Plantation

June Statistics

Neutral (Maintain)

HIGHLIGHTS

- CPO prices flat in tandem with abundant stocks
- CPO output grew in line with seasonally productive months
- Exports volume flattish despite wider premium discount between SBO and PO
- Maintain **NEUTRAL** with average CPO Price target of RM4,100/Mt for CY25

SECTOR RECAP

CPO Price flattish by -0.3%yoy. The local CPO price delivery ended the month at RM3,912/Mt with an average price of RM3,969/Mt (+2.3%mom, +0.3%yoy) on higher ending stocks as concerns over limited supply risks dissipated. Prices were firmer at the beginning of the month, reaching a high of RM3,953/Mt, before easing by -1.0% to RM3,912/Mt toward the end of the month, as the market have fully priced the prospect of extensive supply. Looking ahead to July, we anticipate that the average CPO price will remain flat at RM3,990/Mt (+0.5%mom, -1.1%yoy). Bearing the expected increase in production which may lead to higher closing stock levels, that could reduce price competitiveness.

CPO production stabilised after exceptional May month. CPO output in June-25 rose to 1.69m tonne (-4.5%mom, +4.8%yoy) versus prior year, supported by robust growth from the eastern estates, particularly in Sarawak (+2.4%yoy) and Sabah (+11.1%yoy). FFB received by mills reached to 8.79m tonne (+1.7%yoy), well supported by a higher average yield of 1.45 tonne /ha (+3.6%yoy), in line with the onset of the seasonally productive months. Meanwhile, the average OER remained high at 19.80%, indicating increased crop quality across most estates. This translates to a higher oil content/yield c. 0.29 tonne/ha.

Looking ahead, with the end of the inter-monsoon and pollination periods, drier weather and a faster recovery in FFB evacuation activities expected from July onwards, this allows estate productivity to gain momentum - particularly in terms of harvesting and manuring activities. Note that, local CPO production is projected to reach 19.5m Mt in CY25F (+1.0%yoy). As of 1H25, production numbers came in within expectation at 8.97m tonne or 46%, of the full-year forecast. The bulk of the recovery expected to materialise in 2H25, driven by improved set of crops and enhanced estate efficiencies due to favourable weather conditions.

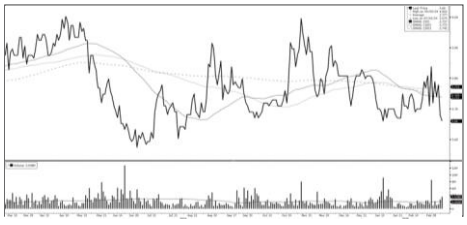
COMPANY *IN FOCUS*

IOI Corp.

Maintain BUY | Target Price: RM4.42
Price @ 10 July 2025: RM3.85

- 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
PKO: Palm Kernel 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

Stock levels reach 18-month high. Ending stockpiles surged to 2.03m tonne (+2.4%mom, +10.9%yoy), in tandem with higher production and slower exports numbers recorded at 1.26m Mt (+4.1%yoy). PO demand softened on monthly basis, despites a widening price premium against SBO in June and May - approximately around USD231/Mt and USD248/Mt, respectively - yet demand remained subdued, indicating that the attractive price differential failed to stimulate additional buying interest.

Exports volume flattish despite wide premium discount against SBO.

Maintain Neutral. Although the discount spread vis-à-vis the SBO remains competitive in these remaining months, which can probably boost our PO export to major sensitive importing countries such as India and Pakistan. However, the premium risk is also expected to be scaled down with ongoing FFB & CPO output recovery on top of the abundant stockpiles. Hence, we are cutting down our average CPO price assumption by -4.6% to RM4,100/ Mt (previously RM4,300/Mt). Our top pick remains **IOI Corp (BUY, TP: RM4.42)**, as its upstream outlook remains steady and is well supported by downstream profitability. Its refinery and oleo plant are well insulated from high input costs due to its strategic locations in Asia, unlike its peers operating in Europe, which are impacted by high production costs. We keep our **NEUTRAL** call for the sector at this juncture with average CPO target price of **RM4,100/Mt** for the whole year.

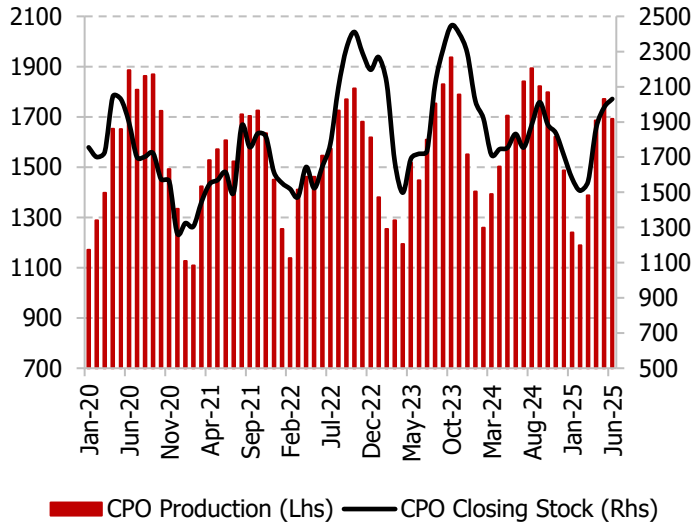
NEUTRAL sector view maintained as CPO price outlook softens; IOI Corp remains Top Pick.

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

	June-24	May-25	June-25	MoM%	YoY%	6M24	6M25	YoY%
Opening Stocks	1.75	1.87	1.98	6.3%	13.1%	2.29	1.71	-25.4%
Production	**1.62**	**1.77**	**1.69**	**-4.5%**	**4.8%**	**8.88**	**8.97**	**1.0%**
Imports	0.01	0.07	0.07	1.6%	>100%	0.15	0.47	211.9%
Total Supply	**3.38**	**3.71**	**3.75**	**1.0%**	**10.8%**	**11.3**	**11.1**	**-1.5%**
Exports	1.21	1.41	1.26	-10.5%	4.1%	7.54	6.95	-7.7%
Dom Disapp	0.34	0.32	0.46	44.0%	34.4%	1.95	2.16	10.9%
Total Demand	**1.55**	**1.72**	**1.71**	**-0.5%**	**10.7%**	**9.49**	**9.12**	**-3.9%**
End Stocks	**1.83**	**1.98**	**2.03**	**2.4%**	**10.9%**	**1.83**	**2.03**	**10.9%**
Stock/Usage Ratio	9.9%	9.6%	9.9%	-	-	1.6%	1.9%	-

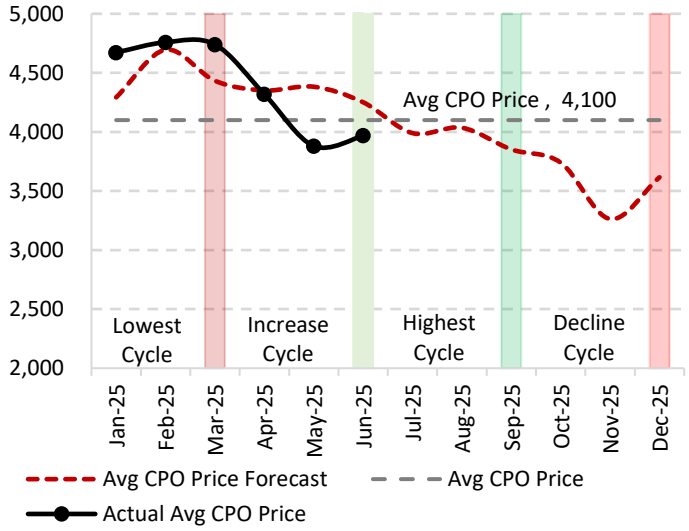
Source: MPOB, MIDFR

Chart 1: Malaysia PO Production VS Closing Stock



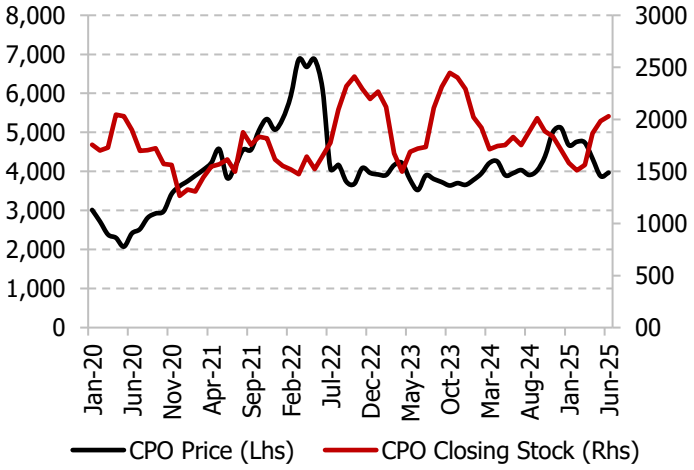
Source: MPOB, MIDFR

Chart 2: CPO Price Movement Forecast VS Actual



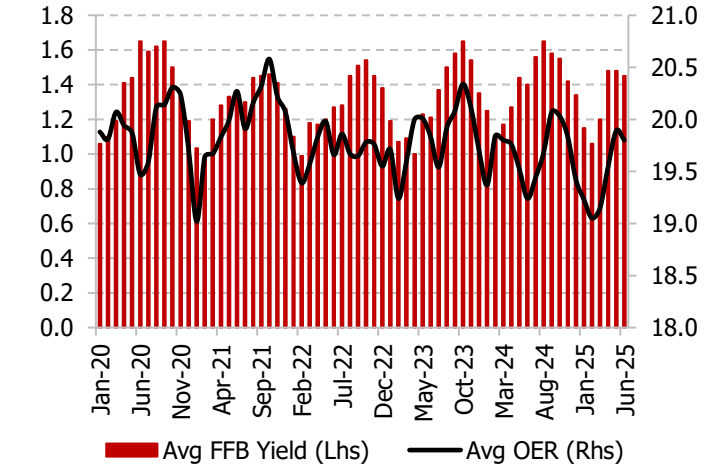
Source: MPOB, MIDFR

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	3.85	4.42	20.5	18.8	18.8	20.5	2.2%	2.2%
SD Guthrie	BUY	4.76	5.43	19.3	18.4	24.7	25.9	3.2%	3.2%
Genting Plant.	BUY	5.17	6.26	13.2	12.3	39.1	42.0	4.8%	4.1%
KLK	NEUTRAL	20.84	20.00	20.8	20.5	100.0	101.7	2.7%	2.8%
PPB	NEUTRAL	10.20	10.61	11.5	11.1	88.4	91.6	3.4%	3.4%
Sarawak Plant.	NEUTRAL	2.50	2.29	9.3	10.4	27.0	24.0	6.0%	4.0%
FGV Holdings	NEUTRAL	1.30	1.30	17.1	14.3	7.6	9.1	3.8%	3.8%
Ta Ann	NEUTRAL	3.85	3.98	9.2	9.7	41.9	39.8	9.1%	6.5%
TSH Resources	NEUTRAL	1.15	1.16	12.8	14.4	9.0	8.0	2.2%	2.2%
Weighted Avg.				14.9	14.4	39.6	40.3	4.2%	3.6%

Source: Bloomberg, MIDFR

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197501002077 (24878-X).

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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