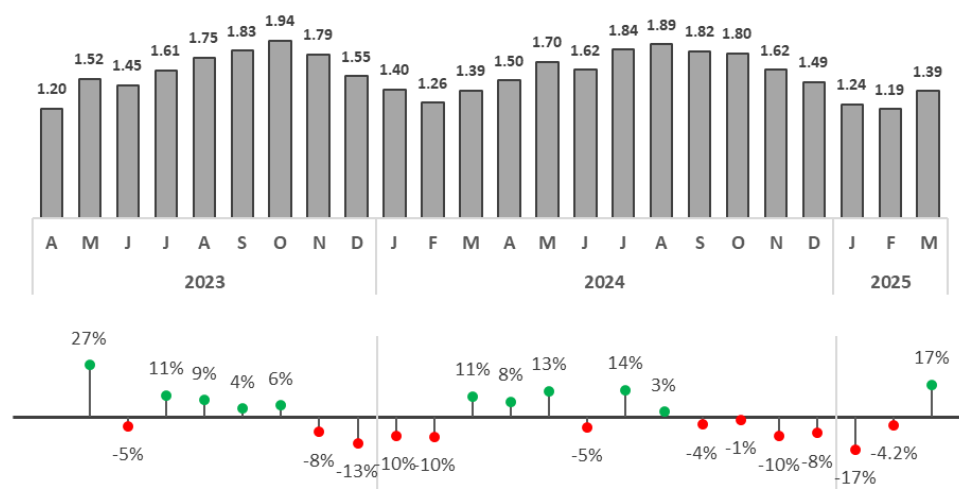
US-China Tariff Clash Dampens CPO Sentiment

Executive Summary

- CPO production recover in March as output normalised following a shorter working month in Feb 2025.
- Market sentiment deteriorated following the US-China trade spat, dragging CPO prices down to a four-month low of RM4,489/MT.
- Maintain Neutral rating on the sector with unchanged CPO price assumption of RM4,300 for the year. Top Picks: SDG (BUY; TP:RM5.20) and KLK (BUY; TP:RM21.60).

CPO production surged in Mar 2025; uptick expected in 2QCY25. CPO production in Mar 2025 rose +16.8% mom after recorded a decline of -4.2% in Feb 2025. The uptick of CPO production was within our expectation as we acknowledge that CPO production would normalise after a shorter working month in February. In a nutshell, 1QCY25 CPO production slid -6.0% yoy mainly attributable to wet weather in 1QCY25, which led to harvesting challenges. Looking ahead, we expect CPO production to uptick in 2QCY25 upon exit the low production season in 1QCY25.

Monthly CPO production ('m tonnes)

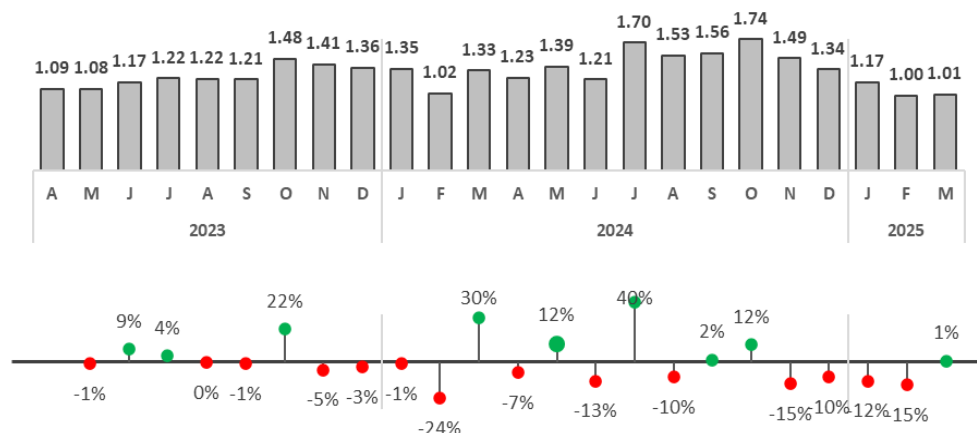


Source: MPOB

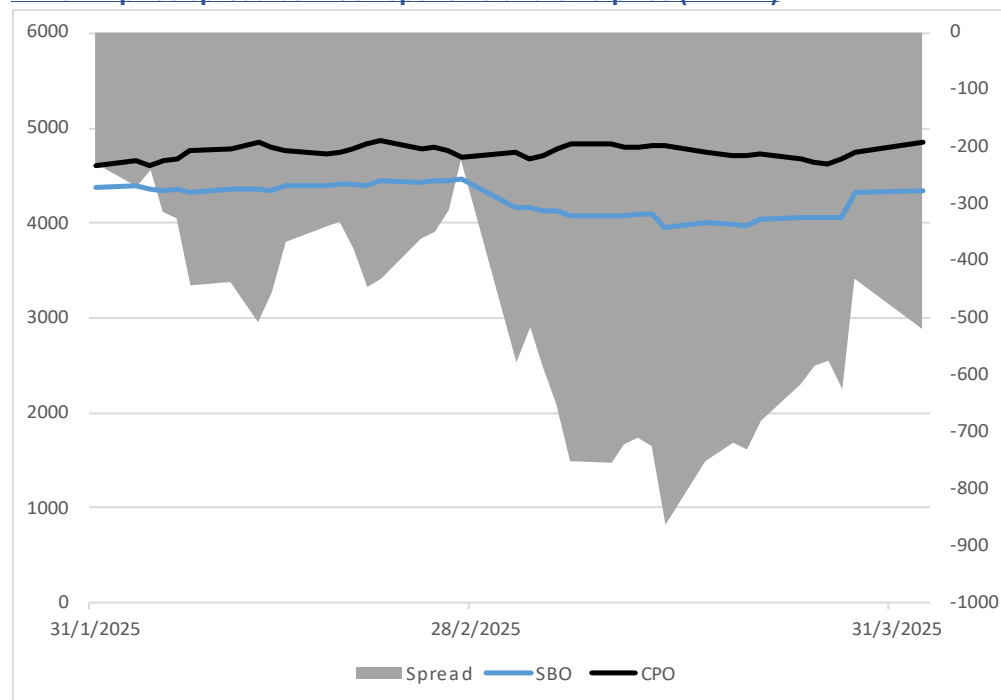
Palm oil export rebounded mildly in Mar 2025 attributable to discount to soybean oil price.

Palm oil export in Mar 2025 recovered from the low base in Feb 2025 after rising marginally by +0.9% mom. We reckon that the subdued recovery in palm oil export was owing to tepid demand from importing countries due to competitive soybean oil prices along with uncertainty in global economy. Nonetheless, we expect palm oil exports to climb in Apr 2025 as demand for palm oil from northern regions is poised to recover with weather in Northern Hemisphere turns warmer.

Monthly CPO export ('m tonnes)

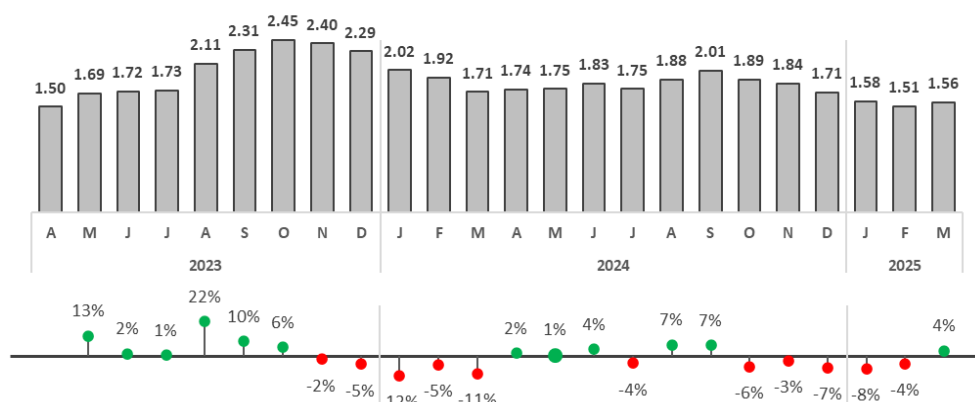


2-month price spread between spot SBO and CPO price (RM/mt)



Palm oil inventory rises as output jumps. Palm oil inventory in Mar 2025 climbed +3.5% mom to 1.56m tonnes from 1.51m tonnes in Feb 2025 as CPO production in the month soared. The palm oil inventory level was above our expectation as CPO production rose sharper than expected in Mar 2025, outweighing the recovery in palm oil exports. Looking ahead, we estimate palm oil stocks to inch up to 1.6m tonnes in Apr 2025 as we are expecting CPO production to overtake palm oil exports in Apr 2025.

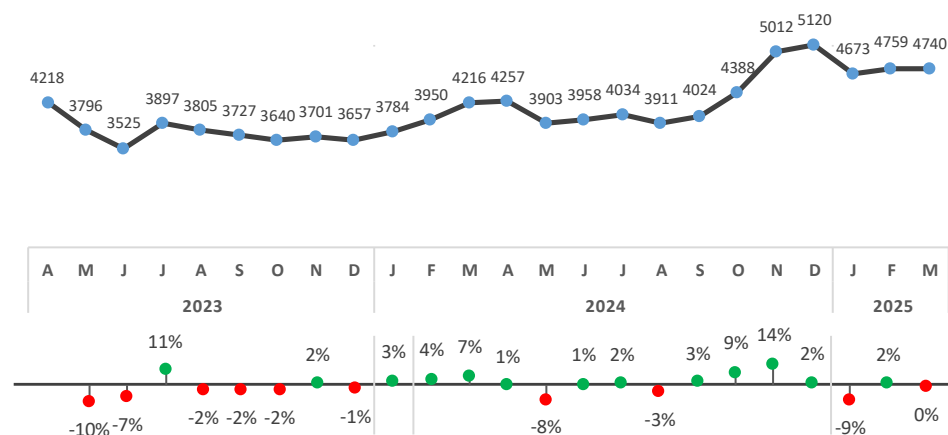
Monthly CPO inventory



Source: MPOB

CPO prices fell marginally in Mar 2025. CPO prices achieved an average of RM4,740/mt in Mar 2025, declining by a marginal -0.4% from RM4,759/mt in Feb 2025. We note that CPO prices declined from RM4,815/mt to RM4,705/mt in the second half of Mar 2025, weighed down by market uncertainty on Trump's reciprocal tariff and expectations of higher CPO production. Moving forward, we are expecting CPO prices to stay in the range of RM4,200/mt-RM4,600/mt in Apr 2025.

24-month CPO price trend (RM/mt)



Source: MPOB

Rising trade tensions between the US and China do not necessarily translate into higher CPO prices. Trump's renewed tariff policies have sparked fresh concerns over a global trade war, unsettling financial markets and raising fears of slower economic growth and reduced oil demand. In retaliation, China imposed an 84% tariff on American imports. This escalation is viewed as a negative development for the palm oil sector, as it may lead to a global oversupply of soybean oil, placing additional pressure on CPO prices. We opined the rising tensions will drive China to diversify its soybean imports toward alternative sources such as Brazil and Argentina, while excess US supply is likely to spill into the global market. Market sentiment has also turned soured following the announcement, with CPO prices slipping to a four-month low of RM4,489 on 9 Apr 2025.

Maintaining Neutral stance. We maintain our **Neutral** stance on the sector, as the anticipated recovery in FFB production is likely to be offset by a softening in CPO prices. As a result, we revise our recommendations for pure planters to **HOLD (from BUY)** and lower their target prices to reflect the challenges stemming from rising trade tensions between the two major economies. This includes **Kim Loong Resources (FV: RM2.10, previously RM2.50)**, **Hap Seng Plantations (FV: RM2.00, previously RM2.35)**, and **Sarawak Plantations (FV: RM2.30, previously RM2.45)**. Meanwhile, we upgrade our call on **Kuala Lumpur Kepong (FV: RM21.60)**, and **Sime Darby Guthrie (FV: RM5.20) to BUY (from HOLD)** as their diversified operations are expected to provide earnings resilience amid the backdrop on CPO prices.

Peers Comparison

Company	FYE	Recommendation	Price (RM)	Target Price	Potential	P/E (x)		P/B (x)		Dividend Yield (%)	ESG Rating
			as at 10Apr25	(RM)	Upside/Downside	2025F	2026F	2025F	2026F		
Sime Darby Guthrie Bhd	Dec	BUY	4.56	5.20	14.0%	18.8	18.0	1.5	1.5	3.7	★★★★
Kuala Lumpur Kepong Bhd*	Sep	BUY	19.40	21.60	11.3%	16.4	18.8	1.5	1.4	1.0	★★★★
Hap Seng Plantations Hldg Bhd	Dec	HOLD	1.83	2.00	9.3%	9.2	9.4	0.7	0.7	6.5	★★★★
Sarawak Plantations Bhd	Dec	HOLD	2.19	2.30	5.0%	6.9	6.7	0.8	0.8	6.8	★★★★
United Plantation Bhd	Dec	HOLD	21.24	21.50	1.2%	16.8	16.7	5.1	4.9	3.0	★★★★
Kim Loong Resources Bhd*	Jan	HOLD	2.20	2.10	-4.5%	13.6	13.7	2.2	2.2	6.3	★★★★

*2024 and 2025 refers to 2025F and 2026F data

Source: Apex Securities Bhd

Recommendation Framework:

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain

Sector Recommendations:

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.