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## Plantation Sector

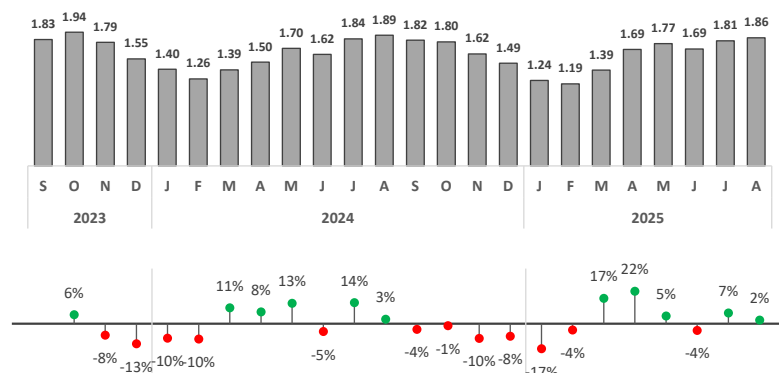
Neutral (↔)

### Surprise spike in CPO price

- CPO production rose slightly to 1.86m tonnes (+2.3% MoM). Despite the modest August growth, production may peak again in Sep-Oct before tapering, supported by favourable weather conditions.
- Palm oil exports remained largely unchanged in August (-0.3% MoM) due to a narrower CPO discount to soybean oil.
- Maintain neutral rating with unchanged CPO price assumption at RM4,250 for CY25. Top pick: SDG (FV: RM5.50).

**CPO production grew marginally to 1.86m tonnes in August.** CPO production rose 2.3% MoM in August as stronger yields from Sabah and Sarawak (+9.5% MoM) outweighed the decline in Peninsular estates (-1.8% MoM). On a YTD basis, output inched up 0.2% YoY to 12.6m tonnes. Despite the modest August performance, we believe production could still register another peak in Sep-Oct before tapering off, thanks to the favourable weather condition that should drive stronger fruit formation in the months ahead.

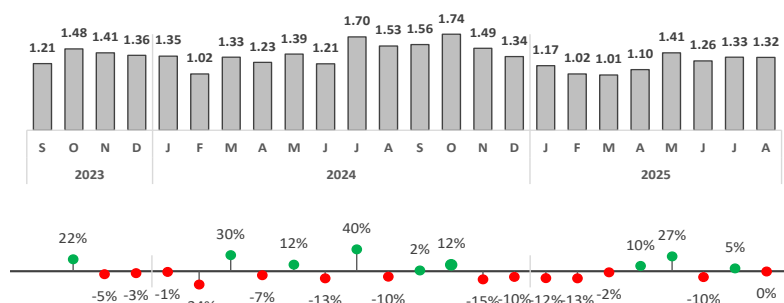
**Figure 1: Monthly CPO production ('m tonnes)**



Source: MPOB, Apex Securities

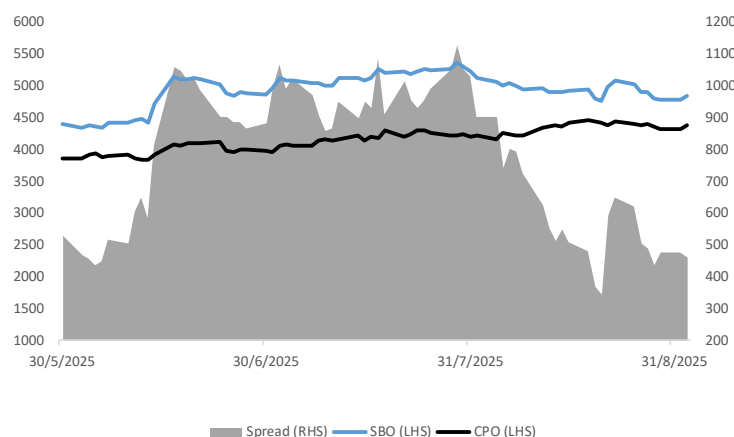
**Tepid palm oil demand.** Palm oil export was flattish in August at -0.3% MoM, likely attributable to importing countries switching to other oils as CPO trading discount to soybean oil narrowed to c.RM607/tonne in August vs c.RM976/tonne in July (Figure 3). We opined export demand may stay subdued in September, as China and India's palm oil inventories were already elevated in July due to aggressive restocking activities. Reflecting this, Intertek/Amspec data show palm oil exports in the first ten days of Sep-25 fell 1.2% MoM and 8.4% MoM respectively.

**Figure 2: Monthly CPO export ('m tonnes)**



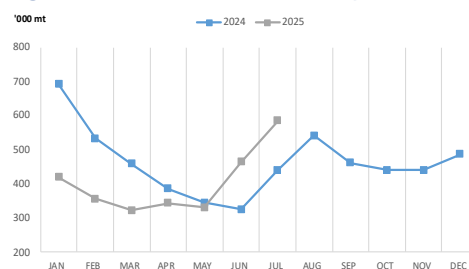
Source: MPOB, Apex Securities

**Figure 3: 1M Futures - SBO vs CPO price**



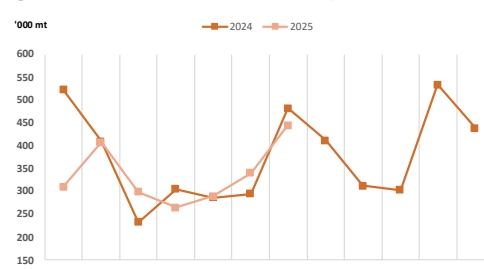
Source: Bloomberg, Apex Securities

**Figure 4: China's PO inventory**



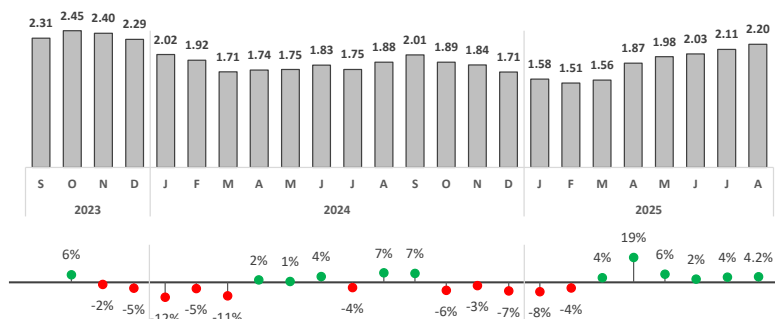
Source: MPOC, Apex Securities

**Figure 5: India's PO inventory**



**Palm oil inventory still swelling.** Malaysia palm oil inventories climbed 4.2% MoM to 2.2m tonnes in August from 2.1m tonnes in July, marking the highest level in 20-months. The build-up was driven by stronger production coupled with subdued demand during the month. The elevated stockpile poses a headwind to CPO price recovery as it raises concerns of potential oversupply. Looking ahead, we reckon that palm oil inventory could climb further in the coming months amid ample CPO production.

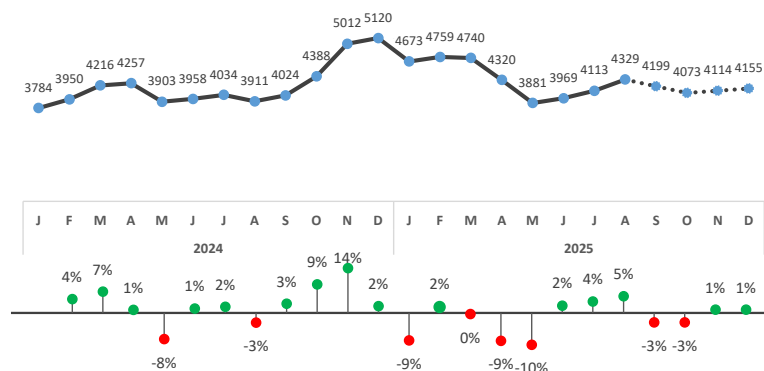
**Figure 6: Monthly CPO inventory**



Source: MPOB, Apex Securities

**CPO price was up 5.3% MoM in August.** CPO prices increased to RM4,329/tonne, bolstered by a favourable CPO discount to soybean oil in early August, which stayed close to c.RM800/tonne. The rise in palm oil prices was also influenced by gains in other vegetable oils, such as sunflower and rapeseed oil during the month. While CPO prices overshot our expectations, we believe further upside is capped by weaker soybean oil prices and rising supply. With this, we maintain our CY25 CPO price assumption at RM4,250/tonne. YTD, CPO prices currently stand at RM4,348/tonne.

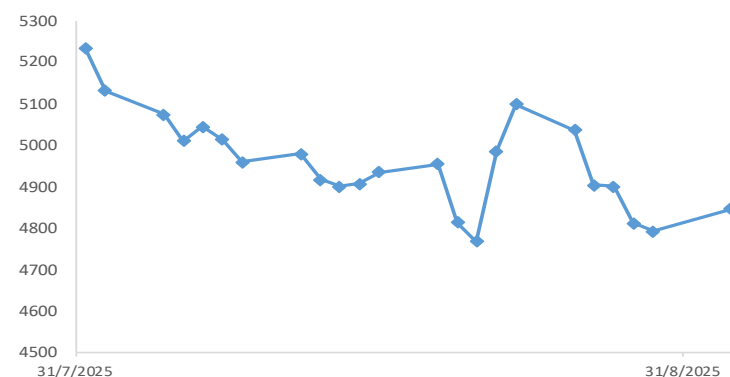
**Figure 7: 24-month MPOB CPO price trend (RM/tonne)**



Source: MPOB, Apex Securities

**Soybean prices slid ahead of the upcoming US harvest season.** Soybean oil prices dropped 8.5% MoM in August as traders turned their attention to the upcoming US harvest in September. Earlier gains led by the biodiesel mandate were completely erased as traders recalibrated their positions to account for the looming increase in supply, leading to a sharp late-month decline.

**Figure 8: 1M Futures - SBO price (RM/tonne)**



Source: Bloomberg, Apex Securities

**Keeping neutral stance.** We maintain our neutral stance on the sector as we expect CPO prices to soften in the near term amid the hefty inventory. We continue to prefer integrated players such as Sime Darby Guthrie (FV: RM5.50) as a laggard play, underpinned by potential upside from landbank monetisation and its industrial park. We reiterate our **HOLD** calls on **Kim Loong Resources** (FV: RM2.10), **Sarawak Plantations** (FV: RM2.30), **Kuala Lumpur Kepong** (FV: RM19.90) and **United Plantations** (FV: RM21.60). Although **Hap Seng Plantations** (FV: RM2.10) is now technically trading at a level that would justify a BUY, we maintain our HOLD call, as the shift reflects only recent share price weakness while fundamentals remain unchanged.

# Sector Update

Thursday, 11 Sep, 2025

## Peers Comparison

Company	FYE	Recommendation	Price (RM)	Target	Potential Upside/Downside	P/E (x)		P/B (x)		Dividend Yield (%)	ESG Rating
			as at 11Aug25	Price (RM)		2025F	2026F	2025F	2026F		
Sime Darby Guthrie Bhd	Dec	BUY	5.15	5.50	10.2%	18.8	19.2	1.6	1.6	3.4	★★★★
Hap Seng Plantations Hldg Bhd	Dec	HOLD	1.97	2.10	12.0%	9.9	10.1	0.7	0.7	5.4	★★★★
Kuala Lumpur Kepong Bhd	Sep	HOLD	20.20	19.90	1.5%	17.0	19.6	1.4	1.3	3.0	★★★★
United Plantation Bhd	Dec	HOLD	22.44	21.60	-0.9%	17.0	16.9	4.3	4.2	2.8	★★★★
Kim Loong Resources Bhd	Jan	HOLD	2.27	2.10	-1.6%	14.0	14.3	2.3	2.2	5.9	★★★★
Sarawak Plantations Bhd	Dec	HOLD	2.74	2.50	-3.3%	9.8	9.3	1.0	1.0	5.5	★★★★

Source: Apex Securities Bhd

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## 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 + dividend yield

## 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.

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## 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.

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