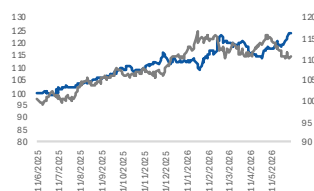


Research Team
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Plantation Sector

Overweight (↔)

KL Plantation Index vs FBMKLCI



Top Picks

Company	Rating	Price	Target
SDG	BUY	6.24	7.70
HAPL	BUY	2.35	3.31
KLK	BUY	21.60	25.47
SPLB	BUY	3.99	4.67

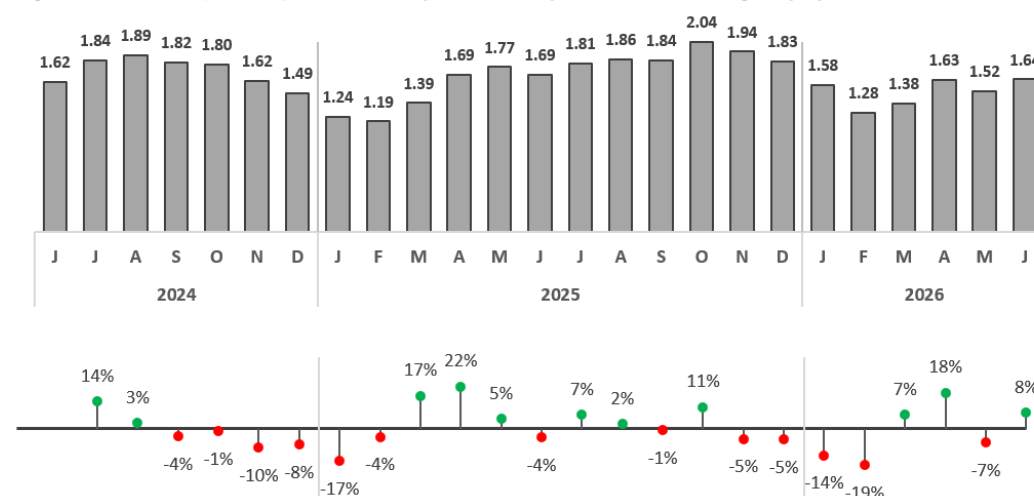
El Niño arrival, favorable backdrop for CPO price upside

- June CPO production rose 8.1% MoM and fell 3.2% YoY, with monthly gains supported by seasonal improvements in FFB yields, although output remained below last year's level.
- Palm oil exports increased 6.2% MoM to 1.20m tonnes, supported by higher production. YoY, exports fell 4.5%.
- Closing stocks rose 4.8% MoM and 25.2% YoY to 2.54m tonnes. STU ratio reduced to 1.67x thanks to higher exports and domestic consumption.
- El Niño conditions to continue and persist to at least 1QCY27 with a 90% chance of a “moderate to very-strong” El Niño from November 2026 – January 2027.
- Maintain Overweight and increase CY26/27 CPO average price forecast of RM 4,400/RM4,400 to RM4,500/RM4,700.

June CPO production at 1.64m tonnes. Total CPO production for June rose 8.1% MoM and fell 3.2% YoY. MoM, Peninsular recorded the largest increase, rising by 122k tonnes (+15.4%) followed by Sabah at 17.5k tonnes (+5.1%) while Sarawak fell by 17.3k tonnes (-4.6%). The general increase in CPO production is linked to the seasonal improvement in FFB yields which generally begins in June.

Relative to our CY26 CPO production forecast (20.7m), YTD output is at 43% of our expectations and we continue to expect an improving trend in production with peaks expected in Sept-Oct CY26. Moving into CY27, we believe that El Niño conditions may hamper yields and result in a lower production level than forecasted in CY26.

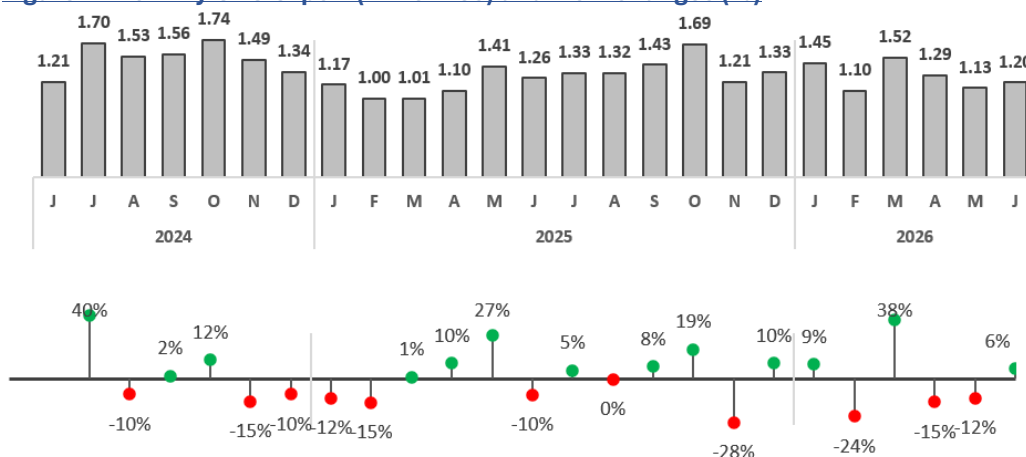
Figure 1: Monthly CPO production ('m tonnes) and MoM changes (%)



Source: MPOB, Apex Securities

Palm oil exports rose in June. Palm oil exports rose MoM to 1.20m tonnes (+6.2%) and fell 4.51% YoY, partly reflecting higher CPO production from improving FFB yields as we enter the beginning of the peak production cycle. Looking ahead, El Niño risks could begin to hamper export volumes starting in CY27.

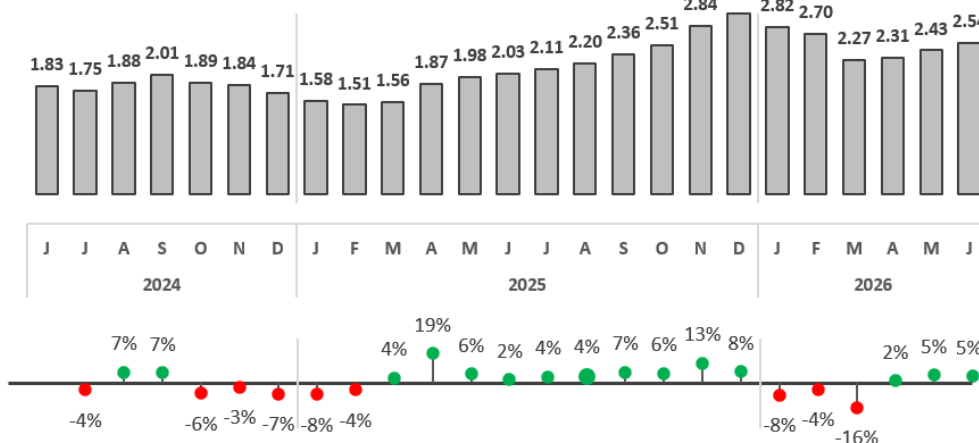
Figure 2: Monthly CPO export ('m tonnes) and MoM changes (%)



Source: MPOB, Apex Securities

Inventories rise in June. MoM, June palm oil closing stocks stood at 2.54m (+4.8%) while rising 25.2% YoY. Although exports and domestic consumption increased, increases in production was sufficient to offset demand slightly, resulting in higher inventories. Consequently, the stock-to-use ratio (STU) has reduced to 1.67x, falling from May's 1.74x while remaining above the 10-year average of c.1.25x. Moving forward, we expect inventories to continue building through the seasonal production peak before beginning to decline in 1HCY27 as El Niño constrains production.

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



Source: MPOB, Apex Securities

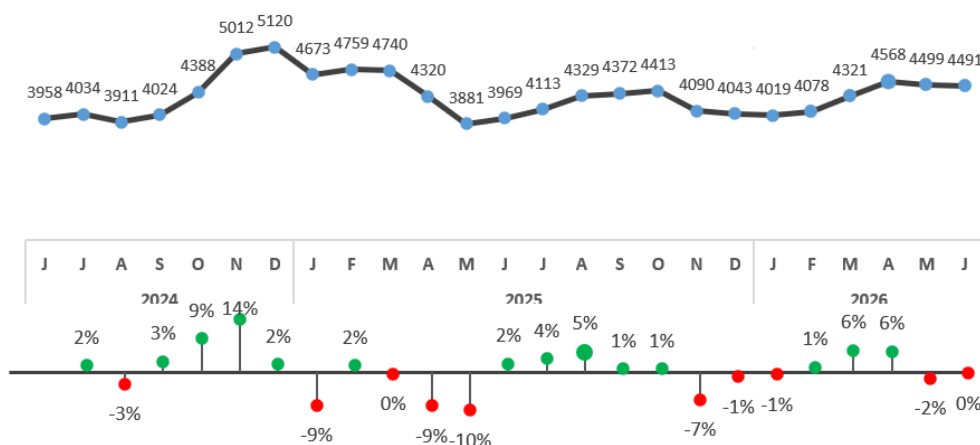
CPO prices averaged RM 4,491 in June. CPO prices remained stable, declining marginally by -0.2% MoM with a low of RM 4,380 and a peak of RM 4,558 seen in June. Looking ahead, we expect El Niño to have a larger impact on CPO prices than previous episodes as it coincides with structurally stronger biodiesel demand, especially from Indonesia.

Since the announcement of the tentative 60-day MoU framework between the United States and Iran, oil prices had fallen to near pre-war levels while CPO prices have remained elevated. Recall in our [previous report](#) that the correlation channel was driven by the relative attractiveness of biodiesel and CPO's role as a biodiesel feedstock. Since the announcement of the MoU, biodiesel mandates (Indonesia B50, M'sia B15, etc.) that had been announced since the beginning of the war continue to remain in place without plans to scale back. Furthermore, tensions are beginning to flare up again with renewed attacks from both Iranian and US military assets. Overall, geopolitical uncertainty has reduced the likelihood of biodiesel mandates being rolled back in order to hedge against energy risks regardless of crude oil

prices. Consequently, CPO prices remain elevated thanks to expected demand from the aforementioned biodiesel mandates despite the pullback in oil prices.

Furthermore, with supply tightness approaching in CY27, we believe that a return to pre-war prices of c.RM4000 will need to see 1) a reversal of biodiesel mandates or 2) a sudden drop in demand or surge in supply. With El Niño on the horizon, supply surges are less likely to occur and with future demand expected to remain steady thanks to sticky biodiesel mandates, we believe that price risk for CPO will remain tilted to the upside.

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

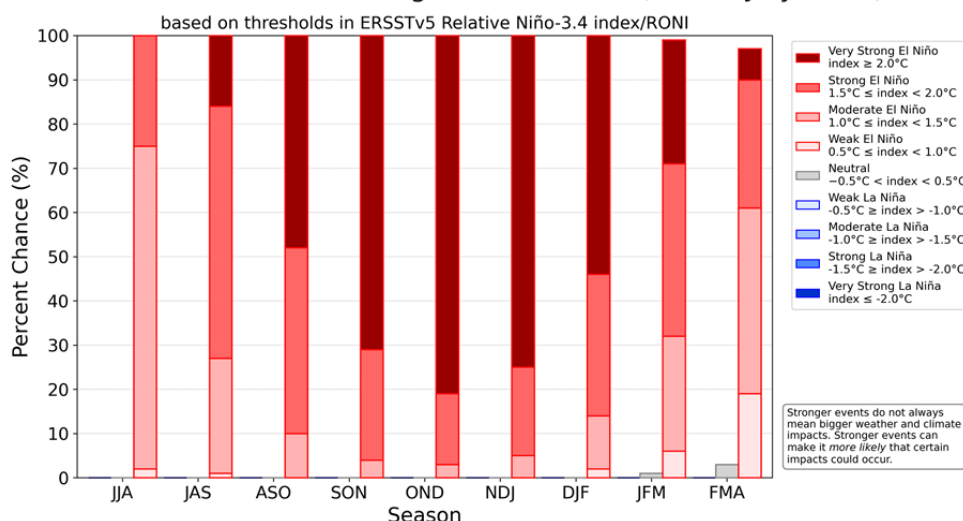


Source: MPOB, Apex Securities

El Niño has arrived. As at July 2026, the U.S. Climate Prediction Center has predicted that El Niño conditions have emerged and are expected to persist to at least 1QCY27 with a 90% chance of a “moderate to very-strong” El Niño from November 2026 – January 2027.

Figure 5: CPC ENSO strength probabilities (July 2026)

NOAA CPC ENSO Strength Probabilities (issued July 2026)



Source: U.S. CPC

To examine the relationship between FFB yields and El Niño data, we utilise the Relative Oceanic Niño Index which is used by the U.S. CPC as the main way for predicting ENSO with El Niño-like conditions being observed when a reading exceeds 0.5C. In our report, we define mild/moderate/strong El Niño months as the RONI exceeding values of +0.5C/+1.0C/+1.5C from 0C. Neutral months are defined as those in which RONI lies between -0.5°C and +0.5°C. In addition, for an El Niño episode to be confirmed, these thresholds must be exceeded for a period of at least 5 consecutive overlapping 3-month seasons.

Consequently, we look at a rolling average of 5 consecutive RONI values against FFB yields to classify El Niño intensities. For example, should RONI values average above 1.0C for the past five values ending January, January is classified as a Moderate El Niño month which would then be compared with FFB yields in that same month. In other words, FFB yields within an “El Niño month” would have been exposed to El Niño-like conditions for at least 5-8 months.

Figure 6: Past 6 overlapping 3-month seasons of the Relative Oceanic Niño Index as at June 11th 2026.

	NDJ	DJF	JFM	FMA	MAM	AMJ
2026	-1	-0.9	-0.7	-0.4	0	0.5

Source: US CPC, Apex Securities

Note: Seasons are named after the months they contain. Eg. MAM would be March-April-May.

In relation to palm oil plantation productivity, fresh fruit bunch (FFB) yields are expected to be impacted by prolonged El Niños due to the resulting water stress causing either smaller/poorly filled fruit in the short term (<1 year) and inflorescence abortion in the longer term (>1 year). All other things being equal, weather poses a key supply risk to palm oil production. Furthermore, El Niño is capable of beginning in any time of the year with no fixed schedule/timing, leading to its unpredictability.

Figure 7: Average FFB Yields by month, classified by El Niño strength and % changes from Neutral

	Neutral	Mild El Nino	RONI > +1.0C	Mild El Nino	RONI > +1.0C
Jan	1.31	1.48	1.17	13%	-11%
Feb	1.16	1.30	1.11	12%	-5%
Mar	1.30	1.36	1.24	5%	-4%
Apr	1.39	1.52	1.28	9%	-8%
May	1.48	1.51	1.29	2%	-13%
Jun	1.48	1.53	1.44	4%	-3%
Jul	1.60	1.67	1.66	4%	3%
Aug	1.69	1.86	1.81	10%	7%
Sep	1.83	2.00	1.94	9%	6%
Oct	1.85	1.84	1.83	0%	-1%
Nov	1.73	1.66	1.57	-4%	-9%
Dec	1.52	1.58	1.30	4%	-15%

Source: PORLA, MPOB, US CPC, Apex Securities

El Niño Findings. Based on Figure 7, average FFB yields during El Niño months are generally lower than those recorded under Neutral conditions, particularly during the seasonal low-production period. During moderate and strong El Niño events, average FFB yields are lower by 3% - 15%. This is similar to our channel checks which indicate a monthly FFB yield drop of 5% - 10% given 3-5 months of El Niño-like conditions. However, we observe that the yield gap narrows during the peak production cycle, which may reflect faster FFB ripening under warmer conditions, resulting in a greater proportion of bunches being harvested during the seasonal production peak.

For mild El Niño conditions, average FFB yields generally improve across the production cycle. This may reflect a modest reduction in excessive rainfall relative to Neutral conditions, improving harvesting efficiency while allowing sufficient soil moisture to sustain productivity. Similar to stronger intensities, warmer conditions may also lead to faster FFB ripening but owing to relatively mild conditions, also partially reflect comparatively lower heat stress typical in those stronger intensities thus the general outperformance regardless of time-of-year.

Over longer horizons, the impact of El Niño becomes increasingly intertwined with other agronomic and operational factors, including labour availability and fertiliser application. Nevertheless, our channel checks suggest that El Niño can continue to influence yields through lagged biological responses, particularly inflorescence abortion, with such effects potentially persisting for multiple years. **With a**

strong El Niño increasingly likely in 2HCY26, we believe that FFB yields will begin to be impacted for at least 1HCY27. Specifically, for the stocks under our coverage, El Niño poses a potential threat to FFB yields and we assume that FFB yields would drop by 7% from typical levels in 1HCY27.

What makes this El Niño different? In comparison to past El Niños, future conditions imply that we will begin to see supply constraints against a significant backdrop: higher biodiesel mandates locally and overseas namely Indonesia. In addition, with the reignition of the Hormuz conflict, we believe that these biodiesel mandates are more likely to stay owing to the mandate's role as energy risk hedges. With demand supported by biodiesel mandates and supply tightness on the horizon, we believe it prudent to revisit our CPO price forecasts. **For 2HCY26, we revise upwards our average CPO price to RM4,600 bringing our full year average price to RM4,500. For CY27, we revise upwards our full-year CY27 forecast from RM 4,400 to RM 4,700. Our CY27 forecast reflects expectations of tight supply conditions in 1HCY27 leading to an average price of RM 4,800 before moderating to RM 4,600 as we enter the peak production cycle and supply constraints ease.**

Maintain Overweight stance. Following our higher CPO price assumptions for CY26/27 and lower FFB yields of 7% for 1HCY27, **we maintain BUY on the stocks under our coverage with higher TPs: SDG (TP: RM 7.70), HSPLANT (TP: RM 3.31), KLK (TP: RM 25.47), and SPLB (TP: RM4.67).** We make the following changes to our earnings forecasts for FY26/27.

Figure 8: Old and New EPS and FV for covered stocks, change in EPS (%)

RM	OLD		NEW		% Change in EPS	
	FY26	FY27	FY26	FY27	FY26	FY27
HAPL EPS (sen)	21.50	22.40	23.20	26.50	+8%	+18%
TP	2.80		3.31			
KLK EPS (sen)	125.71	119.26	131.86	137.70	+5%	+15%
TP	22.06		25.47			
SDG EPS (sen)	31.40	35.40	32.13	38.88	+2%	+10%
TP	7.01		7.70			
SPLB EPS (sen)	39.00	38.60	42.15	46.39	+8%	+20%
TP	3.89		4.67			

Source: Apex Securities

Figure 9: Sensitivity Analysis of covered stocks with FFB Yields and average CPO price inputs

	HAPL	FFB Yield				
	EPS (Sen)	17	18	19	20	21
CPO Price	4800	24.37	26.03	27.69	29.35	31.01
	4700	22.89	24.46	26.04	27.61	29.19
	4600	21.41	22.90	24.38	25.87	27.36
	4500	19.93	21.33	22.73	24.13	25.53
	4400	18.45	19.77	21.08	22.39	23.70

	KLK	FFB Yield				
	EPS (Sen)	19	20	21	22	23
CPO Price	4800	129.82	142.05	154.29	166.52	178.75
	4700	123.97	135.89	147.81	159.74	171.66
	4600	118.11	129.73	141.34	152.96	164.57
	4500	112.25	123.56	134.87	146.18	157.49
	4400	106.40	117.40	128.40	139.40	150.40

	SDG	FFB Yield				
	EPS (Sen)	16	17	18	19	20
CPO Price	4800	40.35	42.33	44.31	46.28	48.26
	4700	39.70	41.63	43.57	45.51	47.44
	4600	39.05	40.94	42.84	44.73	46.62
	4500	38.40	40.25	42.10	43.95	45.80
	4400	37.40	39.18	40.96	42.74	44.52

	SPLB	FFB Yield				
	EPS (Sen)	16	17	18	19	20
CPO Price	4800	43.84	46.88	49.92	52.96	55.99
	4700	41.07	43.94	46.80	49.67	52.53
	4600	38.30	41.00	43.69	46.38	49.07
	4500	35.53	38.05	40.57	43.09	45.61
	4400	32.76	35.11	37.45	39.80	42.14

Source: Apex Securities

Peers Comparison

Company	FYE	Recommendation	Price (RM)	Target	Potential	P/E (x)		P/B (x)		Dividend Yield	ESG Rating
			as at 10Jul26	Price (RM)	Upside/Downside	2026F	2027F	2026F	2027F		
Sime Darby Guthrie Bhd	Dec	BUY	6.24	7.70	27.5%	18.6	15.4	1.9	1.7	4.1%	★★★
Hap Seng Plantations Hldg Bhd	Dec	BUY	2.35	3.31	46.9%	9.6	8.4	0.8	0.8	6.0%	★★★
Kuala Lumpur Kepong Bhd	Sept	BUY	21.60	25.47	21.0%	16.5	15.7	1.5	1.4	3.0%	★★★
Sarawak Plantations Bhd	Dec	BUY	3.99	4.67	23.8%	8.8	8.0	1.2	1.1	6.8%	★★★

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.
