Plantation

POSITIVE (tactical)

2Q26 Results Preview

HIGHLIGHTS

- 2Q26 earnings across our coverage should broadly track expectations
- While MPOB reported lower FFB output of 2.4m tonne, production across our coverage has generally held up better
- Cost of production is likely to remain sticky, driven by elevated fertilizer prices unless planters delay application.
- Remain (tactical) Positive on emerging Super El Nino supply risks
- Average CPO Price target maintained at RM4,300/Mt for CY26F

2Q26 Preview. Overall, 2Q26 earnings across our coverage should broadly track expectations, despite weaker year on year FFB and CPO output from IOI Corp and TSH (*Figure 1*). The impact of softer production is likely to be cushioned by a higher industry average CPO price realized c. RM4,519/tonne. Upstream margins remain under pressure as fertiliser prices, while easing, are still above 2Q25 levels (*Figure 2*).

Downstream players continue to face elevated freight and insurance costs amid heightened tensions in the SOH. We therefore maintain our (tactical) **POSITIVE** stance with an unchanged CY26 CPO price assumption of RM4,300/tonne.

FFB Production. While MPOB reported lower FFB output of 2.4m tonnes (+12.4%qoq, **-9.9%yoy**), production across our coverage has generally held up better, likely supported by stronger Indonesian output among the integrated players. Nonetheless, 1H26 production remains a concern following the weak 1Q26 start.

CPO Production. MPOB's CPO production eased to 4.8m tonnes (+12.9%qoq, **-7.1%yoy**), in line with lower FFB receipts. Within our coverage, TSH recorded weaker output (-4.1%yoy; -6.7%ytd), partly reflecting a high base and slower estate conditions, likely due to tree stress in parts of Kalimantan.

CPO Price. With CPO prices averaging RM4,519/tonne during the quarter, earnings across our coverage should benefit from stronger realised CPO prices. That said, the upside could be partly offset by lower-than-expected CPO production and sticky production costs, as fertiliser prices, despite easing, remain above 2Q25 levels.

Fertiliser Price. Industry's cost of production is likely to remain sticky RM2,500-2,600/tonne, driven by elevated fertiliser prices unless planters delay application. In 2Q26, DAP (root growth) averaged USD759.5/tonne (+19.7%qoq, **+12.8%yoy**), Urea (canopy growth) USD693.5/tonne (+29.0%qoq, **+73.5%yoy**) and Potash (fruit formation) USD402.9/tonne (+8.0%qoq, **+12.2%yoy**).

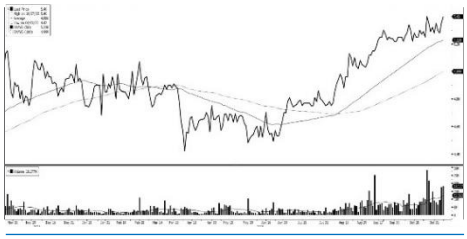
COMPANY *IN FOCUS*

SD Guthrie

Maintain BUY | Target Price: RM7.00
Price @ 30th[t] July 2026: RM6.60

- 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

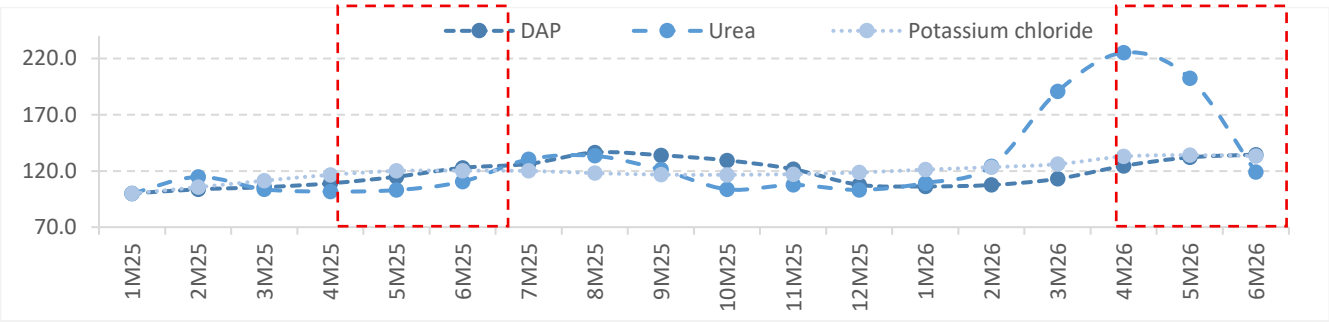
Figure 1: FFB and CPO Output registered in 2Q26 ('000 tonne)

FFB Production	2Q25	1Q26	2Q26	qoq%	yoy%	1H25	1H26	yoy%
SD Guthrie	2,285	1,910	2,292	20.0	0.3	4,291	4,201	(2.1)
IOI Corp	736	636	673	5.9	(8.5)	1,311	1,309	(0.2)
Genting Plant.	498	457	559	22.4	12.3	934	1,017	8.9
KLK	1,437	1,335	1,466	9.8	2.0	2,692	2,801	4.0
Ta Ann	147	146	158	8.6	7.5	284	304	7.1
Sarawak Plant.	85	79	95	20.3	12.6	158	174	9.9
TSH	205	170	205	20.6	(0.0)	403	375	(7.0)
MPOB	**26,771**	**21,458**	**24,120**	**12.4**	**(9.9)**	**47,065**	**45,578**	**(3.2)**

CPO Production	2Q25	1Q26	2Q26	qoq%	yoy%	1H25	1H26	yoy%
SD Guthrie	483	498	602	21.0	24.7	907	1,100	21.3
IOI Corp	160	142	153	7.9	(4.7)	282	295	4.4
Genting Plant.	130	124	150	20.8	15.0	244	274	12.4
KLK	356	335	367	9.3	2.8	656	702	7.0
Ta Ann	71	65	76	15.4	6.3	132	141	6.7
Sarawak Plant.	24	19	26	35.8	6.0	47	45	(3.2)
TSH	54	46	52	13.3	(4.1)	105	98	(6.7)
MPOB	**5,150**	**4,238**	**4,785**	**12.9**	**(7.1)**	**8,966**	**9,023**	**0.6**
Avg CPO Price	**4,056**	**4,139**	**4,519**	**9.2**	**11.4**	**4,390**	**4,329**	**(1.4)**

Source: Bursa Malaysia, MPOB, MBSBR

Figure 2: Despite the recent pullback in fertiliser prices, they remain higher than 2Q25 levels. (Rebase 100)



Source: World bank, MBSBR

Figure 3: Peer Comparison

Company	Rating	Price (RM)	TP (RM)	PER (x)		Core EPS (Sen)		Dividend Yield (%)	
				FY26F	FY27F	FY26F	FY27F	FY26F	FY27F
SD Guthrie	BUY	6.60	7.00	16.14	16.30	40.90	40.50	2.7%	2.7%
IOI Corp	NEUTRAL	4.47	4.42	21.80	21.80	20.50	20.50	2.3%	2.2%
GenP	BUY	5.68	5.80	14.99	15.35	37.90	37.00	4.4%	4.4%
KLK	NEUTRAL	21.20	20.15	19.47	20.83	108.90	101.80	2.9%	2.7%
Ta Ann	BUY	5.80	6.08	10.98	12.53	52.80	46.30	6.9%	6.0%
SPB	NEUTRAL	4.26	3.98	13.03	10.92	32.70	39.00	5.9%	4.7%
TSH	NEUTRAL	1.19	1.28	11.55	9.92	10.30	12.00	2.1%	2.1%
Weighted Average				**15.4**	**15.4**	**43.4**	**42.4**	**3.9%**	**3.6%**

Source: MBSBR

MBSB Research is part of MBSB Investment Bank Berhad 197501002077 (24878-X)

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report is prepared by MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank Berhad) (Company Registration No.: 197501002077 (23878-X)) and is for distribution only to the intended readers and under such circumstances as may be permitted by applicable law. Readers should be fully aware that this report is provided solely for informational purposes and does not constitute a Shariah advice nor constitute an investment recommendation or basis for any credit or other evaluation in any manner whatsoever.

The opinions and analyses contained in this report are based on information obtained or derived from sources that MBSB Investment Bank Berhad believes to be reliable. Any forward-looking statements in this report speak only as of the date of such statements. However, MBSB Investment Bank Berhad makes no representation or warranty, expressed or implied, as to the accuracy, completeness, or reliability of such information, and it should not be relied upon as such.

While the information presented in this report may include references to Shariah -compliant and non-compliant securities or other financial instruments, this report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments or to promote or endorse any specific investment. Investors are strongly advised to conduct their own due diligence and to consult licensed Shariah or financial advisors before making any investment decisions. Any action taken based on this report is at the sole discretion and risk of the investor.

The analyses in this report are based on numerous assumptions, and different assumptions could yield different results. All opinions and estimates in this report are subject to change without notice.

The research analysts will initiate, update, and cease coverage solely at the discretion of MBSB Investment Bank Berhad.

The directors, employees, and representatives of MBSB Investment Bank Berhad and MBSB Berhad may have interests in any of the securities mentioned and may benefit from the information contained herein. Members of MBSB Berhad and their affiliates may provide services to any company or its affiliates whose securities are mentioned in this report.

This report shall not be reproduced, distributed, or published in any form or for any purpose without the prior written consent of MBSB Investment Bank Berhad.

MBSB 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