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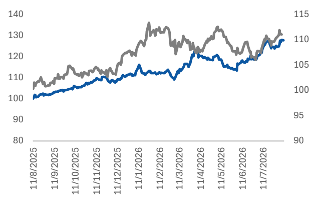
KL Plantation Index vs FBMKLCI



Top Picks

Company	Rating	Price	Target
SDG	BUY	6.83	7.70
HAPL	BUY	2.45	3.31
KLK	BUY	21.84	25.47
SPLB	BUY	4.33	4.67

Plantation Sector

Overweight (↔)

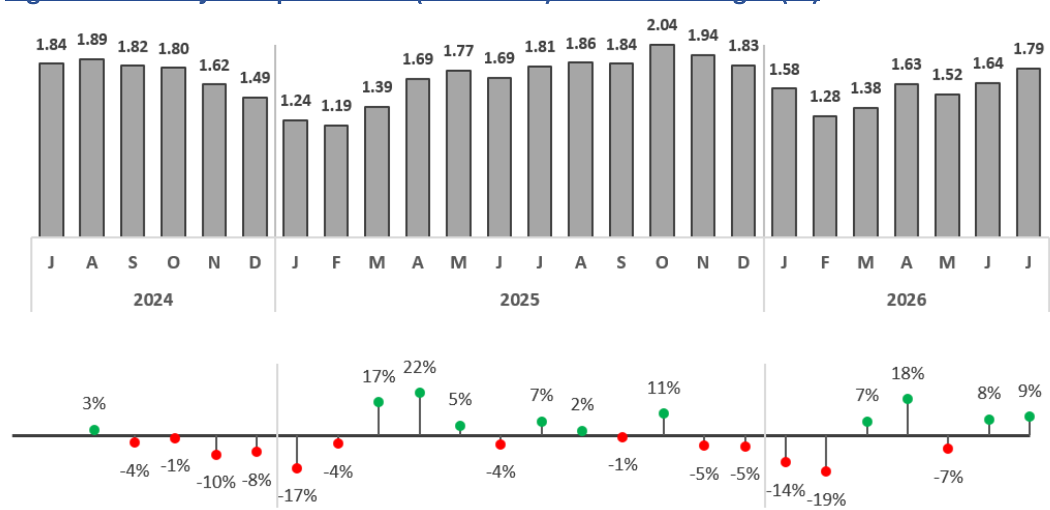
Seasonal Supply Builds, CY27 Tightness Looms

- **July CPO production rose 9.4% MoM to 1.79m tonnes, driven by Peninsular Malaysia and Sarawak, with seasonal improvements expected to continue through the remainder of CY26.**
- **July palm oil exports rose 14.5% MoM to 1.39m tonnes, with Indian festive-season restocking supporting near-term demand.**
- **Palm oil inventories rose 3.3% MoM to 2.63m tonnes in July, driven by higher CPO stocks and consistent with the typical seasonal build-up in 2H of the calendar year.**
- **Maintain Overweight and CY26/27 CPO average price forecast of RM 4,500/4,700. We expect 2HCY26 average CPO prices of RM 4,600 and 1H/2HCY27 average CPO prices of RM4,800/RM4,600.**

July CPO production at 1.79m tonnes. Total CPO production for July rose 9.4% MoM and fell 1.07% YoY. MoM, Peninsular recorded the largest increase, rising by 97k tonnes (+10.58%) followed by Sarawak at 60.6k tonnes (+16.88%) while Sabah fell marginally by 3.5k tonnes (-0.96%). Relative to our CY26 CPO production forecast (20.7m), YTD output is at 52% of our expectations. As we remain in a seasonably favourable period and El Niño-like weather conditions are only beginning to show, we continue to expect production to evolve as previously forecasted.

We maintain our CY26 CPO production forecast of 20.7m. However, moving into 1HCY27, production could be flat/lower by c.7% YoY due to lagged impacts from El Niño conditions as stated in our last sectoral report.

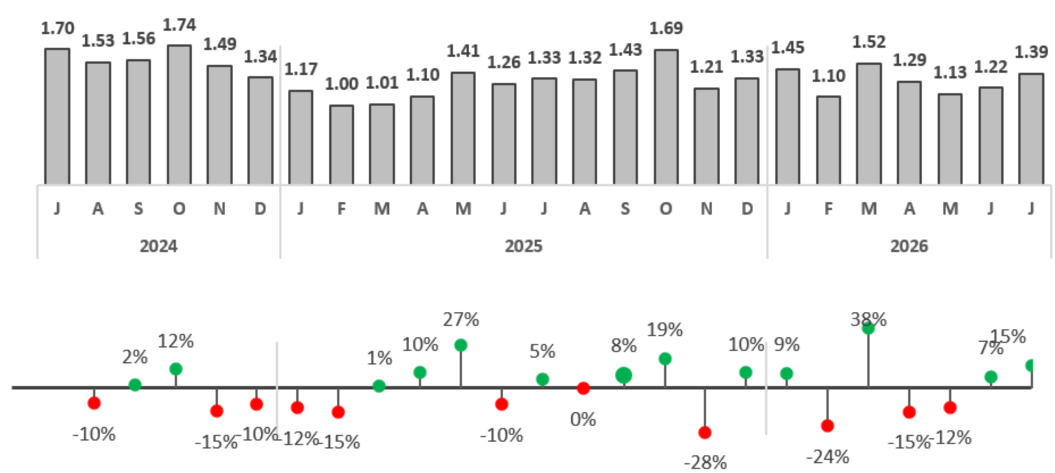
Figure 1: Monthly CPO production ('m tonnes) and MoM changes (%)



Source: MPOB, Apex Securities

Palm oil exports rose MoM in July. Palm oil exports rose MoM to 1.39m tonnes (+14.5%) and rose 4.79% YoY with the rise being supported by India's palm oil imports in July (733k tonnes) due to restocking for the Aug-Nov festival season. This is expected to continue supporting near-term exports. Beyond this, with exports supported by India's festival season and El Nino impacts appearing in CY27, we may begin to see a period of elevated demand against concerns of supply availability which could be supportive for prices.

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

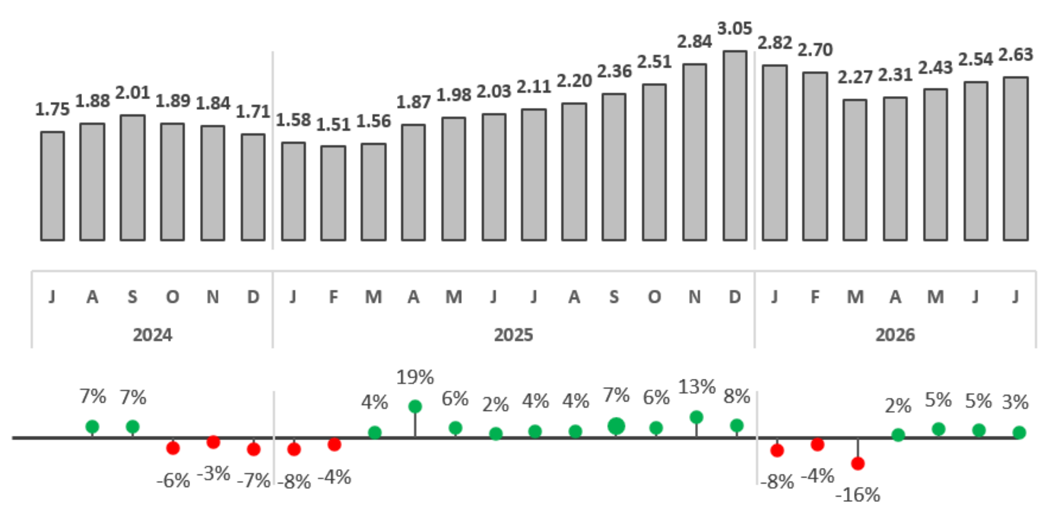


Source: MPOB, Apex Securities

Inventories rise seasonally in July but STU ratio improves. MoM, July net palm oil closing stocks stood at 2.63m (+3.3%) while rising 24.3% YoY. Higher CPO stocks drove the MoM rise thanks to increases of 96k tonnes (7.24%) vs Processed PO stocks which fell by 12k tonnes (-0.99%). The MoM increase is also consistent with typical buildups in 2HCY due to seasonal increases in CPO production.

The stock-to-use ratio (STU) declined to 1.54x, falling from June's 1.67x while remaining above the 10-year average of c.1.25x, suggesting that stronger demand has partially offset higher supply. Looking ahead, we continue to expect inventory buildups through the seasonal production peak although higher-than-expected demand from the India festival season and biodiesel mandates could limit said inventory buildups.

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



Source: MPOB, Apex Securities

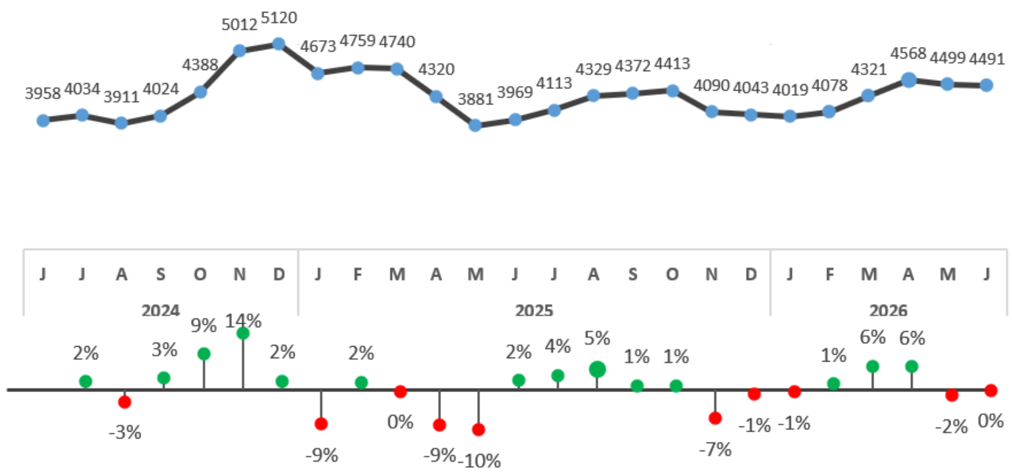
CPO prices averaged RM 4,493 in July. CPO prices remain stable albeit elevated vs pre-war prices, rising marginally by 0.1% MoM with a low of RM 4,460 and a peak of RM 4,604 seen in July. In spite of whipsaws in Hormuz events leading to volatile oil prices, CPO prices have remained relatively stable and we believe —as stated in our last sectoral report— that this partly reflects expectations for biodiesel demand continuing to support prices at current levels.

We reiterate that CY27 supply tightness and stable demand together with sticky biodiesel mandates will be supportive for CPO prices moving forward. **We maintain our CY26 average CPO price forecast of RM4,500/tonne and CY27 forecast of RM4,700/tonne, comprising RM4,800/tonne in 1H and RM4,600/tonne in 2H.**

Our CY27 price forecasts reflect our expectation that the lagged impact of El Niño on yields will be most pronounced in 1HCY27 before progressively easing in 2HCY27. However, should El Niño conditions persist for longer than expected, the resulting lagged yield impact could extend into 2HCY27, presenting upside risk to our price assumptions.

Maintain our Overweight stance on the sector, with BUY ratings on SDG (TP: RM 7.70), HSPLANT (TP: RM 3.31), KLK (TP: RM 25.47), and SPLB (TP: RM4.67). We continue to like SDG and KLK for their exposure to the integrated upstream-downstream supply chain. On the other hand, HSPLANT and SPLB provide value as pure-play upstream planters alongside attractive dividend yields.

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



Source: MPOB, Apex Securities

Peers Comparison

Company	FYE	Recommendation	Price (RM) as at 10Aug26	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	6.83	7.70	16.1%	22.0	17.6	2.1	2.0	3.3%	★★★
Hap Seng Plantations Hldg Bhd	Dec	BUY	2.45	3.31	40.8%	10.6	9.2	0.9	0.9	5.7%	★★★
Kuala Lumpur Kepong Bhd	Sept	BUY	21.84	25.47	19.6%	16.6	15.8	1.5	1.4	3.0%	★★★
Sarawak Plantations Bhd	Dec	BUY	4.33	4.67	13.7%	10.3	9.3	1.4	1.3	5.8%	★★★

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

As of **Tuesday, 11 Aug, 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.