Plantation

POSITIVE (tactical)

August 2026 Statistics

HIGHLIGHTS

- CPO prices trending lower in tandem with elevated stockpiles
- Production eased by low-single digit against high base last year
- Stockpile builds as fragile exports offset softer output
- Maintain (tactical) **POSITIVE** with unchanged average CPO Target Price of RM4,400/Mt for CY26

SECTOR RECAP

CPO Price averagely at RM4,549/tonne in Aug (RM4,377/tonne ytd). Local CPO delivery prices averaged RM4,549/tonne (+1.2%mom, +5.1%yoy), ending the month firmer at RM4,608/tonne. Prices started softer at RM4,499/tonne before gaining momentum towards month-end, as renewed geopolitical tensions in the Middle East raised concerns over potential crude oil supply disruptions. The rebound in crude oil prices subsequently restored energy-linked support for palm oil, helping CPO regain ground.

For September, we expect CPO prices to remain firm, averaging around RM4,514/tonne (+0.6%mom). While the pollination window has largely passed and production is entering its seasonally stronger phase, renewed US-Iran tensions should keep crude oil prices elevated, lending further support to CPO. A stronger energy complex could also drive a more sustained narrowing of the POGO discount, providing an additional tailwind to CPO prices.

Meanwhile, the probability of a Very Strong El Niño has risen to c.90%, keeping potential supply disruption firmly on the radar. That said, near-term downside risk remains largely demand-driven. Should exports continue to show little response despite CPO's attractive price differential, stockpile could build further and potentially breach the psychological 3.0m tonne level, capping further price upside.

Subdued growth in production. CPO output moderated to 1.82m tonnes (+1.4%mom, **-2.0%yoy**) in August, reflecting uneven production across regions. Output remained soft in Peninsular Malaysia (-6.1%yoy) and Sabah (-6.0%yoy), while Sarawak (+13.4%yoy) remained the sole growth spot. National FFB yield eased 3.7%yoy to 1.57 tonnes/ha, dragging FFB deliveries to mills lower at 9.20m tonnes (-3.4%yoy) and subsequently capping mill throughput. Nonetheless, OER remained firm at 20.01% (Aug-25: 19.80%), supported by relatively drier weather, which improved fruit quality and lowered moisture content, partly cushioning the weaker crop intake.

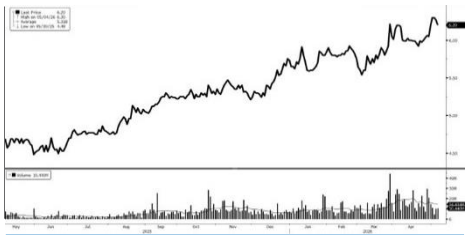
COMPANY *IN FOCUS*

SD Guthrie

Maintain BUY | Target Price: RM7.65
Price @ 10th Sep 2026: RM6.20

- 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
PPO: Processed Palm 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

Stockpile builds as fragile exports offset softer output.

Stockpile nears psychological 3.0m tonne mark. Stockpiles continued its upward march in August, rising to 2.82m tonnes (+7.5%mom, **+28.3%yoy**) despite softened output and export demand remained lacklustre at 1.29m tonnes (-7.5%mom, **-2.4%yoy**). The softer export performance eased despite a widening price premium over SBO in August and July, at approximately USD521/tonne and USD571/tonne, respectively. In fact, August's discount spread widened to >148% above its 3-year average of USD210/tonne, yet demand remained muted, suggesting the attractive price differential has yet to spur meaningful buying interest.

CPO-SBO spread >148% above 3y average yet fails to lift demand.

Consequently, Malaysia's stock-to-usage ratio remained elevated at 14.0%, reflecting ample supply against current consumption. Onwards, we expect export momentum to improve into August-November, supported by early restocking from key importers, particularly India ahead of the mid-October Diwali festive period. Stronger export offtake should help draw down inventories, providing some support to CPO and broader veg-oil prices thereafter.

Energy linked sentiment to stay, maintain (tactical) POSITIVE.

Maintain (tactical) POSITIVE. Looking ahead, we maintain our (tactical) POSITIVE call on the sector. With Brent crude has jumped to nearly USD100/bbl from recent lows of USD70-80/bbl, due to renewed US-Iran tensions, this could push energy prices higher, improving biodiesel blending economics and enhancing the viability of Malaysia's B15 and Indonesia's B50 mandates. Indirectly support stronger domestic consumption and absorb excess PO supply.

Unchanged average CPO price target of RM4,400/tonne for CY26.

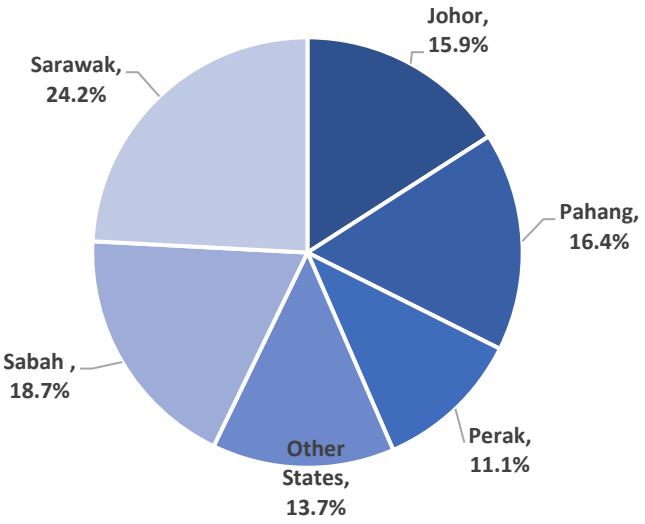
Meanwhile, cost pressures are likely to stay elevated in 2H26-1H27, driven by higher fertiliser cost tender and diesel-linked logistics costs, which could weigh on estate costs and mill fixed cost absorption. Downstream players are also continuing to face higher freight and insurance cost in expense of intensified tension in SOH; hence we maintain our **(tactical) POSITIVE** with unchanged CY26 CPO price assumption of RM4,400/tonne.

Figure 1: Malaysia Palm Oil Statistics for August 2026 ('000 Tonnes)

	Aug-25	Jul-26	Aug-26	mom%	yoy%	8M25	8M26	yoy%
Opening Stocks	2.11	2.54	2.63	3.4%	24.3%	1.71	3.05	78.6%
Production	**1.85**	**1.79**	**1.82**	**1.4%**	**-2.0%**	**12.63**	**12.63**	**0.0%**
Imports	0.05	0.05	0.05	-0.1%	1.0%	0.58	0.50	-14.5%
Total Supply	**4.02**	**4.38**	**4.49**	**2.5%**	**11.9%**	**14.92**	**16.18**	**8.4%**
Exports	**1.33**	**1.40**	**1.29**	**-7.5%**	**-2.4%**	**9.61**	**10.38**	**8.0%**
Dom Disapp	0.49	0.36	0.38	5.5%	-23.2%	3.11	2.98	-4.3%
Total Demand	**1.82**	**1.76**	**1.67**	**-4.9%**	**-8.0%**	**12.72**	**13.35**	**5.0%**
End Stocks	**2.20**	**2.63**	**2.82**	**7.5%**	**28.3%**	**2.20**	**2.82**	**28.3%**

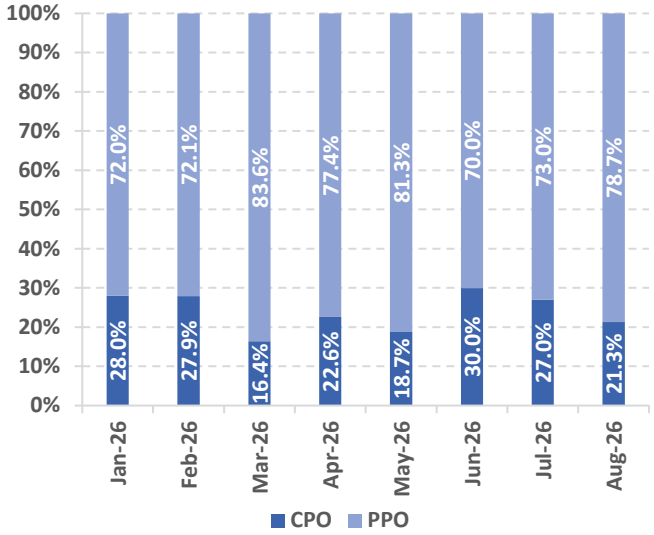
Source: MPOB, MBSBR

Figure 2: CPO Production Breakdown for Aug 2026



Source: MPOB, MBSBR

Figure 3: PO Exports for Aug 2026



Source: MPOB, MBSBFR

Figure 4: Selected average FFB Yield by state (Mt/Ha)

	Aug-25	Jul-26	Aug-26	mom%	yoy%	8M25	8M26	yoy%
Johor	1.94	1.79	1.78	-0.6%	-8.2%	12.60	12.04	-4.4%
Pahang	2.04	1.48	1.70	14.9%	-16.7%	12.10	10.55	-12.8%
Perak	2.10	2.44	2.33	-4.5%	11.0%	14.82	14.91	0.6%
Peninsular	1.91	1.66	1.74	4.8%	-8.9%	12.25	11.29	-7.8%
Sabah	1.39	1.37	1.27	-7.3%	-8.6%	10.33	10.59	2.5%
Sarawak	1.42	1.51	1.57	4.0%	10.6%	9.66	10.35	7.1%
Sabah/Sarawak	1.41	1.44	1.43	-0.7%	1.4%	9.98	10.48	5.0%
Average FFB Yield	**1.63**	**1.54**	**1.57**	**1.9%**	**-3.7%**	**11.00**	**10.83**	**-1.5%**

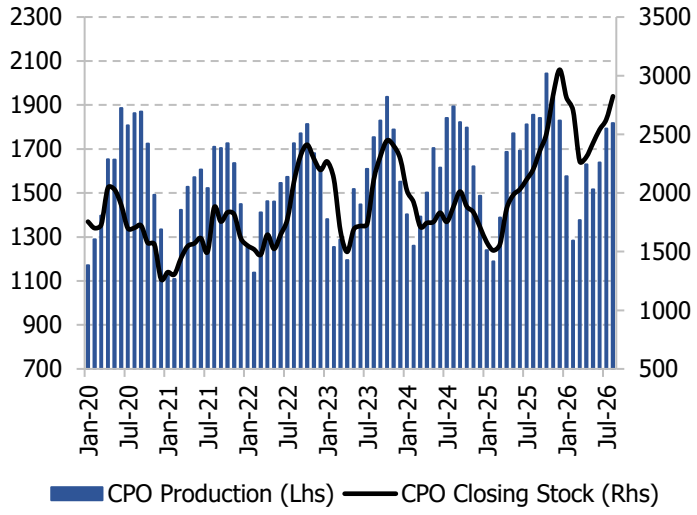
Source: MPOB, MBSBR

Figure 5: Selected average Oil Extraction Rate (OER) by state (%)

	Aug-25	Jul-26	Aug-26	mom%	yoy%	8M25	8M26	yoy%
Johor	19.86	19.73	20.04	1.6%	0.9%	19.44	20.06	3.2%
Pahang	19.78	19.82	19.90	0.4%	0.6%	19.43	19.97	2.8%
Perak	19.63	19.17	19.46	1.5%	-0.9%	19.30	19.38	0.4%
Peninsular	19.88	19.68	19.88	1.0%	0.0%	19.41	19.87	2.4%
Sabah	20.24	20.86	21.06	1.0%	4.1%	20.06	20.94	4.4%
Sarawak	19.21	19.25	19.58	1.7%	1.9%	19.37	19.59	1.1%
Sabah/Sarawak	19.69	19.96	20.20	1.2%	2.6%	19.71	20.23	2.7%
Average OER	**19.80**	**19.80**	**20.01**	**1.1%**	**1.1%**	**19.54**	**20.03**	**2.5%**

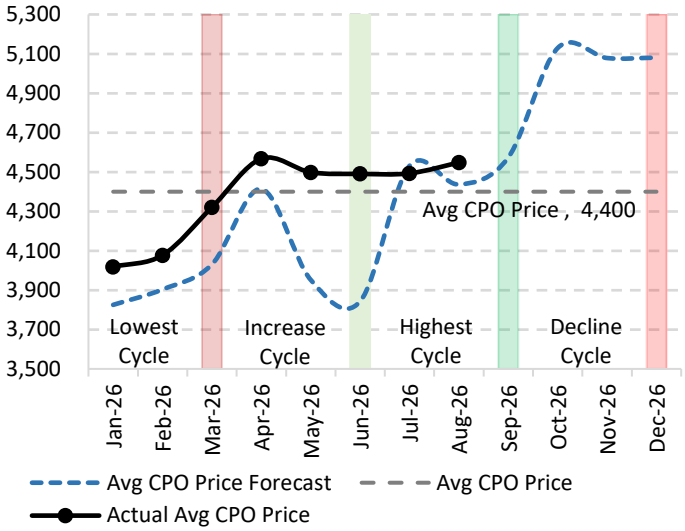
Source: MPOB, MBSBR

Figure 6: Malaysia PO Production VS Closing Stock



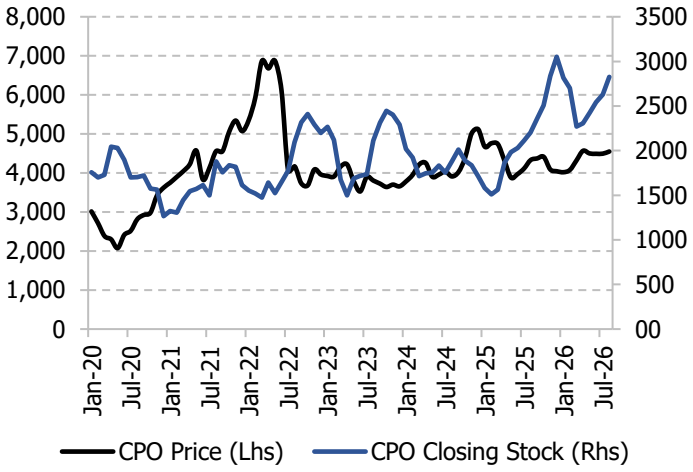
Source: MPOB, MBSBR

Figure 7: CPO Price Est. Across the Production Cycle



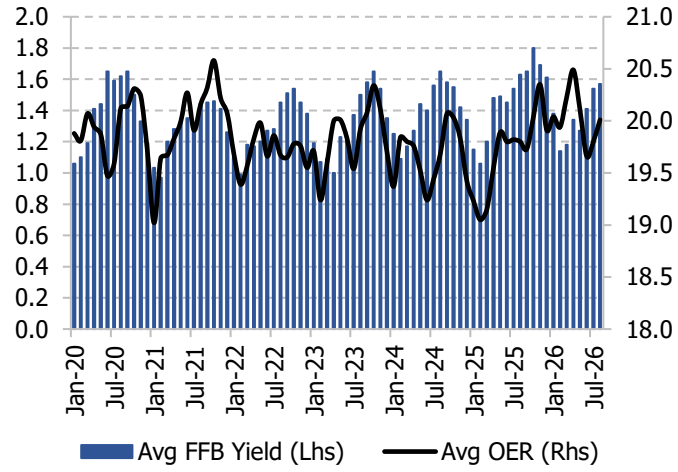
Source: MPOB, MBSBFR

Figure 8: PO Closing stock VS CPO Price



Source: MPOB, MBSBR

Figure 9: Average FFB Yield VS OER



Source: MPOB, MBSBR

Figure 10: Peer Comparison

Company	Rating	Price (RM)	TP (RM)	PER (x)		Core EPS (Sen)		Div. Yield (%)	
				FY26F	FY27F	FY26F	FY27F	FY26F	FY27F
SD Guthrie	BUY	6.20	7.65	14.80	14.62	41.90	42.40	3.1%	3.1%
IOI Corp	NEUTRAL	4.79	4.42	20.30	23.37	23.60	20.50	2.6%	2.1%
KLK	NEUTRAL	22.74	20.15	20.88	22.34	108.90	101.80	2.7%	2.5%
Genting Plant.	BUY	6.02	6.94	13.38	12.92	45.00	46.60	4.5%	4.5%
Sarawak Plant.	BUY	4.71	5.36	11.78	9.67	40.00	48.70	5.3%	5.30%
Johor Plant.	BUY	1.95	2.21	15.85	15.00	12.30	13.00	4.1%	4.10%
Ta Ann	BUY	6.20	6.72	10.33	11.07	60.00	56.00	6.5%	5.6%
TSH	NEUTRAL	1.54	1.28	14.95	12.83	10.30	12.00	1.6%	1.6%
Simple Avg.				**15.3**	**15.2**	**42.8**	**42.6**	**3.8%**	**3.6%**

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 flo w.
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