

## Plantation

### Stocks Hit A Record As Output Peaks

#### Highlights

- MPOB's Sep 26 data showed a 24.5% mom rise in Malaysia's palm oil stocks to a record 3.51m tonnes, above our 3.3m-tonne estimate. Production (2.12m tonnes) set a monthly record, while exports (1.12m tonnes) fell less than cargo surveyors had implied.
- We expect stocks to peak in October-November as India restocks after its duty cut, and to ease from December as output turns seasonally lower.
- Maintain OVERWEIGHT. Sector picks: SD Guthrie (BUY/Target: RM8.30), Genting Plantations (BUY/Target: RM7.42) and KL Kepong (BUY/Target: RM28.50).

#### Analysis

- MPOB's Sep 26 data.** Palm oil inventory rose 24.5% mom to 3.51m tonnes, a sixth straight build and a record high, surpassing the 3.22m tonnes of Dec 18. The 692,000-tonne increase is the largest monthly build in MPOB's series, and the stock/usage ratio grew to 2.37x from 1.68x. Our call for stocks to test 3m tonnes by end-September proved too conservative.
- Production rose 16.5% mom to 2.12m tonnes**, the highest monthly output on record (+15.0% yoy), though below the 21-25% mom rise in our survey. Sabah led (+35.0% mom), ahead of Sarawak (+15.5%) and Peninsular Malaysia (+10.9%). The national oil extraction rate increased 0.25ppt mom to 20.26%. 9M26 output of 14.75m tonnes was up 1.9% yoy.
- Exports fell 12.1% mom to 1.12m tonnes**, the lowest since Apr 25, though shallower than the 17.1% mom drop in Intertek Testing Services estimates. Crude palm oil exports expanded 24.5% mom while processed palm oil declined 22.0%. Biodiesel exports dropped to 2,930 tonnes (-91.7% mom). 9M26 exports of 11.54m tonnes remained 4.6% ahead yoy.
- Imports went up 17.2% mom to 58,064 tonnes**, including 6,812 tonnes of crude palm oil. Implied domestic disappearance fell 9.5% mom to 362,784 tonnes. With output below the Malaysian Palm Oil Association's estimate of about 19% growth and exports beating surveyors, weaker domestic offtake explains most of the overshoot against our stock estimate.
- Outlook.** We expect stocks to peak in October-November and ease from December. India's cut in its crude palm oil duty to 11.0% from 16.5% on 24 September, and festive buying ahead of Diwali on 8 November, should support palm oil demand. ITS estimates 1-10 October exports rose 33.5% mom. Output should turn seasonally lower from November, and Malaysian Plantation and Commodities Minister Noraini Ahmad's 19.5m-19.8m-tonne 2026 target implies only 1.58m-1.68m tonnes a month in 4Q26.

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### OVERWEIGHT (Maintained)

#### Segmental Rating

| Segment  | Rating                  |
|----------|-------------------------|
| Malaysia | OVERWEIGHT (Maintained) |

Source: UOB Kay Hian

#### Sector Picks

| Company             | Ticker  | Rec | Share Price<br>(RM) | Target Price<br>(RM) |
|---------------------|---------|-----|---------------------|----------------------|
| Genting Plantations | GENP MK | BUY | 5.42                | 7.42                 |
| KL Kepong           | KLK MK  | BUY | 20.56               | 28.50                |
| SD Guthrie          | SDG MK  | BUY | 5.94                | 8.30                 |

Source: Bloomberg, UOB Kay Hian

#### CPO Price Assumptions (RM/Tonne)

|                        | CPO Price (RM/tonne) |
|------------------------|----------------------|
| 2021                   | 4,408                |
| 2022                   | 5,088                |
| 2023                   | 3,810                |
| 2024                   | 4,180                |
| 2025                   | 4,306                |
| <b>Our Forecast:</b>   |                      |
| 2026F                  | 4,500                |
| 2027F                  | 4,700                |
| <b>CPO Price:</b>      |                      |
| MPOB Sep 26 average    | 4,615                |
| BMD 3rd Month Contract | 4,592                |

Source: MPOB, UOB Kay Hian

#### Peer Comparison

| Company              | Ticker  | Rec* | Price<br>12 Oct 26<br>(RM) | Target<br>Price<br>(RM) | Upside<br>To TP<br>(%) | Last<br>Year<br>End | PE          |              |              | Yield<br>2026F<br>(%) | ROE<br>2026F<br>(%) | Market<br>Cap.<br>(RM) | Price/<br>NAV ps<br>(x) |
|----------------------|---------|------|----------------------------|-------------------------|------------------------|---------------------|-------------|--------------|--------------|-----------------------|---------------------|------------------------|-------------------------|
|                      |         |      |                            |                         |                        |                     | 2025<br>(x) | 2026F<br>(x) | 2027F<br>(x) |                       |                     |                        |                         |
| Hap Seng Plantations | HAPL MK | BUY  | 2.31                       | 3.05                    | 32.0                   | Dec-26              | 16.0        | 10.7         | 9.1          | 4.8                   | 6.3                 | 1,849.2                | 0.9                     |
| Genting Plantations  | GENP MK | BUY  | 5.42                       | 7.42                    | 36.9                   | Dec-26              | 14.2        | 11.4         | 10.2         | 5.4                   | 6.1                 | 4,861.0                | 1.1                     |
| IOI Corporation      | IOI MK  | BUY  | 4.57                       | 5.50                    | 20.4                   | Jun-27              | 19.7        | 15.8         | 15.2         | 2.8                   | 13.2                | 28,720.5               | 2.1                     |
| KL Kepong            | KLK MK  | BUY  | 20.56                      | 28.50                   | 38.6                   | Sep-26              | 29.8        | 14.8         | 12.6         | 2.9                   | (4.3)               | 22,957.2               | 1.9                     |
| SD Guthrie           | SDG MK  | BUY  | 5.94                       | 8.30                    | 39.7                   | Dec-26              | 17.3        | 14.9         | 13.6         | 3.7                   | 15.4                | 41,083.1               | 2.0                     |

Source: Bloomberg, UOB Kay Hian

## MPOB's Sep 26 Statistics

| (m tonne)             | Sep 25 | Aug 26 | Sep 26 | mom % chg | yoy % chg | 9M25  | 9M26  |
|-----------------------|--------|--------|--------|-----------|-----------|-------|-------|
| CPO Production        | 1.84   | 1.82   | 2.12   | 16.5      | 15.0      | 14.47 | 14.75 |
| Palm Oil Domestic Use | 0.33   | 0.40   | 0.36   | (9.5)     | 8.4       | 3.46  | 3.31  |
| Palm Oil Exports      | 1.43   | 1.28   | 1.12   | (12.1)    | (21.5)    | 11.03 | 11.54 |
| Oleochemical          | 0.24   | 0.23   | 0.24   | 2.6       | 2.0       | 2.01  | 2.20  |
| Biodiesel             | 0.03   | 0.04   | 0.00   | (91.7)    | (91.6)    | 0.27  | 0.20  |
| Palm Oil Imports      | 0.08   | 0.05   | 0.06   | 17.2      | (26.0)    | 0.67  | 0.56  |
| Palm Oil Stocks       | 2.36   | 2.82   | 3.51   | 24.5      | 48.8      | 2.36  | 3.51  |

Source: MPOB, UOB Kay Hian

## Sep 26 CPO Production By Region And State

| (m tonne)            | Sep 25      | Aug 26      | Sep 26      | mom % chg   | yoy % chg   | 9M25        | 9M26        |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Johor                | 0.29        | 0.29        | 0.34        | 16.4        | 17.6        | 2.27        | 2.33        |
| Pahang               | 0.34        | 0.30        | 0.34        | 12.1        | (0.4)       | 2.48        | 2.25        |
| Perak                | 0.18        | 0.20        | 0.20        | (1.7)       | 12.5        | 1.53        | 1.53        |
| Negeri Sembilan      | 0.07        | 0.07        | 0.08        | 17.0        | 16.8        | 0.53        | 0.50        |
| Selangor             | 0.05        | 0.06        | 0.06        | 5.1         | 16.2        | 0.43        | 0.43        |
| Terengganu           | 0.05        | 0.05        | 0.06        | 11.4        | 18.6        | 0.33        | 0.37        |
| Kelantan             | 0.04        | 0.03        | 0.04        | 24.4        | (1.3)       | 0.29        | 0.26        |
| Kedah                | 0.02        | 0.02        | 0.02        | 5.4         | (0.2)       | 0.22        | 0.19        |
| Other States         | 0.02        | 0.02        | 0.02        | 18.7        | 26.6        | 0.17        | 0.17        |
| <b>Pen Malaysia</b>  | <b>1.05</b> | <b>1.04</b> | <b>1.15</b> | <b>10.9</b> | <b>9.9</b>  | <b>8.26</b> | <b>8.03</b> |
| Sabah                | 0.37        | 0.34        | 0.46        | 35.0        | 22.7        | 3.09        | 3.28        |
| Sarawak              | 0.42        | 0.44        | 0.51        | 15.5        | 20.8        | 3.13        | 3.44        |
| <b>East Malaysia</b> | <b>0.79</b> | <b>0.78</b> | <b>0.96</b> | <b>24.0</b> | <b>21.7</b> | <b>6.22</b> | <b>6.72</b> |

Source: MPOB, UOB Kay Hian

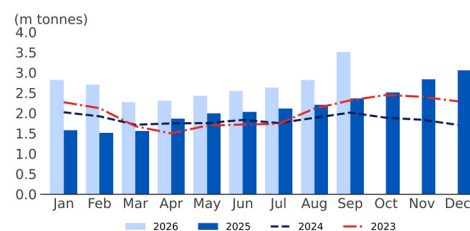
## Valuation/Recommendation

- **Maintain OVERWEIGHT.** We remain constructive, underpinned by structural demand growth from regional biofuel mandates, namely Indonesia's B50. We keep our CPO price forecasts at RM4,500 and RM4,700 per tonne for 2026 and 2027 respectively as a strong El Niño would cut Malaysian output by 8% in 2027.
- **Top picks.** We like SD Guthrie as a liquid big-cap play on the CPO backdrop, supported by its renewable energy and industrial park pivot. Kuala Lumpur Kepong is our laggard pick on a progressive downstream earnings recovery.
- **Minimum wage confirmed at RM2,000.** Budget 2027 raises the minimum wage to RM2,000 a month from 1 Jun 27. We estimate the full-year cost at about RM110 per tonne of CPO (2.3% of our 2027 CPO assumption) with a 2-9% impact on full-year earnings across our coverage (refer to the RHS table). We expect the latest minimum wage revision to have more pronounced impact on Malaysian-based upstream planters, with HAPL being the most affected among our coverage.

## Sector Catalyst/Risk

- **Catalyst: Indian restocking.** Pre-Diwali demand and the duty cut should lift Malaysian shipments in October.
- **Risk: Black Sea recovery.** Faster Black Sea shipments would let sunflower oil use its Indian duty edge and take share from palm oil.

## Malaysia Palm Oil Production



Source: MPOB, UOB Kay Hian

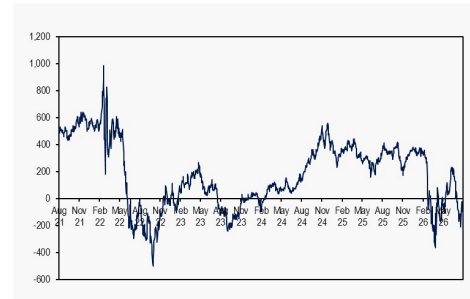
Rainfall By Region, Jan-Sep 26  
(mm/Month)

|                 | Jan        | Feb        | Mar        | Apr        | May        | Jun        | Jul        | Aug        | Sep        |
|-----------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| North Pen.      | 29         | 122        | 72         | 257        | 337        | 226        | 162        | 180        | 313        |
| East Pen.       | 90         | 139        | 66         | 134        | 287        | 233        | 247        | 281        | 284        |
| West Pen.       | 64         | 200        | 163        | 250        | 211        | 204        | 214        | 129        | 184        |
| Sabah           | 281        | 481        | 207        | 127        | 224        | 219        | 212        | 202        | 238        |
| Sarawak         | 432        | 424        | 219        | 276        | 365        | 281        | 167        | 136        | 199        |
| <b>MALAYSIA</b> | <b>256</b> | <b>330</b> | <b>170</b> | <b>214</b> | <b>300</b> | <b>240</b> | <b>196</b> | <b>176</b> | <b>225</b> |

mm/mth: &lt;100 100-150 150-200 200-300 &gt;300

Note: Colour shows monthly rainfall against the 150-200mm/month optimum for oil palm. Sep 26 data are preliminary.

Source: CHIRPS, UOB Kay Hian

Palm Oil – Gasoil Spread  
(US\$/Tonne)

Source: Bloomberg, UOB Kay Hian

Estimated Earnings Impact Of  
Minimum Wage Hike

| Company              | Full-year Net Profit Impact (%) |
|----------------------|---------------------------------|
| Hap Seng Plantations | 8.5                             |
| Genting Plantations  | 3.4                             |
| IOI Corporation      | 2.1                             |
| KL Kepong            | 2.3                             |
| SD Guthrie           | 2.0                             |

Source: UOB Kay Hian

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