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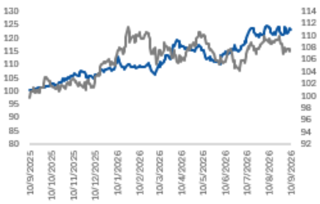
**KL Plantation Index vs FBMKLCI**



**Stock Picks**

| Company | Rating | Price | Target |
|---|---|---|---|
| SDG | BUY | 6.20 | 7.70 |
| HAPL | BUY | 2.63 | 3.31 |
| KLK | HOLD | 22.74 | 23.80 |
| SPLB | HOLD | 4.71 | 4.67 |

# Plantation Sector

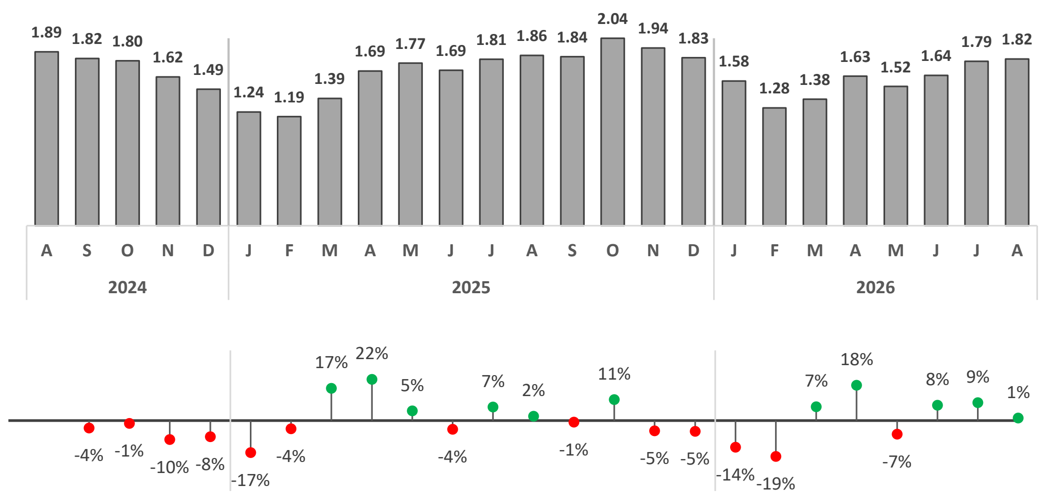
**Overweight (↔)**

## Exports fall on normalizing Indian demand, B60 unlikely to be significant in near-term

- **August CPO production rose 1.4% MoM to 1.82m tonnes, driven by Peninsular Malaysia and Sarawak.**
- **August palm oil exports fell 7.5% MoM to 1.30m tonnes on normalizing export flows due to July's front-loading and competitively priced soy oils.**
- **Palm oil inventories rose 7.5% MoM to 2.82m tonnes in August, driven by higher CPO stocks and normalizing Indian demand.**
- **Increase in CPO feedstock demand from Indonesia's B60 mandate could be capped in near term.**
- **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.**

**August CPO production at 1.82m tonnes.** Total CPO production for August rose 1.4% MoM and fell 2% YoY. MoM, Peninsular recorded the largest increase, rising by 25.5k tonnes (+2.5%) followed by Sarawak at 19.5k tonnes (+4.7%) while Sabah fell by 20.1k tonnes (-5.6%). Relative to our CY26 CPO production forecast (20.7m), YTD output is at 61% of our expectations. We continue to expect production to evolve as previously forecasted due to: 1) production accelerating due to the current seasonably favourable period and ii) El Niño-like weather conditions only impacting FFB yields in the following year. We maintain our CY26 CPO production forecast of 20.7m. However, moving into 1HCY27, production could be lower YoY due to lagged impacts from El Niño conditions.

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

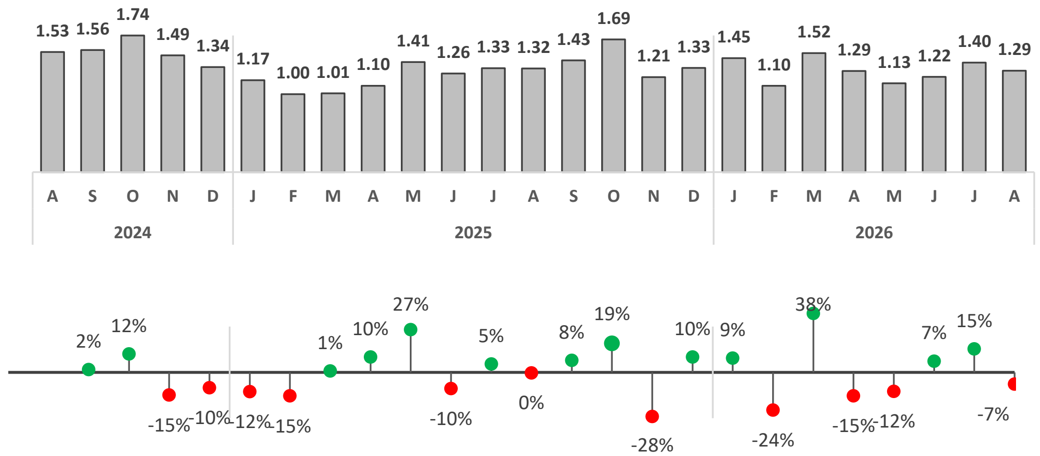



*Source: MPOB, Apex Securities*

**Palm oil exports fell MoM and YoY in August.** Palm oil exports fell MoM to 1.30m tonnes (-7.5%) and fell 2.27% YoY. Post Indian front-loading in July, August exports have normalized somewhat as part of the month's consumption requirements would have been fulfilled thanks to stocks purchased in July. In addition, comparatively cheaper soybean oils may have captured a greater share of edible oil demand from palm oil with soy oil imports jumping 21% MoM to a record 601k tonnes against palm oil imports for the country rising just 7% to 780k tonnes. Looking ahead, we continue to expect export demand to remain supported by the festival season but highlight that a more normalised trajectory relative to July is possible. Beyond this and El Nino supply impacts appearing in CY27, export demand should remain conducive to upside price risk.


KDN PP13226/06/2024 (035469)

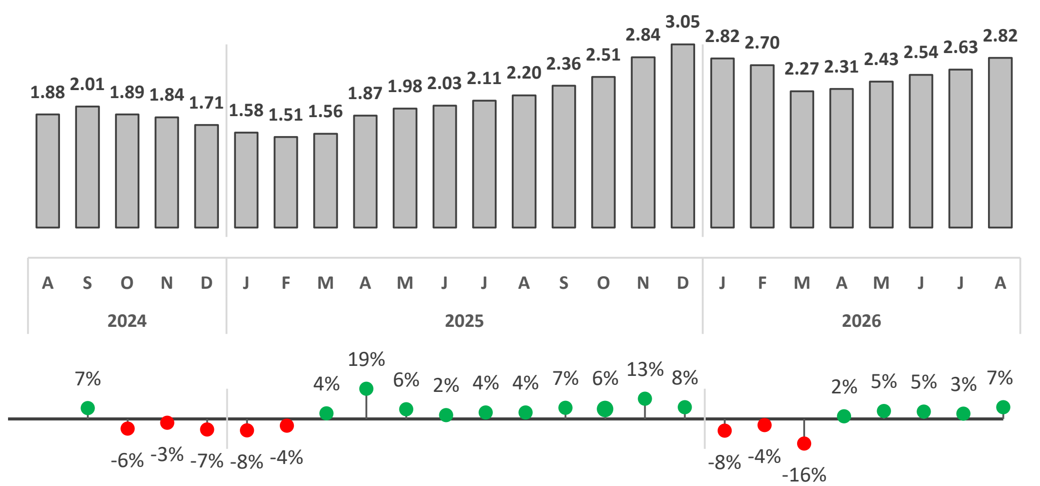
**Figure 2: Monthly CPO export ('m tonnes) and MoM changes (%)**




*Source: MPOB, Apex Securities*

**Inventories rise in August.** August net palm oil closing stocks stood at 2.82m, rising 7.5% MoM and 28.3% YoY. Higher CPO stocks drove the MoM rise thanks to increases of 217.1k tonnes (+15.2%) vs Processed PO stocks which fell marginally 20.5k tonnes (-1.7%). In addition to the typical buildups in 2HCY, we also believe that weaker-than-expected Indian demand during the month had contributed to the rise. The stock-to-use ratio (STU) rose to 1.74x from July's 1.54x while remaining above the 10-year average of c.1.25x. Looking ahead, we continue to expect inventory buildups through the seasonal production peak and should normalizing Indian demand continue, an accumulation beyond 3.0m tonnes could be plausible.

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



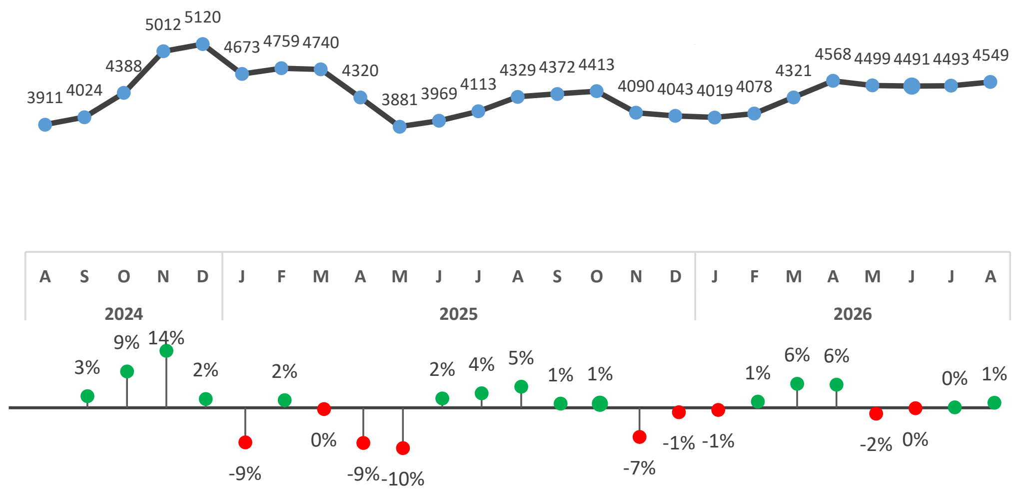

*Source: MPOB, Apex Securities*

**CPO prices averaged RM 4,549 in August.** CPO prices have elevated somewhat, rising marginally 1.2% MoM with a low of RM 4,499 early in the month and a peak of RM 4,687. Despite inventory buildups, CPO prices have continued to rise somewhat which we opine is partly attributable to El-Nino supply concerns in CY27.

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.** Should the lagged impact of El Nino on yields persist into 2HCY27, it may introduce upside risk to our price assumptions.

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




*Source: MPOB, Apex Securities*

**Indonesia floats B60.** Indonesia is preparing to introduce a B60 biodiesel mandate in 2027, following President Prabowo Subianto's announcement at the B50 launch. The Energy and Mineral Resources Ministry is assessing whether Indonesia has enough crude palm oil (CPO) and fatty acid methyl ester (FAME) biodiesel production capacity to support the higher blend. Badan Pengelola Dana Perkebunan Kelapa Sawit (BPDPKS) has been asked to study B60's FAME requirements, with results expected by December 2026. No B60 blending formula has been finalized, so technical testing and supply assessments remain before implementation in 2027. The expected flow-through for the local Plantation sector comes from higher Indonesia domestic demand absorbing export-bound CPO, leading to a higher share of global CPO demand to Malaysian exports. However, we opine that such a flow-through may take a while to be realized.

Recall that our back-of-envelope estimates for Indonesia's B50 CPO feedstock demand increase was 3.08m tonnes annually and that Unggul Priyanto quoted a B50 biodiesel demand of 19m kilolitres against an installed production capacity of 22m kilolitres annually. Taking these into consideration, a similar increase in B60 would introduce a shortfall in biodiesel production capacity and thus a cap on demanded CPO feedstock. As a result, we opine the larger concern for CPO upside lies in the timing of new biodiesel production capacity to lift the cap on demanded CPO feedstock. At present, owing to scarce detail on the B60 mandate, we make no adjustments to our CPO assumptions.

**Maintain Overweight stance on the sector. Maintain BUY on SDG (TP: RM 7.70), HAPL (TP: RM 3.31). We recommend HOLDs on KLK (TP: RM 23.80), and SPLB (TP: RM4.67)** primarily due to the recent run-up in share prices as opposed to any deterioration in company fundamentals. However, should lagged impacts of El Nino be extended beyond our assumptions, the realization of upside CPO price risk would warrant a revaluation of our recommendations.

## Peers Comparison

| Company | FYE | Recommendation | Price (RM) as at 10Sep26 | Target Price (RM) | Potental Upside/Downside | P/E (x) | | P/B (x) | | Dividend Yield | ESG Rating |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | 2026F | 2027F | 2026F | 2027F | | |
| Sime Darby Guthrie Bhd | Dec | BUY | 6.20 | 7.70 | 27.8% | 22.0 | 17.6 | 2.1 | 2.0 | 3.6% | ★★★ |
| Hap Seng Plantations Hldg Bhd | Dec | BUY | 2.63 | 3.31 | 32.3% | 10.9 | 9.6 | 0.9 | 0.9 | 6.3% | ★★★ |
| Kuala Lumpur Kepong Bhd | Sept | HOLD | 22.74 | 23.80 | 7.6% | 18.0 | 17.0 | 1.5 | 1.4 | 2.9% | ★★★ |
| Sarawak Plantations Bhd | Dec | HOLD | 4.71 | 4.67 | 5.3% | 10.8 | 9.8 | 1.4 | 1.4 | 6.1% | ★★★ |

*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 **Friday, 11 Sep, 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.