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Plantation Sector

Overweight (↑)

Geopolitics Continue Support CPO, ENSO Risk Still Watchful

KL Plantation Index vs FBMKLCI



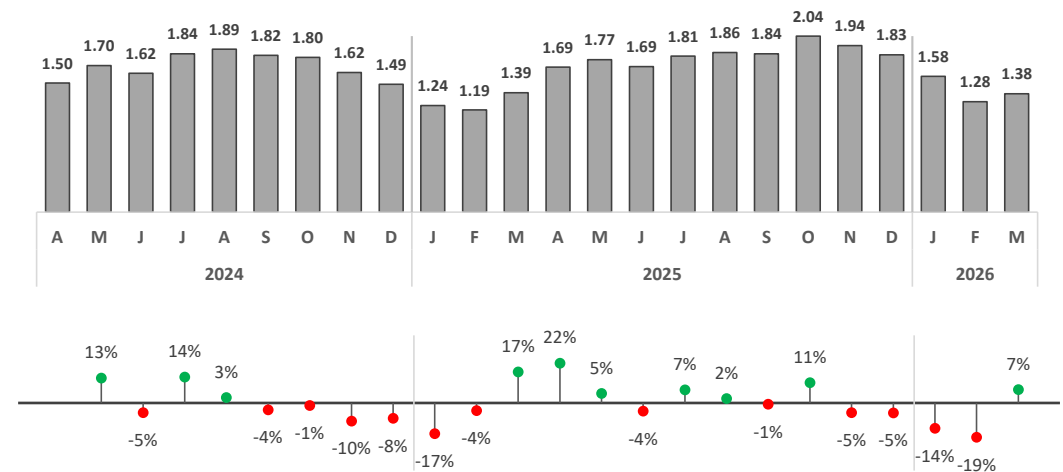
Company	Rating	Price	Target
SDG	BUY	5.99	6.96
HAPL	BUY	2.31	2.80
KLK	BUY	21.94	26.40
SPLB	BUY	3.61	3.81

- March CPO production increase in line with seasonal patterns at 1.38m tonnes.
- Lingering damage to oil and gas infrastructure could expediate higher biodiesel blends albeit with caveats while geopolitical risks continue to underpin CPO prices.
- ENSO neutral in short term with balanced risk of El Nino in medium term.
- Maintain Overweight and CY26 CPO average price forecast of RM 4,400 with RM 4,600 for 2QCY26 and RM 4,400 for 2HCY26. We also introduce CY27 CPO average price forecasts of RM 4,400.

March increase in line with seasonal patterns at 1.38m tonnes. Total CPO production for March rose 7.2% MoM to 1.38m tonnes, with increases across all regions. MoM, Sarawak rose the most with 40k tonnes followed by Sabah at 22.8k tonnes and Peninsular with 29.8k tonnes. This is in line with seasonal production trends with MoM increases often seen beginning in March.

On a YoY basis, March monthly production was marginally lower at 0.76%. **Relative to our CY26 CPO forecast (20.7m), YTD output is at 20% of our expectations. We continue to expect an improving trend in production with peaks expected in Sept-Oct CY26. Thus, we retain our CPO production forecasts.**

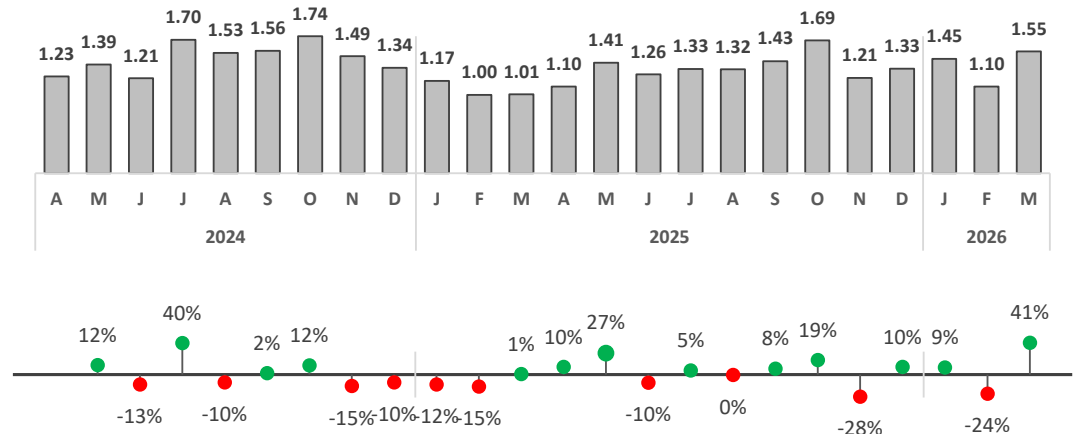
Figure 1: Monthly CPO production ('m tonnes)



Source: MPOB, Apex Securities

Palm oil exports rose in March. Palm oil exports rose in March to 1.55m tonnes from February's 1.10m tonnes (+40%). On a YoY basis, monthly exports had risen by 54%. We note that the YoY increase was the highest ever although this could be attributed to a lower base of 1.01m tonnes in CY25. Looking ahead, we continue to expect demand to recover more favourably in 2HCY26 owing to the Indonesian B50 mandate expected rollout. We also highlight planned increases in biodiesel mandates from governments which could result in higher demand albeit with caveats (explained below).

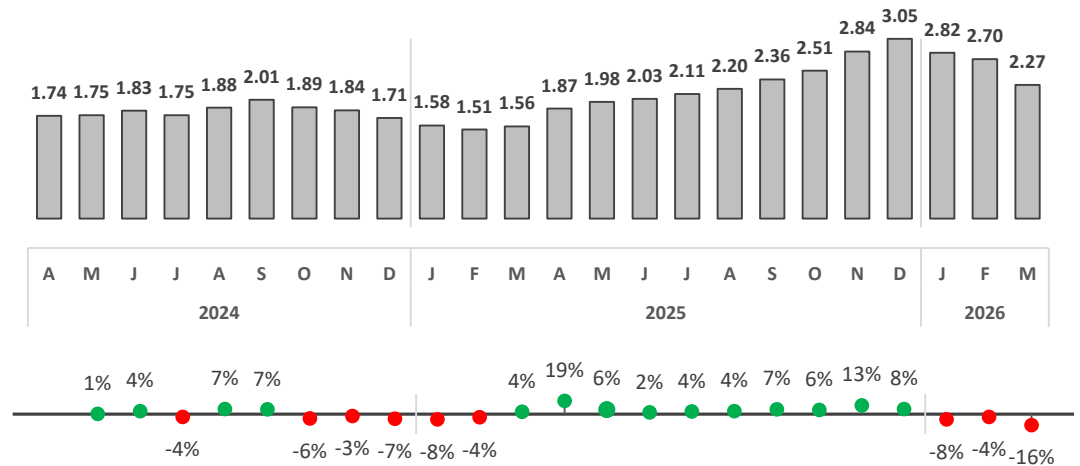
Figure 2: Monthly CPO export ('m tonnes)



Source: MPOB, Apex Securities

Inventories retreated from February. March palm oil closing stocks stood at 2.3m or a 16.1% decline from February's 2.7m. YoY, inventories rose 45% in the same month last year. A reduction in inventories indicate that the stock-to-use ratio (STU) is estimated to be 1.25x, a drop relative to February's 1.94x.

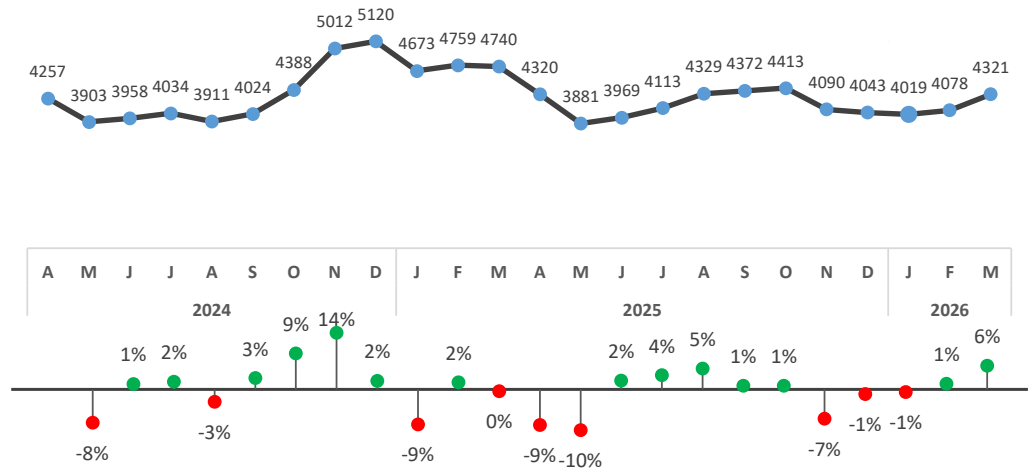
Figure 3: Monthly CPO inventory



Source: MPOB, Apex Securities

CPO prices average RM 4,321 in March. CPO prices in March had averaged higher to RM 4,321 from RM 4,078 (+6%) in February. A high of RM 4,700 was seen close to the end of March. Throughout the month, geopolitical conflict in the Middle East had continued to support energy prices and consequently CPO prices. At present, CPO prices remain elevated though they have receded from their highs owing to a temporary two-week ceasefire in the Middle Eastern conflict. We also **introduce our CY27 average CPO forecast of RM 4,400.**

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



Source: MPOB, Apex Securities

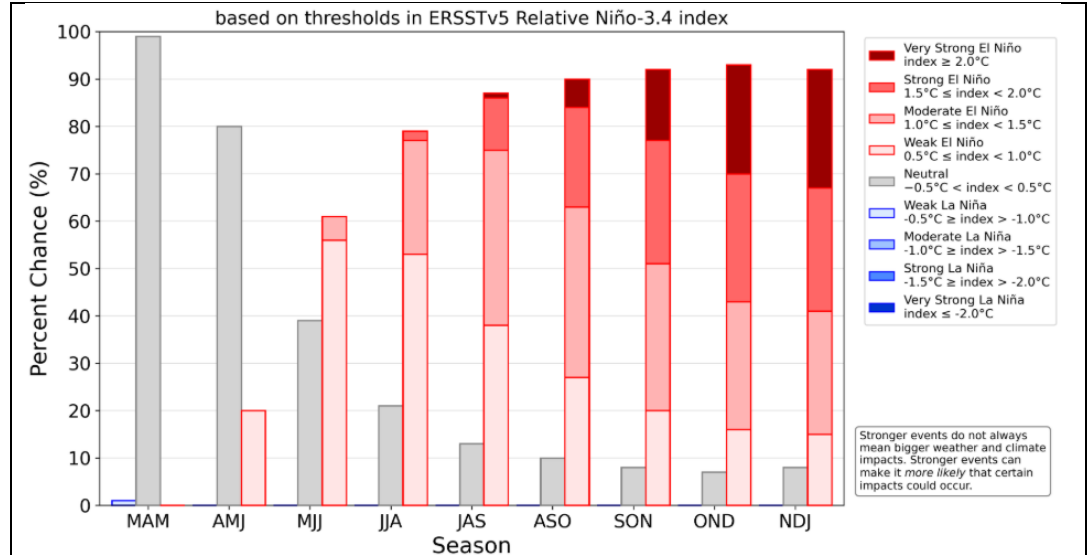
Lingering damage revives talk for biodiesel adoption. The continued closure of the Strait of Hormuz and impairments in oil and gas infrastructure have resulted in high levels of crude oil outages. According to the Energy Information Administration’s (EIA) April 2026 Short-Term Energy Outlook, production shut-ins are projected to rise to 9.1m bpd in April for Iraq, Saudi Arabia, Kuwait, UAE, Qatar and Bahrain collectively under a scenario whereby the conflict does not persist beyond April. Furthermore, outages are expected to fall to 6.7m bpd and return to pre-conflict levels only in late 2026.

To prepare for expected outages, Reuters has reported that countries have begun weighing higher blends of biodiesel as an alternative to higher diesel prices. For instance, Brazil had considered raising their B15 mandate into B20, Thailand had begun curbing exports of palm oil to meet future expected demand for their own biodiesel mandate, and Malaysia is considering expanding B20 in controlled phases. This is in addition to Indonesia’s B50 rollout expected to take place in 2HCY26. Owing to a higher willingness for biodiesel adoption, we opine that these developments could uplift CPO demand in the long term.

At this juncture, we believe that the **speed of scale-ups** (multi-year infrastructure investment and building), **technical tests** (eg: engine performance vs traditional diesel), and the **spread of factory price biodiesel vs petroleum diesel** (partly determined by the current price environment) will be key in determining the sustainability of higher biodiesel adoptions leading to higher CPO demand.

US walks without peace deal. In the first round of talks ending Sunday, the US negotiation team had not reached a deal following 21 hours of negotiations. Reasons cited included, but were not limited to, Iran’s unwillingness to halt the development of their nuclear arsenal. We believe that these developments imply a return to geopolitical uncertainty which should continue to underpin energy, CPO, and fertiliser prices. Thus, we **maintain our average CY26 CPO price forecast of RM 4,600 for 2QCY26 and RM 4,400 in 2HCY26.**

Figure 5: CPC ENSO strength probabilities (April 2026)



Source: Climate Prediction Center

ENSO-Neutral at present. On April 9th, the U.S. Climate Prediction Center maintained an El Niño Watch, indicating that conditions remain favourable for El Niño within the next six months. In the near-term, neutral conditions are expected to remain through April-June with an 80% chance. As we approach the middle of the year (May-July), a 61% chance of El Niño is expected and may persist through at least the end of 2026. We nevertheless believe the likelihood of El Niño and neutral conditions is fairly balanced in the near term. We also think the risk of an extreme El Niño remains dependent on near-term forecasts and are relatively low. For the time being, we **make no changes to our FFB yield assumptions for the stocks under coverage.**

Maintain Overweight stance. Overall, we view the current developments as supportive for plantation companies, given higher implications for firmer CPO prices both in the near term via geopolitical risk premiums and an increased chance of structural support from biodiesel mandates. While we note willingness for policies to shift towards higher biodiesel blends, we remain mindful of execution risks. Maintain **BUY** on **SDG (TP: RM 6.96)**, **HSPLANT (TP: RM 2.80)**, **KLK (TP: RM 26.40)** and **SPLB (TP: RM 3.81)**.

Peers Comparison

Company	FYE	Recommendation	Price (RM)	Target	Potential	P/E (x)		P/B (x)		Dividend Yield (%)	ESG Rating
			as at 12Apr26	Price (RM)	Upside/Downside	2026F	2027F	2026F	2027F		
Sime Darby Guthrie Bhd	Dec	BUY	5.99	6.96	19.3%	20.3	17.7	1.9	1.8	3.10	★★★
Hap Seng Plantations Hldg Bhd	Dec	BUY	2.31	2.80	26.7%	11.0	10.3	0.9	0.8	5.50	★★★
Kuala Lumpur Kepong Bhd	Sept	BUY	21.94	26.40	23.5%	15.7	15.1	1.5	1.4	3.20	★★★
Sarawak Plantations Bhd	Dec	BUY	3.61	3.81	11.9%	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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(a) nil.
