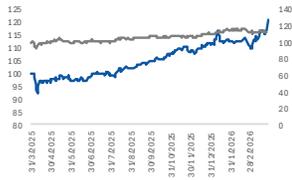


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KL Plantation Index vs FBMKLCI



Company	Rating	Price	Target
SDG	↑ BUY	6.21	6.96
HAPL	↑ BUY	2.35	2.80
KLK	↑ BUY	21.48	26.40
SPLB	↑ BUY	3.64	3.81

Plantation Sector

Overweight (↑)

Ongoing Middle East Conflict, year-end El Nino risk

- We highlight the risk of El Niño conditions emerging into 2HCY26 and beyond, posing downside risk to FFB yields
- Ongoing Middle-East conflict likely to persist beyond 2QCY26 thus reinforcing correlation tailwinds
- Change to Overweight: We expect 2QCY26 CPO prices to average RM4,600, moderating to RM4,400 in 2HCY26, resulting in a CY26 average assumption of RM4,400 (based on March MTD prices of RM4,356).
- Upgrade calls for SD Guthrie (TP: RM 6.96, PE: 19.8x), Hap Seng Plantations (TP: RM 2.80, PE: 12.5x), Kuala Lumpur Kepong (TP: RM 26.40, PE: 18.5x) and Sarawak Plantations Berhad (TP: RM 3.81, PE: 10.1x) to BUY.

El Nino conditions have been highlighted. According to the U.S. Climate Prediction Center forecast dated 12th March 2026, La Niña is expected to transition to ENSO-neutral conditions in April 2026 and **continue through May–July 2026 (55% probability)**. Thereafter, El Niño is expected to emerge in June–August 2026 (62% probability) and persist through at least the end of 2026. For context, ENSO is a global climate phenomenon driven by changes in tropical Pacific Ocean temperatures and atmospheric circulation. El Niño typically brings hotter and drier conditions, while La Niña is associated with cooler and wetter weather. Both extremes can be adverse to oil palm yields: El Niño through heat and moisture stress, and La Niña through excessive rainfall, flooding and harvesting disruptions.

Figure 1: Hist. comparisons of Relative Oceanic Niño Index regimes (2000-2026)

	El Nino	Neutral	La Nina
Monthly CPO returns	0.68%	0.03%	1.14%
Monthly Avg FFB Yields	1.38	1.58	1.37
Lower Bound	1.29	1.55	1.33
Upper Bound	1.46	1.61	1.42

	El Nino (t-3)	Neutral (t-3)	La Nina (t-3)
Monthly CPO returns	1.07%	1.15%	-1.52%
Monthly Avg FFB Yields	1.41	1.55	1.42
Lower Bound	1.34	1.52	1.37
Upper Bound	1.47	1.58	1.48

Source: CPC, Apex Securities

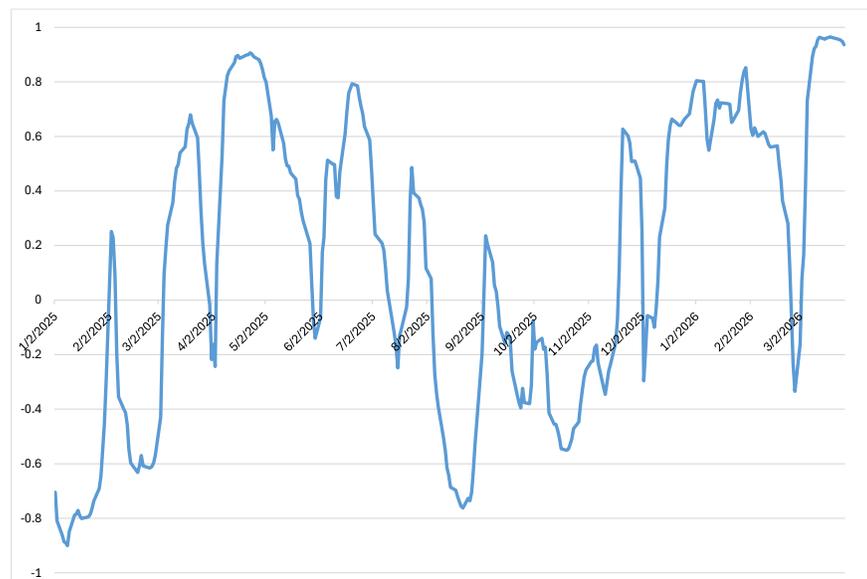
Note: Relative Oceanic Niño Index (RONI): Datapoints are recorded as the three-month running average of the relative Niño 3.4 index. El Nino and La Nina events are defined by a minimum of five (5) consecutive overlapping seasons.

Historical analysis (Figure 1) suggests that monthly average FFB yields tend to be highest during neutral conditions and lower during both El Niño and La Niña periods (EN-LA). We also find that El Niño and La Niña events with a three-month lag show **similar patterns in average FFB yields**. Interestingly, CPO returns under 3-month lagged El Niño events remain inconclusive with monthly returns being similar to Neutral conditions. While concurrent EN-LA periods suggest differences in returns relative to neutral conditions, this relationship is not observed in lagged periods, contrary to conventional wisdom. **Thus, we believe that the impact of EN-LA -if any- is primarily on yield risk.** As such, a shift toward El Niño conditions later in CY26-27 could pose downside risk to FFB yields, which in turn would be supportive of CPO prices through tighter supply. **For the time being, we make no adjustments to yields**

assumptions for the stocks under our coverage. Nevertheless, we will continue to monitor RONI updates in the coming months.

Continued Middle East conflict. Tensions involving the U.S., Israel, and Iran appear likely to persist, supported by continued Iranian retaliation and increased U.S. military presence. Concurrently, diplomatic progress appears limited, with no parties engaged in direct, credible negotiations beyond unverified social media claims. This is in addition to President Trump's deadline of a 4-week war which had just lapsed which was stated in early March. Taken together, **we now believe that the conflict is more likely to persist beyond 2QCY26** unless there is a real diplomatic channel, a verified halt in attacks, or a visible reduction in military escalation. As noted in our previous sector report, with oil prices remaining sensitive to geopolitical developments, CPO prices should continue to be supported via the correlation channel (*Figure 2*).

Figure 2: 30MA Rolling Correlation of CPO and Brent Crude Oil prices

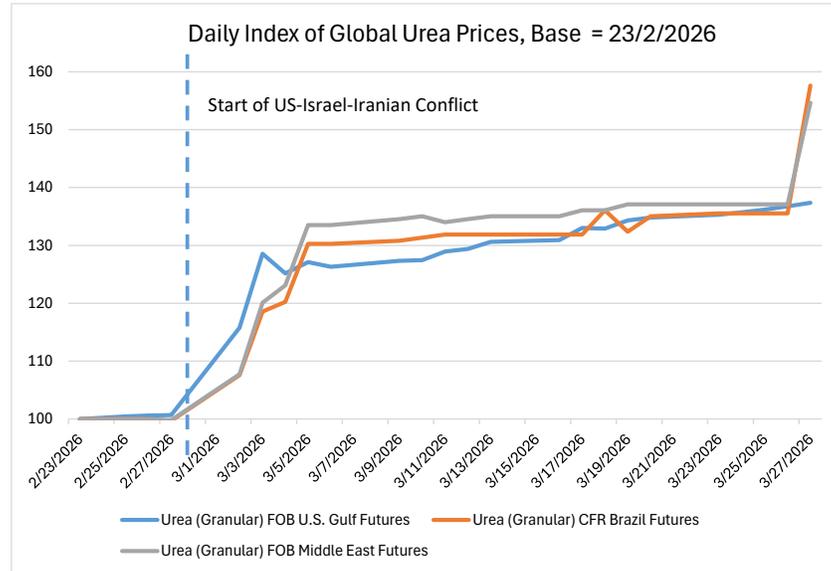


Source: Apex Securities

Note: Updated 27/3/2026

Elevated fertilizer input prices. Since the start of the conflict, urea prices have increased by 30–55% (*Figure 3*) and remain dependent on geopolitical developments in the Middle East. Said prices have raised concerns over potential margin compression for plantation players. We opine that current levels of elevated fertilizer prices could introduce FFB yield risk with a lag of 6-12 months, should Malaysian palm oil planters delay usage or trim application rates. Across the plantations under our coverage, we understand that fertilizer supply has largely been secured near the start of the year. Meanwhile, Sarawak Plantations Berhad has secured approximately 50% of its expected CY26 requirements to date.

Figure 3: Daily Index of Global Urea Prices



Source: Bloomberg, Apex Securities

Note: Base = 23/2/2026

We upgrade the sector to Overweight. We previously maintained a Neutral stance in the sector owing to geopolitical uncertainties and a balanced demand-supply outlook. At this juncture, considering the persistence of Middle East tensions, elevated energy prices, and the potential rollout of Indonesia's B50 mandate in 2HCY26, we believe it is prudent to review our CPO price assumptions. Reflecting current CPO price levels amid ongoing geopolitical tensions, **we expect 2QCY26 CPO prices to average RM4,600 before moderating to RM4,400 in 2HCY26.** Based on the average of MTD March prices of **RM 4,356, this brings our average CY26 CPO price assumption to RM 4,400.** The moderation in our assumptions is driven by seasonal production growth during the period. However, approaching 2HCY26, we continue to observe RONI readings for increasing signs of El Nino events.

Following our higher CPO assumptions, we **have revised earnings for the stocks under our coverage and upgraded our calls to BUY for SD Guthrie (TP: RM6.96, PE: 19.8x), Hap Seng Plantations (TP: RM2.80, PE: 12.5x), Kuala Lumpur Kepong (TP: RM26.40, PE: 18.5x), and Sarawak Plantations Berhad (TP: RM3.81, PE: 10.1x).**

Stocks under coverage

Company	FYE	Recom mendat	Price (RM) as at 30Mar26	Target Price (RM)	Potential Upside/Downside	P/E (x)		P/B (x)		Dividend Yield (%)	ESG Rating
						2026F	2027F	2026F	2027F		
Sime Darby Guthrie Bhd	Dec	BUY	6.21	6.96	15.2%	20.3	17.7	1.9	1.8	3.10	★★★★
Hap Seng Plantations Hldg Bhd	Dec	BUY	2.35	2.80	24.6%	11.0	10.3	0.9	0.8	5.50	★★★★
Kuala Lumpur Kepong Bhd	Sept	BUY	21.48	26.40	26.1%	15.7	15.1	1.5	1.4	3.20	★★★★
Sarawak Plantations Bhd	Dec	BUY	3.64	3.81	11.1%	9.4	9.5	1.1	1.1	6.40	★★★★

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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As of **Tuesday, 31 Mar, 2026**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.
