**Research Team**
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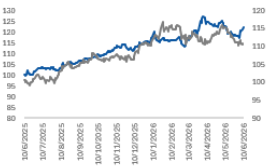
**KL Plantation Index vs FBMKLCI**



| Company | Rating | Price | Target |
|---|---|---|---|
| SDG | BUY | 6.03 | 7.01 |
| HAPL | BUY | 2.13 | 2.80 |
| KLK | BUY | 20.48 | 22.06 |
| SPLB | BUY | 3.85 | 3.89 |

# Plantation Sector

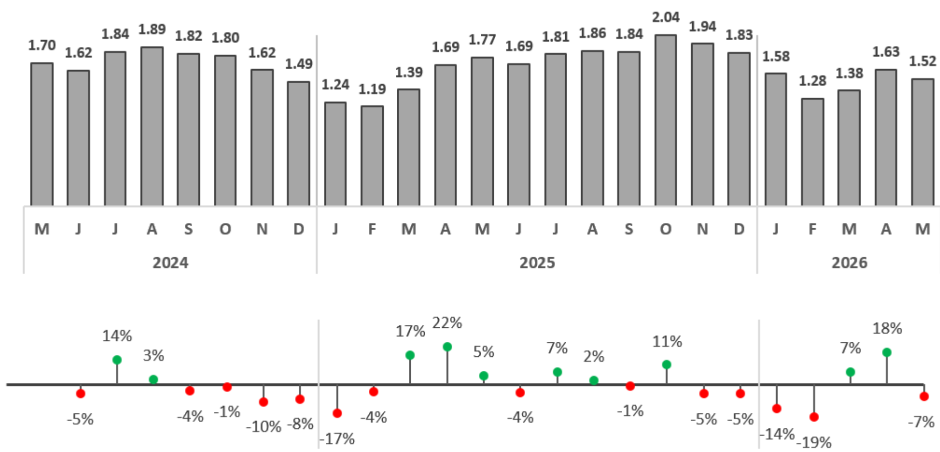
**Overweight (↔)**

## New Indonesia rules to shift export demand, El Nino risks strengthening

- **May CPO production fell 7% MoM and 14.4% YoY to 1.52m tonnes, although output is expected to recover seasonally from June and peak in Sept–Oct 2026.**
- **Palm oil exports declined 14.5% MoM and 21.4% YoY to 1.11m tonnes, but potential disruptions arising from Indonesia's new export rules could temporarily support Malaysian exports.**
- **May closing stocks rose 5.1% MoM and 22.5% YoY to 2.43m tonnes as exports declined faster than production, lifting the stock-to-use ratio to 1.74x.**
- **New Indonesian export rules could shift towards Malaysia, although the operational and financial implications remain unclear.**
- **Possible shift in Indonesia's methanol sourcing mix but higher methanol prices remain**
- **The probability of El Niño emerging in 2H26 remains above 80%, with rising odds of a stronger event increasing the risk of supply tightness and potential revisions to FFB yield and CPO price assumptions.**
- **Maintain Overweight and CY26/27 CPO average price forecast of RM 4,400.**

**May CPO production at 1.52m tonnes.** Total CPO production for May fell 7% MoM and 14.4% YoY. MoM, Peninsular recorded the largest decline, falling by 69.9k tonnes (-8.1%) followed by Sabah at 35.9k tonnes (-9.4%) while Sarawak fell the least at 7.7k tonnes (-2%). The drop is attributed to a lower FFB yield due to hotter weather conditions than the previous year which had mild La Nina conditions. Moving into June, we should begin to see higher yields MoM as annual FFB production tends to improve beginning in this time.
Relative to our CY26 CPO production forecast (20.7m), YTD output is at 36% of our expectations and we continue to expect an improving trend in production with peaks expected in Sept-Oct CY26.

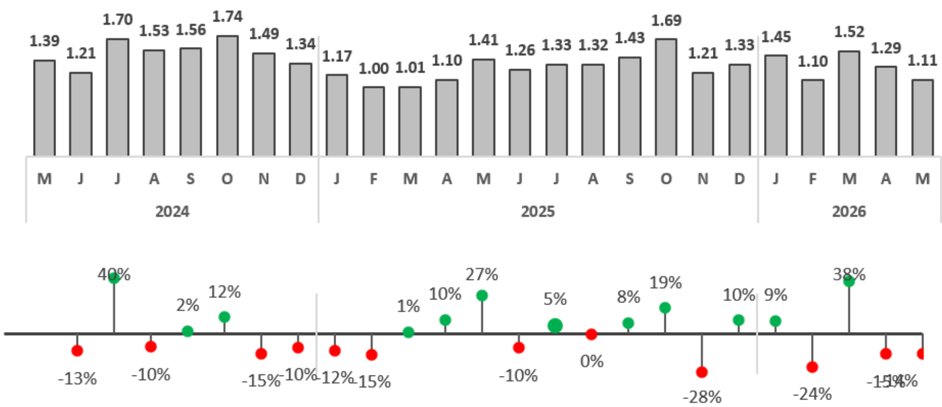
**Figure 1: Monthly CPO production ('m tonnes) and MoM changes (%)**




*Source: MPOB, Apex Securities*

**Palm oil exports fell in May.** Palm oil exports fell MoM to 1.11m tonnes (-14.5%) and fell 21.4% YoY, partly reflecting weaker production. While the Malaysian B15 mandate has taken place from June 1, its relatively small share (2% of CY25 CPO production) is unlikely to move the needle for palm oil exports. Instead, Malaysian exports could improve temporarily following export rule changes in Indonesia which we discuss below.

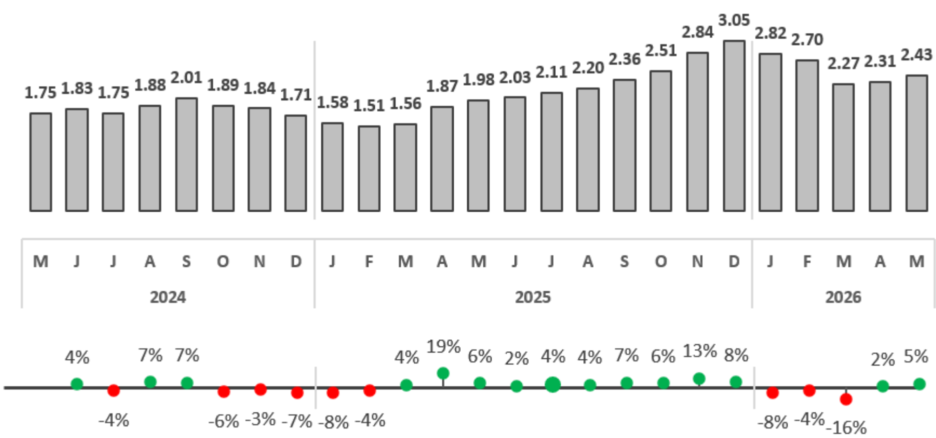
## Figure 2: Monthly CPO export ('m tonnes) and MoM changes (%)




*Source: MPOB, Apex Securities*

**Inventories rise in May despite production drop.** MoM, May palm oil closing stocks stood at 2.43m (+5.1%) while rising 22.5% YoY. Consequently, the stock-to-use ratio (STU) is estimated to be 1.74x, rising from April's 1.45x while remaining above the ten-year average of c.1.25x. The increase in inventories was primarily driven by exports declining faster than production. Stock accumulation may also reflect expectations of tighter regional supply arising from Indonesia's B50 mandate and potential El Niño conditions.

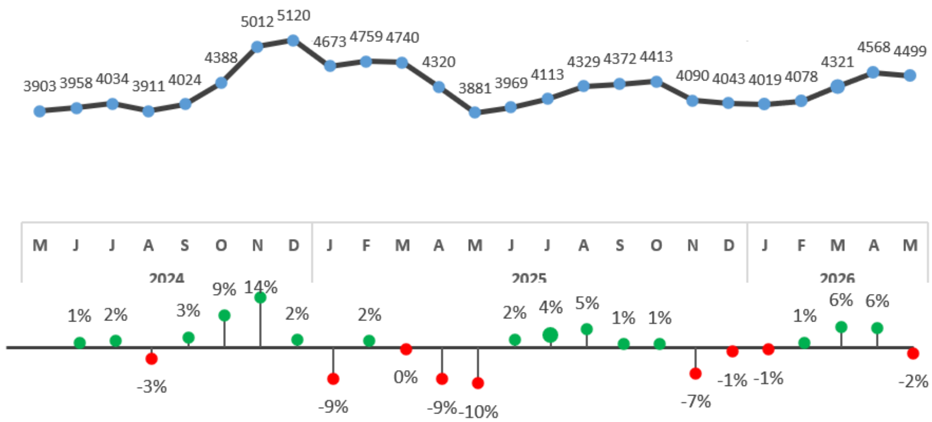
## Figure 3: Monthly CPO inventory ('m tonnes) and MoM changes (%)




*Source: MPOB, Apex Securities*

**CPO prices average RM 4,499 in May.** CPO prices remained relatively stable, falling 1.5% MoM with a low of RM 4,393 and a peak of RM 4,611 seen in May. Looking ahead, we expect Indonesia's B50 mandate and the ongoing Middle East conflict to support CPO prices. Furthermore, price-supportive demand and supply developments may begin to materialize which could lend support for CPO prices. For the time being, we **maintain CY26/27 average CPO forecast of RM4,400.**

Figure 4: 24-month MPOB CPO price trend (RM/tonne) and MoM changes (%)




*Source: MPOB, Apex Securities*

**New Indonesian export rules.** Indonesia has introduced a new export policy requiring CPO and selected palm oil derivative exports to be channelled through a state-owned entity, with Danantara Sumberdaya Indonesia (DSI) expected to fulfil this role. The government cited tighter control over tax revenue and foreign-exchange earnings, as well as the prevention of under-invoicing, as the main reasons for the policy.

The policy will be implemented in two stages: a transition phase and full implementation. During the transition phase, which began on 1 June 2026, exporters are required to report their export activities to DSI. Existing export permits will remain valid until their expiry date or 31 December 2026, whichever comes first, allowing permit holders to continue exporting independently during this period. The Coordinating Ministry for Economic Affairs will evaluate the policy within three months of the start of the transition phase. Under full implementation, all CPO and selected palm oil derivative exports will be channelled through DSI, which will assume authority and responsibility for export management. This phase is expected to begin on 1 January 2027.

In our view, the export policy remains at an early stage, with the relevant regulations and guidelines still being finalised. The Indonesian government has yet to clarify several key operational matters, creating uncertainty over how full implementation will affect exporters' existing operations. Consequently, Indonesian suppliers whose permits expire during the transition phase could face export delays if the new arrangements are not yet operational/finalised. This could redirect some global CPO demand towards Malaysia in 2H26, supporting demand for Malaysian exports.

For **SDG (BUY; TP: RM7.01)** and **KLK (BUY; TP: RM22.06)**, the stocks under our coverage with Indonesian exposure, we make no earnings adjustments at this stage given the lack of clarity surrounding the operational and financial implications.

**Indonesia B50 adoption to be slowed by methanol-risks?** Approximately 109 kg of methanol are used for every 1 tonne of palm oil methyl ester produced, making the chemical an essential input in the transesterification process. Given that roughly one-third of Indonesia's methanol imports have historically come from the Middle East, concerns have arisen over whether the country has sufficient supply to implement B50. However, we believe any bottleneck may emerge through methanol prices rather than physical availability.

UN Comtrade data indicate that while imports from the Middle East have slowed, Indonesia's overall methanol import volumes remained broadly stable in April as its sourcing mix shifted. China, Chile, and Trinidad and Tobago emerged as significant suppliers during the month, while major pre-conflict suppliers continued to serve the market. That said, lags arising from trade data collection and customs timing mean that several more months of import data will be needed to obtain a cleaner read into methanol availability. Nevertheless, we believe that import volumes and sourcing patterns will be important indicators to monitor in the coming months.

Assuming physical supply remains adequate, methanol prices—having risen by more than 30%—could place greater pressure on producer margins and the funding required to support B50. We therefore view funding risk as the primary issue for investors to monitor. In this context, Indonesia's efforts to curb under-invoicing through new export-trade rules could strengthen government revenues and consequently, its broader capacity to fund the B50 mandate.

**Figure 5: Monthly Indonesian methanol imports from May 2025 to April 2026**

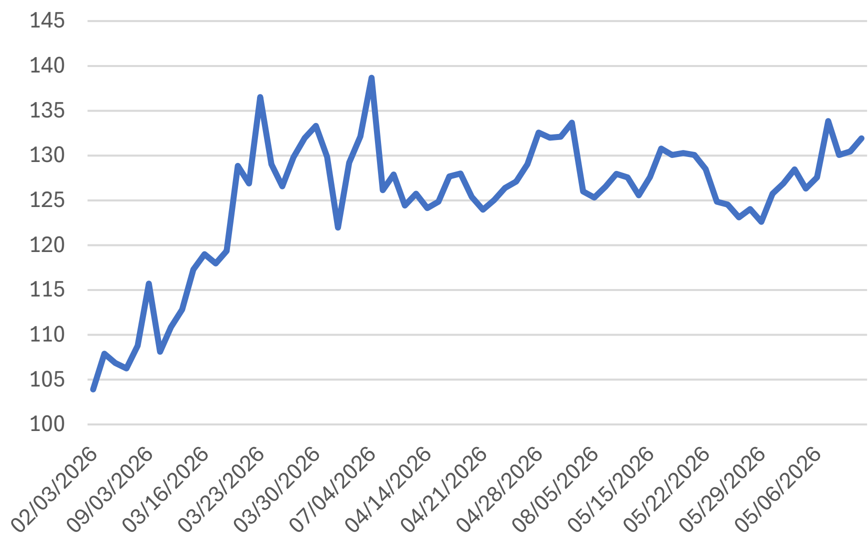
| (KG) ('000) | May-25 | Jun-25 | Jul-25 | Aug-25 | Sep-25 | Oct-25 | Nov-25 | Dec-25 | Jan-26 | Feb-26 | Apr-26 | Total | % of Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Malaysia** | 30,290 | 23,014 | 55,924 | 48,158 | 35,151 | 70,051 | 37,143 | 61,503 | 66,323 | 52,322 | 54,968 | **534,846** | 44.7% |
| **Brunei** | 37,661 | 9,450 | 19,575 | 14,941 | 8,994 | 8,000 | 28,916 | 37,138 | 11,600 | 33,416 | 23,559 | **233,250** | 19.5% |
| **Oman** | 30,675 | 31,748 | 17,791 | 14,440 | 5,250 | 17,104 | 6,000 | 10,750 | - | 7,000 | 6,974 | **147,732** | 12.4% |
| **Saudi Arabia** | 25,514 | - | 8,231 | 12,484 | 15,235 | 7,204 | 27,940 | 8,821 | 14,545 | 8,282 | 5,186 | **133,441** | 11.2% |
| **Qatar** | 5,250 | 5,231 | - | 4,200 | 1,050 | 5,237 | - | 19,206 | 13,300 | - | - | **53,474** | 4.5% |
| **Trinidad & Tobago** | - | - | - | - | - | 10,500 | 0 | - | - | - | 13,786 | **24,286** | 2.0% |
| **Bahrain** | - | 3,037 | 6,300 | 2,100 | - | - | - | 2,614 | 3,000 | - | - | **17,051** | 1.4% |
| **China** | 5 | - | - | - | 2 | - | - | 3 | 3 | 0 | 14,625 | **14,638** | 1.2% |
| **Chile** | - | - | - | - | - | - | - | - | - | - | 8,000 | **8,000** | 0.7% |
| **Others** | 72 | 2,059 | 1,914 | 24 | 34 | 47 | 5,044 | 21 | 1,042 | 14,003 | 5,043 | **29,304** | 2.5% |

*Source: UN COMTRADE, Apex Securities*

*Note: March 2026 data is unavailable. Monthly data is recorded with a two-month lag eg, April 2026 is released in June*

*0s represent amounts less than a thousand*

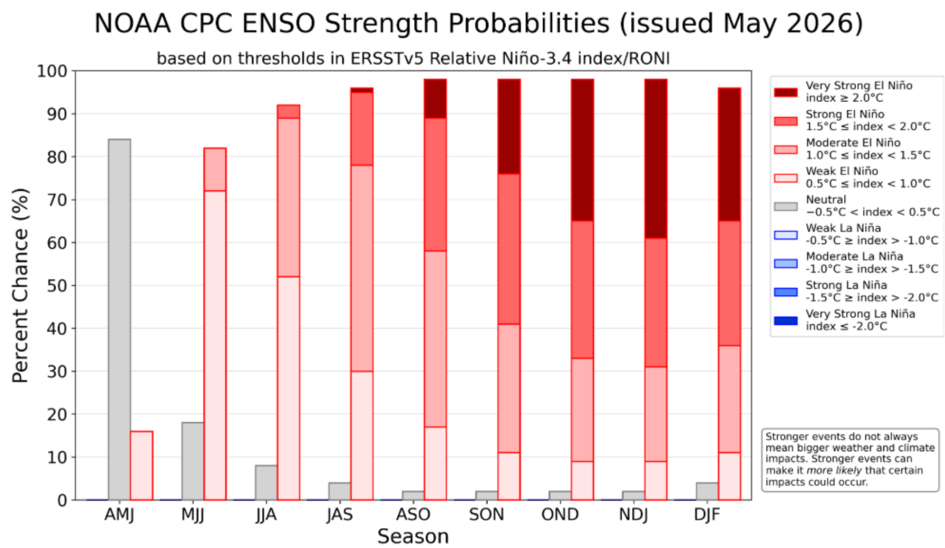
**Figure 6: Index chart of daily methanol prices ending June 10 2026**




*Source; Bloomberg, Apex Securities*

*Note: base = 100, 2/2/2026*

## Figure 7: CPC ENSO strength probabilities (May 2026)




*Source: U.S. CPC*

*Note: Data is arranged overlapping 3-month seasons. Eg. MJJ represents the months of May-June-July.*

## Figure 8: CPC ENSO strength probability changes since April 2026

| | Neutral | Weak | Moderate | Strong | Very Strong |
|---|---|---|---|---|---|
| AMJ | 4% | -4% | 0% | 0% | 0% |
| MJJ | -21% | 16% | 5% | 0% | 0% |
| JJA | -13% | -1% | 13% | 1% | 0% |
| JAS | -9% | -8% | 11% | 6% | 0% |
| ASO | -8% | -10% | 5% | 10% | 3% |
| SON | -6% | -9% | -1% | 9% | 7% |
| OND | -5% | -7% | -3% | 5% | 10% |
| NDJ | -6% | -6% | -4% | 4% | 12% |
| DJF | N/A | N/A | N/A | N/A | N/A |

*Source: U.S. CPC, Apex Securities*

*Note: Data is arranged overlapping 3-month seasons. Eg. MJJ represents the months of May-June-July.*

**Increasing probabilities of stronger El Niño at present.** The U.S. Climate Prediction Centre continues to report that conditions remain favourable for El Niño with an >80% chance of emergence in 2HCY26. Although "Strong" and "Very Strong" El Niño strengths remains uncertain, these probabilities have risen since the last forecast. Further increases in said probabilities may increase the risk of supply tightness and warrant changes to our FFB yield and CPO price forecasts for the stocks under our coverage. For the time being, we make no changes to our FFB yield assumptions for the stocks under coverage but highlight that weather risks are worth monitoring.

**Maintain Overweight stance. Maintain BUY on SDG (TP: RM 7.01), HSPLANT (TP: RM 2.80), KLK (TP: RM 22.06), and SPLB (TP: RM3.89).** While we note that SPLB's proximity to our target price, we highlight its dividend yield of >6%.

## Peers Comparison

| Company | FYE | Recommendation | Price (RM) as at 11Jun26 | Target Price (RM) | Potental Upside/Downside | P/E (x) 2026F | P/E (x) 2027F | P/B (x) 2026F | P/B (x) 2027F | Dividend Yield | ESG Rating |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Sime Darby Guthrie Bhd | Dec | BUY | 6.03 | 7.01 | 19.5% | 20.9 | 18.4 | 1.9 | 1.7 | 3.2% | ★★★ |
| Hap Seng Plantations Hldg Bhd | Dec | BUY | 2.13 | 2.80 | 37.5% | 10.0 | 9.6 | 0.8 | 0.8 | 6.0% | ★★★ |
| Kuala Lumpur Kepong Bhd | Sept | BUY | 20.48 | 22.06 | 10.6% | 17.5 | 17.0 | 1.4 | 1.4 | 2.9% | ★★★ |
| Sarawak Plantations Bhd | Dec | BUY | 3.85 | 3.89 | 7.2% | 9.8 | 9.8 | 1.2 | 1.1 | 6.2% | ★★★ |

*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



As of **Thursday, 11 Jun, 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.