Plantation

NEUTRAL (Maintain)

KLPLN Index

HIGHLIGHTS

- Since June, the KLPLN Index has climbed roughly +13.7%, far ahead of the KLCI's modest +3.0%
- Current sector valuation stands around 17.6x PER, which is +1SD above its 3-year average mean of 14.4x
- The highlighted periods - mid-2023, and early 2024 - show similar patterns where the index's outperformance was followed by a pullback once CPO stabilised or softened
- Maintain **NEUTRAL** with average CPO Price target of RM4,300/Mt for CY25

SECTOR RECAP

KL PLANTATION Index. Since June, the KLPLN Index has climbed roughly +13.7%, far ahead of the KLCI's modest +3.0%, signalling an overheated run relative to the broader market. The rally was initially justified by decent 2QCY25 earnings performance, in line with the stickiness price of RM4,056/Mt, but we believe the recent momentum seems increasingly sentiment-driven rather than earnings-backed. Despite stable production - which is still growing at double digit and the elevated stockpiles, we opine that the pace of the rise appears excessive compared to the underlying CPO price growth. This sharp rebound also suggests profit-taking risk ahead, particularly if CPO prices remain range-bound RM 4,000-4,200/Mt and export numbers stay weak until year-end.

Strech Valuation. Current sector valuation stands around 17.6x PER, which is +1SD above its 3-year average mean of 14.4x, translating to a premium of nearly +22.2%. The re-rating reflects optimism toward land monetisation and renewable exposure, but we believe that fundamentals have yet to catch up with this sharp rerating particularly in RE subsegment which we expect to see meaningful contribution to start only in 2027. Earnings momentum remains steady but not explosive. In fact, CPO price delivery were averagely lower at RM4,306/Mt for the past 4-month, suggesting the market may have priced in much of the good news. With valuation now stretched, upside potential looks capped unless new catalysts emerge, which in this case, we do not foresee as B50 implementation have been pushed to mid-2HCY26.

KLPLN-CPO price divergence. The divergence between the KLPLN Index and CPO spot prices since July (Chart 1) highlights that equities have decoupled from core commodity fundamentals. Historically, this kind of events happened twice for past 2 years, back in Mid-March-Mid-May 2023 and Jan-May 2024. The current disconnect signals the index may have overshot due to optimism. This trend mirrors previous cycles when share prices ran ahead of CPO before normalising later. The current outperformance appears fuelled more by thematic plays, such as ESG and land-value unlocking - rather than by earnings visibility tied to CPO price movements. This suggests the sector may be due for a near-term consolidation as fundamentals catch up.

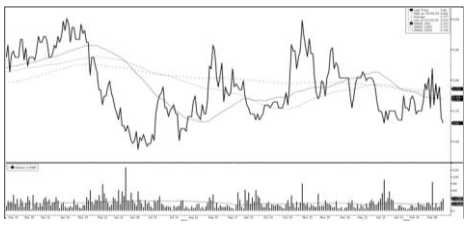
COMPANY *IN FOCUS*

SD Guthrie

Maintain BUY | Target Price: RM6.15
Price @ 11th Nov 2025: RM5.44

- Malaysia production growth c. +5% supported by strong FFB yield of 19.63tonne/ha and OER 21.3%
- Less downstream earnings volatility
- Net Gearing at 19x – the lowest since listing

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

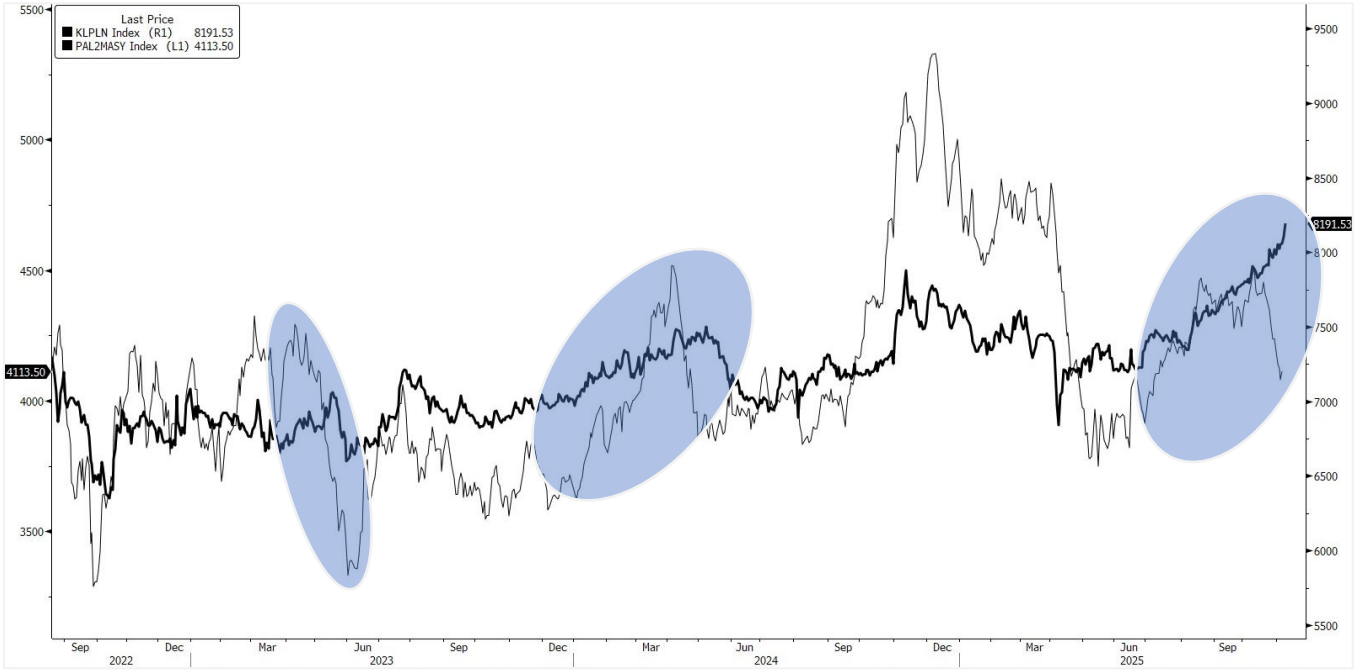
As forementioned, when the KLPLN Index runs ahead of CPO prices, it tends to retrace within 1-1.5-months, often falling 6-7% to realign with the underlying commodity. The highlighted periods - mid-2023, and early 2024 - show similar patterns where the index's outperformance was followed by a pullback once CPO stabilised or softened. These episodes suggest the current divergence could also normalise soon, especially as spot prices remain under pressure from weak exports and alarming stock level that has reached 6.5 year high. Unless CPO stages a rebound, the KLPLN's recent rally may start losing steam as valuations revert toward their historical mean.

Stock levels reach alarming 6.5 year high.

Looking ahead, we maintain our **NEUTRAL** call on the sector with average CPO price of **RM4,300/Mt** and **RM4,200/Mt** for CY25 and CY26 respectively. The outlook remains hazy in between supply and demand dynamic, where shortage in PO might be coming by neighbour aggressiveness policy such as impending B50 implementation in 2H26 by GOI. Meanwhile, demand failed to gain traction despite widened spread discount between the SBO, reflecting cautious sentiment. We like **SD Guthrie** (**BUY**, TP: **RM6.15**) given rerating catalyst on the stock.

NEUTRAL sector view maintained as CPO price outlook softens, tweaked SDG as a new Top Pick.

Chart 1: KLPLANT Index



Source: Bloomberg, MBSBR

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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