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Plantation Sector

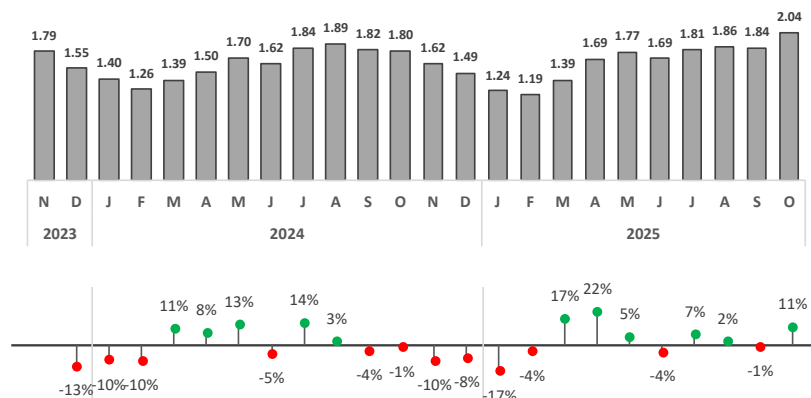
Overweight (↔)

Resilient inventory level

- Palm oil inventory registered at 2.5m tonnes, climbing further by 4.4% MoM in October as palm oil production outpaced palm oil export. Nevertheless, we expect palm oil inventory to ease in the coming months as we anticipate palm oil production to weaken after peaking in October.
- China has pledged to buy more US soybeans post-trade talks, but near-term gains for US soybeans are limited due to strong competition from Brazil, which holds cost and tariff advantages.
- We maintain our overweight stance for now, expecting CPO prices to remain firm into 2026, supported by i) the upcoming rollout of the B50 biodiesel mandate in Indonesia and ii) tighter global supply stemming from Indonesia's ongoing crackdown on illegal plantations and subdued output growth in Malaysia. Top pick: SDG (FV: RM5.70).

CPO production rebounded in October. CPO production rose 11.0% MoM in October, thanks to robust growth from both Peninsular Malaysia estates (+6.6% MoM) and East Malaysia (+16.9% MoM). On a YTD basis, output inched up 1.8% YoY to 16.5m tonnes. Looking ahead, we believe CPO production has most likely peaked in October and will enter a low-production cycle from November 2025 onwards in view of seasonal factors.

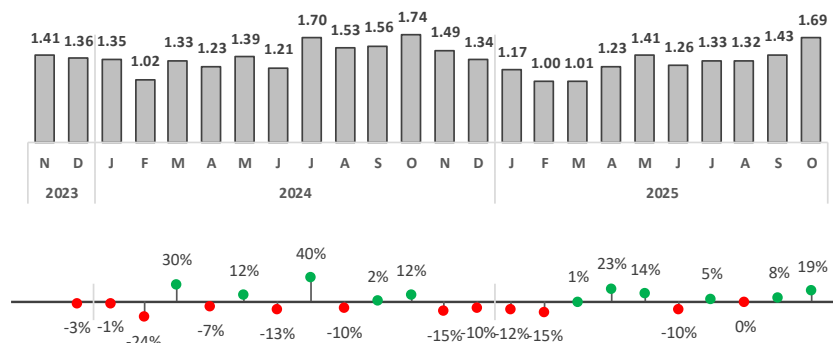
Figure 1: Monthly CPO production ('m tonnes)



Source: MPOB, Apex Securities

Encouraging palm oil exports. Palm oil exports increased 18.6% MoM in October but fell 2.9% YoY to 1.7m tonnes. This was likely driven by stronger demand from India due to the Diwali festival. Meanwhile, cumulative 10-month palm oil export was registered at 12.7m tonnes, down 9.6% YoY. Intertek reported that palm oil export data for the first 10 days of Nov 25 fell 12.3% MoM which we believe was partly due to seasonal slowdown during the Northern Hemisphere winter.

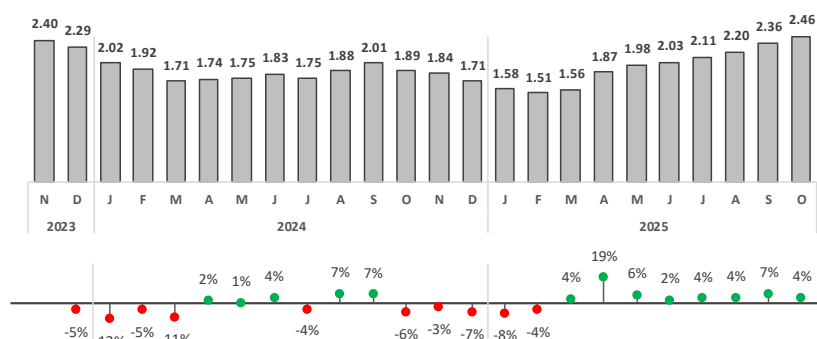
Figure 2: Monthly CPO export ('m tonnes)



Source: MPOB, Apex Securities

Palm oil closing stocks piling up. Palm oil inventory registered at 2.5m tonnes, climbed further by 4.4% MoM in October as palm oil production outpaced palm oil export. We reckon that the record high stockpile does not bode well for the immediate CPO price recovery. Nevertheless, we expect palm oil inventory to ease in the coming months as we anticipate palm oil production to weaken further.

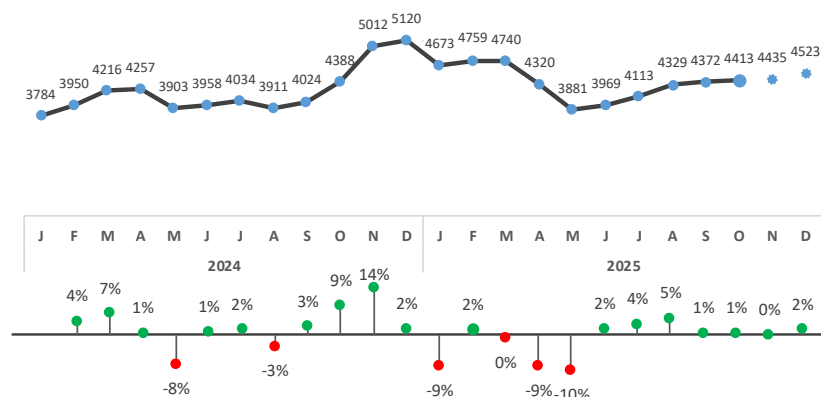
Figure 3: Monthly CPO inventory



Source: MPOB, Apex Securities

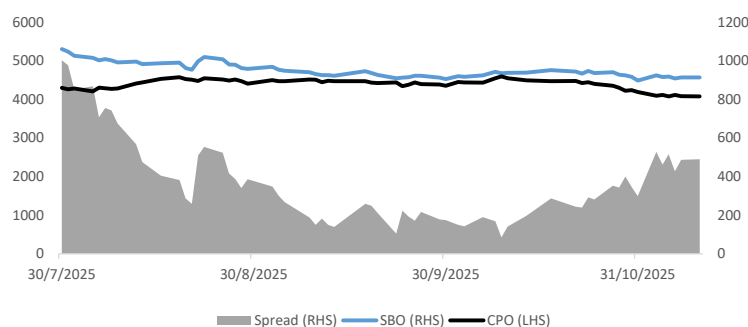
CPO prices inched up 0.9% MoM to close at RM4,412.5 in October. With palm oil inventories likely to ease in Nov-Dec on the back of seasonally lower production, we expect CPO prices to remain firm. The strength in prices will be underpinned by sustained demand from both food and biofuel segments, alongside softer production growth in Indonesia and Malaysia. We project CPO prices to stay resilient through 2026, with modest gains in 1H26 and a more notable recovery in 2H26 following the rollout of the B50 biodiesel mandate in Indonesia. **We maintain our full-year average CPO price forecasts at RM4,350 for 2025 (YTD: RM4,357/tonne) and RM4,300 for 2026.**

Figure 4: 24-month MPOB CPO price trend (RM/tonne)



Source: MPOB, Apex Securities

Figure 5: Futures - SBO vs CPO price



Source: Bloomberg, Apex Securities

Uncertainty continues to weigh on soybean prices. Following the recent US–China trade talks, China has pledged to increase purchases of US soybeans, committing to at least 12m mt in nov-Dec 2025 and at least 25m mt annually over the next three years. We view this commitment primarily offsets earlier US market share losses from trade tensions rather than expanding its overall position in China. While this improved trade sentiment has supported export prospects for US-origin soybeans and provided some uplift to soybean oil prices, we reckon the upside may be short-lived due to strong underlying competition from Brazil.

According to Reuters, Chinese buyers largely avoided US soybean cargoes from the autumn harvest due to tariff concerns and competitive South American supplies. Brazilian exporters continue to hold a clear advantage with lower production costs and no tariffs, making it challenging for US soybeans to regain their pre-trade war market share in China.

EUDR is scheduled to take effect at the start of next year, with a six-month grace period. During this grace period, non-compliance will not be penalised, allowing planters time to adapt and understand the practical implementation of the new regulation. We believe this will benefit well-prepared companies with strong traceability and certification, such as SDG, which face minimal risk thanks to their proven track record in past EUDR-compliant shipments and well-established supply chain management.

Maintain Overweight stance for now. We maintain our **overweight** stance for now, expecting CPO prices to remain firm into 2026, supported by i) the upcoming rollout of the B50 biodiesel mandate in Indonesia and ii) tighter global supply stemming from Indonesia’s ongoing crackdown on illegal plantations and subdued output growth in Malaysia. Factoring in the higher CPO price assumption in our [previous monthly report](#), we have raised FY25/26 earnings forecast across the board and,

along with them, FV for all stocks under our coverage. We will formalise this in the upcoming results season.

We continue to prefer integrated players such as **Sime Darby Guthrie** (FV: RM5.70), underpinned by potential upside from landbank monetisation and its industrial park. While we maintain our **HOLD** calls on **Kim Loong Resources** (FV: RM2.20), **Sarawak Plantations** (FV: RM2.70), **Kuala Lumpur Kepong** (FV: RM20.80), **United Plantation** (FV: RM22.20) and **Hap Seng Plantations** (FV: RM2.20) due to their rich valuations following the recent price appreciation.

Earnings and TP Changes

Company	Old CNP		New CNP		CNP Chg (%)		FV		Chg (%)	CPO (CY25)		CPO (CY26)	
	2025F	2026F	2025F	2026F	2025F	2026F	Old	New		Old	New	Old	New
Hap Seng Plantations Holdings Bhd	159	156	163	166	2.3%	6.5%	2.10	2.20	4.8%	4250	4350	4000	4300
Sarawak Plantations Bhd	78	82	80	89	3.2%	8.3%	2.50	2.70	8.0%	4250	4350	4000	4300
Kim Loong Resources Bhd	159	159	162	165	2.1%	3.7%	2.10	2.20	4.8%	4250	4350	4000	4300
Sime Darby Guthrie Bhd	1893	1860	1905	1926	0.6%	3.5%	5.50	5.70	3.6%	4250	4350	4000	4300
Kuala Lumpur Kepong Bhd	1291	1124	1318	1172	2.0%	4.3%	19.90	20.80	4.5%	4250	4350	4000	4300
United Plantation Bhd	790	793	812	845	2.7%	6.5%	21.60	22.20	2.8%	4250	4350	4000	4300

Peers Comparison

Company	FYE	Recommendation	Price (RM)	Target	Potential	P/E (x)		P/B (x)		Dividend Yield (%)	ESG Rating
			as at 10Nov25	Price (RM)	Upside/Downside	2025F	2026F	2025F	2026F		
Sime Darby Guthrie Bhd	Dec	BUY	5.44	5.70	8.1%	19.7	19.5	1.7	1.7	3.3	★★★★
Hap Seng Plantations Hldg Bhd	Dec	HOLD	2.17	2.20	6.1%	10.7	10.7	0.8	0.7	4.7	★★★★
Kuala Lumpur Kepong Bhd	Sep	HOLD	21.12	20.80	1.3%	17.5	19.6	1.5	1.4	2.8	★★★★
Kim Loong Resources Bhd	Jan	HOLD	2.33	2.20	0.8%	14.0	13.8	2.2	2.2	6.4	★★★★
Sarawak Plantations Bhd	Dec	HOLD	3.00	2.70	-5.0%	10.4	9.4	1.1	1.1	5.0	★★★★
United Plantation Bhd	Dec	HOLD	25.38	22.20	-9.9%	17.0	16.3	4.9	4.7	2.6	★★★★

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 + 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.

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.
