Plantation

March Stats

Neutral (Maintain)

HIGHLIGHTS

- CPO prices remain elevated on flattish CPO production number
- CPO output flattish in line with pollination months
- Exports volume weaker on price effects
- Maintain **NEUTRAL** with average CPO Price target of RM4,300/Mt for CY25

SECTOR RECAP

CPO Price flattish by -0.4%mom. The local CPO price delivery ended the month at RM4,705/Mt with an average price of RM4,740/Mt (--0.4% mom, +12.4%yoy) on maintained concerns over escalating supply risks escalated on Ramadhan demand. Prices were firmer at the beginning of the month, reaching a high of RM4,835/Mt, but moderated by -0.8% to RM4,705/Mt towards the end as the market have fully assessed the prospect of limited supply. Moving ahead to April, we anticipate that the CPO prices will remain stable, hovering within the lower range of RM4,000–4,500/Mt. This is typically in line with seasonal production trends, as the pollination period ends in March and PO output is expected to recover - potentially leading to an increase in closing stock levels.

Slower output continued. CPO output in Mar-25 flattish to 1.39m tonne (+16.8%mom, -0.4%yoy, -5.9%ytd) versus prior year, the slowing growth was seen in most of the states particularly in Kelantan(-18.9%yoy), Terengganu (-15.7%yoy) and other states (-9.5%yoy) area. On the other hand, the FFB received by mills was inched to 7.31m tonne (+1.9%yoy) supported by decent average yield of 1.20 tonne / ha. Whilst the average OER in the mills was slower at 19.14%, following poor set of crops were seen in most of the estates compounded by delayed FFB evacuation process on continuous mixed weather, which led to flooding in some areas.

Looking ahead, we opine that the biological tree rest conditions and a slower-than-expected recovery in output will persist, with local production projected to grow by only +1.0%yoy to 19.5m Mt in CY25F. The continuation of La Niña (wet weather) until April, comes with a 75% probability which expected to derail crop productivity in the 2Q25. This could support a high average CPO price trading during that period.

Lower stock levels. Ending stockpiles fell to 1.51m tonne (+3.5%mom, -8.8%yoy), in

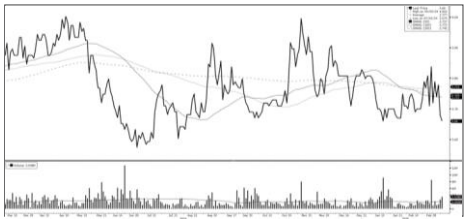
COMPANY *IN FOCUS*

IOI Corp.

Maintain BUY | Target Price: RM4.42
Price @ 10 April 2025: RM3.60

- production growth c. +5% supported by strong FFB yield of 19.5tonne/ha and OER 22%
- Lowest cost of production among its peers c. RM2,400-2,600 / Mt

SHARE PRICE CHART



Abbreviation.

FFB: Fresh Fruit bunches
CPO: Crude Palm Oil
SBO: Soybean Oil
SFO: Sunflower Oil
ASP: Average Selling Price
OER: Oil Extraction rate

MET Malaysia: Meteorology Malaysia
EL- Niño: Warm and dry weather
La-Niña: Cold and wet weather

tandem with flattish production and weaker exports numbers recorded at 1.0m Mt (-24.3%yoy). There was a continuation of greater decrease in CPO (-6.3%mom, -53.1%yoy) and CPKO (-77.1%mom, -81.3%yoy) exports. With the current elevated CPO price traded, feedstock costs for most of the refinery hinged on the high side, resulting higher CPO based derivatives products and softer exports volume of Oleo (-20.2%yoy), finished products (-1.4%yoy) and biodiesel (-5.5%yoy).

Exports volume weaker on price effects

While PKC sales volume weakens to about 122,977 Mt (-36.9%mom, -34.7%yoy, following improved coconut output within the lauric segment. Demand for CPO narrowed due to the price effect where the average CPO price expensively higher at RM4,740/Mt. Broadly, March and Feb's spread discount between the SBO and PO price were approximately around USD63/Mt and -USD1/Mt.

Maintain NEUTRAL. We opine sector's top-line to continue uptick in 1HQCY25 in-line with higher average CPO price assumptions. However, margins are likely to remain under pressure due to the persistent elevated cost of production, caused by higher locked in fertiliser costs of 2HCY24, coupled with elevated external FFB purchase expenses amid low mills utilisation rates. We are maintaining **NEUTRAL** call at this juncture, while CPO prices are expected to remain relatively sticky, production is likely to underperform, leading to a ceteris paribus performance for CY25. Therefore, we foresee only a handful of players likely to benefit from elevated CPO prices. Hence, we recommend avoiding smaller players with significant exposure to external FFB purchases, as the aforementioned factors could risk their CPO production, particularly during the current biological tree rest environment. Instead, we suggest focusing on larger players like **IOI Corp (BUY, TP: RM4.42)**, **SD Guthrie (BUY, TP: RM5.43)**, and **GENP (BUY, TP: RM6.26)**, whose CPO procurement (>50%) from their own estates offers more stability in realizing CPO prices.

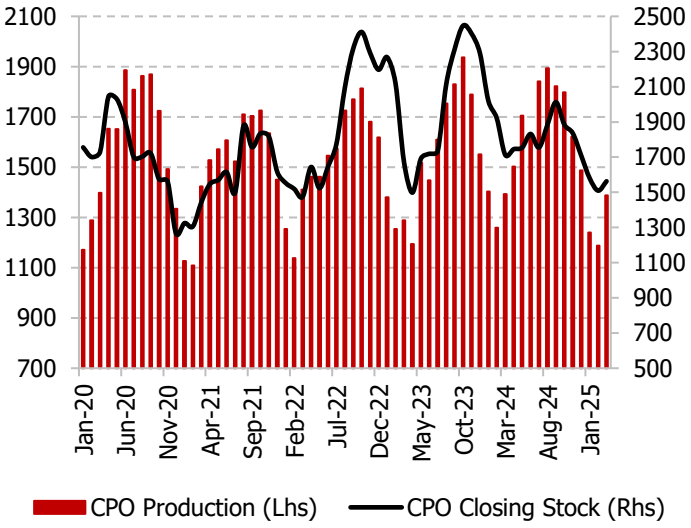
Maintain NEUTRAL as cost of production remains sticky on the back higher locked fertiliser costs.

Table 1: Malaysia Palm Oil Statistics for March 2025 ('000 MT)

	Mar-24	Feb-25	Mar-25	MoM%	YoY%	3M24	3M25	YoY%
Opening Stocks	1.92	1.58	1.51	-4.5%	-21.4%	2.20	2.29	4.3%
Production	**1.39**	**1.19**	**1.39**	**16.8%**	**-0.4%**	**4.05**	**3.81**	**-5.9%**
Imports	0.02	0.06	0.12	90.7%	456.7%	0.08	0.27	226.7%
Total Supply	**3.33**	**2.83**	**3.02**	**6.6%**	**-9.5%**	**6.3**	**6.4**	**0.7%**
Exports	1.33	1.00	1.01	0.9%	-24.3%	3.70	3.18	-14.2%
Dom Disapp	0.29	0.33	0.45	38.1%	53.8%	1.01	1.06	4.5%
Total Demand	**1.62**	**1.32**	**1.46**	**10.1%**	**-10.2%**	**4.72**	**4.24**	**-10.2%**
End Stocks	**1.71**	**1.51**	**1.56**	**3.5%**	**-8.8%**	**1.62**	**2.14**	**32.5%**
Stock/Usage Ratio	8.8%	9.5%	8.9%	-	-	2.9%	4.2%	-

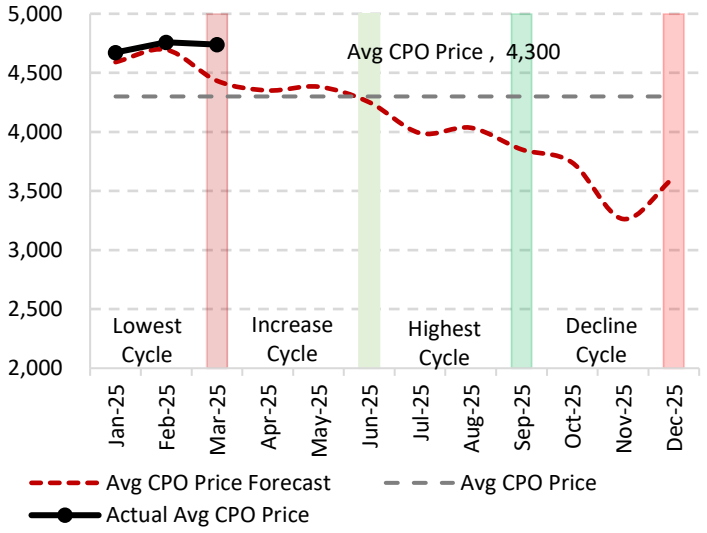
Source: MPOB, MIDFR

Chart 1: Malaysia PO Production VS Closing Stock



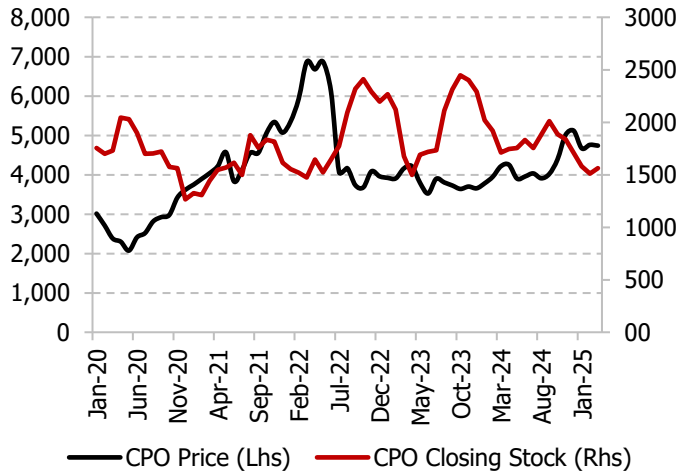
Source: MPOB, MIDFR

Chart 2: CPO Price Movement Forecast VS Actual



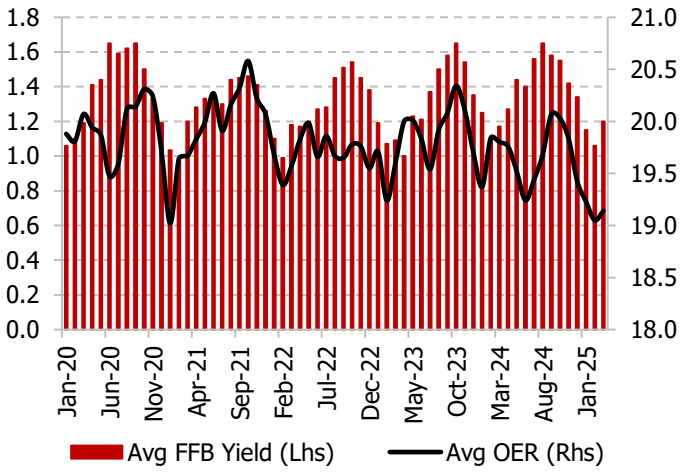
Source: MPOB, MIDFR

Chart 3: PO Closing stock VS CPO Price



Source: MPOB, MIDFR

Chart 4: Average FFB Yield VS OER



Source: MPOB, MIDFR

Table 2: PEER COMPARISON

Company	Rating	Price (RM)	TP (RM)	PER (x)		Core EPS (Sen)		Dividend Yield (%)	
				FY25F	FY26F	FY25F	FY26F	FY25F	FY26F
IOI Corp	BUY	3.83	4.42	19.1	17.5	18.8	20.5	2.4%	2.4%
SD Guthrie	BUY	4.92	5.43	18.5	17.6	24.7	25.9	3.3%	3.3%
Genting Plant.	BUY	5.74	6.26	12.9	12.0	39.1	42.0	4.2%	4.0%
KLK	NEUTRAL	21.10	20.00	19.4	19.1	100.0	101.7	2.9%	3.0%
Ta Ann	NEUTRAL	4.18	4.34	7.6	8.0	88.4	91.6	5.2%	5.2%
PPB	NEUTRAL	12.20	10.61	12.4	12.0	27.0	24.0	3.2%	3.2%
Sarawak Plant.	NEUTRAL	2.33	2.29	8.1	9.1	7.6	9.1	4.6%	4.6%
TSH Resources	NEUTRAL	1.18	1.24	11.3	9.9	51.1	48.3	1.9%	1.9%
FGV Holdings	NEUTRAL	1.10	1.16	13.6	11.3	9.6	10.9	4.9%	4.9%
Weighted Avg.				**13.6**	**12.9**	**40.7**	**41.6**	**3.6**	**3.6**

Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology