Plantation

Nov Exports Plunged

NEUTRAL

↔

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MPOB reported closing inventory of 2.835m MT (+15% MoM, +54% YoY) for Nov 2025, 5% higher than consensus and 10% above our estimates. Production in Nov moderated by 5% QoQ to 1.936m MT but was at the upper-end of the 10-year range; hence was 19% higher YoY. Meanwhile, exports plunged beyond a 10-year low, to only 1.213m MT (-28% MoM, -19% YoY). Unsurprisingly, Nov CPO price slipped to RM4,090 per MT (-7% MoM, -18% YoY) even as YTD CPO price still held at RM4,332 per MT (+3% YoY). Nonetheless, softer CPO prices are likely in 4QCY25 and CY26 on higher inventory.

We are cautious of the current divergence between the commodity and equity markets. On page two, the KL Plantation Index vs. CPO chart shows an uptrend in KL Plantation Index against declining CPO prices. CPO prices have weakened from RM4,390 per MT in 1H CY25 to RM4,271 per MT in 3Q and is now trading closer to RM4,000-RM4,100 per MT on high inventory levels. CY25 average CPO price of RM4,300 per MT is maintained thanks to very strong 1Q prices (RM4,724) but 4QCY25 and CY26 prices should ease towards RM4,000. Our preferences are: (i) **KLK (OP; RM24.00)** for improving FFB yields and real estate push, (ii) **PPB (OP; TP: RM12.50)** for profit recovery, decade's low valuation and poor sentiment around Wilmar International Ltd which we believe is largely fading, and (iii) **TSH (OP; TP:RM1.55)** for organic upstream growth over the coming 3-5 years.

MPOB Nov 2025 Highlights

Mil MT	Nov-25	MoM %	YoY%
Opening Inventory	2.464	▲ 4%	▲ 31%
Production	**1.936**	▼ **-5%**	▲ **19%**
Imports	0.023	▼ -36%	▲ 5%
Exports	**(1.213)**	▼ **-28%**	▼ **-19%**
Domestic Usage	(0.375)	▲ 32%	▲ 85%
Closing Inventory	**2.835**	▲ **15%**	▲ **54%**

Source: MPOB, Kenanga Research

Nov 2025 vs. Historical 10-Year (2015−24)

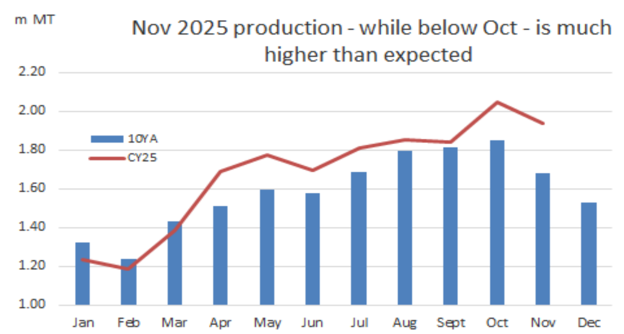
Mil MT	Nov-25	10Y-Low	10Y-Avg	10Y-High
Production	**1.936**	1.492	1.677	1.943
Exports	**1.213**	1.304	1.499	1.817
End Inventory	**2.835**	1.562	2.230	3.007

Source: MPOB, Kenanga Research

Expect softer earnings for a quarter or two. MPOB's YTD production of 18.45m MT is 6% ahead of its historic 10-year average of 17.488m MT for a Jan−Nov period. Given that the lowest Dec month output in the past decade is 1.3m MT, Malaysian CY25 palm oil production now looks increasingly likely to approach 20m MT, higher than Oilworld, USDA and our latest expectations of 19.4m-19.6m MT for CY25. Higher inventory level can thus be expected to exert downward pressures on CPO prices. However, with coming festivities such as Chinese New Year (Feb 2026) and Hari Raya Aidilfitri (Mar 2026) ahead, CPO prices should still be able to hover around RM4,000 per MT.

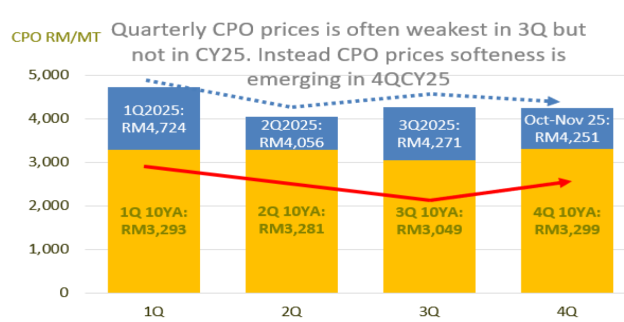
After a poor CY25, better European rapeseed and sunflower harvest are expected in CY26 along with expanding Latin American soyabean planting, hence edible oil supply for CY26 should improve by 5m-7m MT or 2%-3% YoY, enough to match a moderate demand growth scenario. However, higher bio-diesel blending requirement for palm oil in Indonesia and/or soyabean oil in US may cause demand for CY26 to just outstrip supply. For example, if Indonesia were to raise current B40 biodiesel blend to B50, the additional 3m-4m MT of palm oil required can lift annual demand edible oil demand by 1%-2%. We will revisit our profit forecasts if such policies do cause CPO prices to trade beyond RM4,300 per MT, otherwise the adjustment to core earnings is under 10%.

MPOB Quarterly Output



Source: MPOB, Kenanga Research

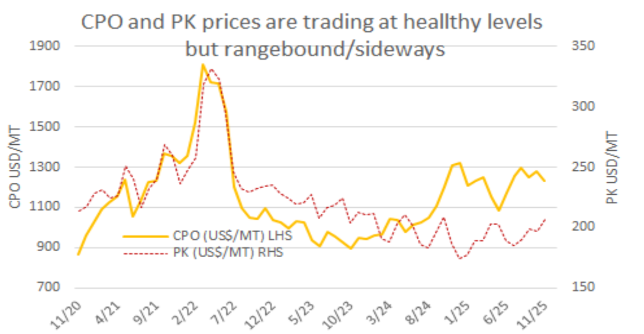
Unusually Strong Palm Oil Price in 3QCY25



Source: MPOB, Kenanga Research

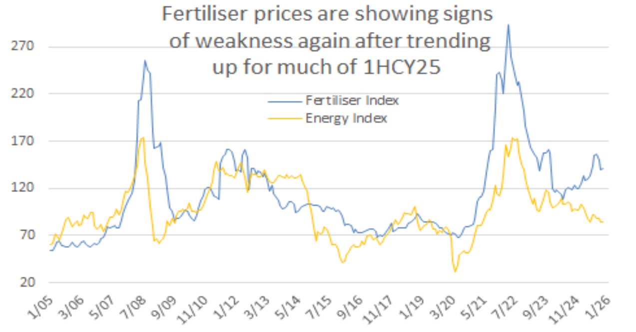
Overall, the supply-demand balance for edible oils globally is still one of tightness in CY26 though potentially not as tight as CY25; hence, we maintain our CY25 CPO forecast of RM4,300 per MT which is expected to fall to RM4,000 per MT for CY26. Upstream margin may slip a little on rising wages in Indonesia but staying manageable from still good PK price while fertiliser prices have recently turned weaker again. Overall, upstream earnings are expected to ease along the trend of softer CPO prices in 4QCY25 and CY26.

Global Edible Oil Prices Are Easing But Still Good



Source: FAO, Kenanga Research

Inventory to Rise But Low Ratio to Demand Likely



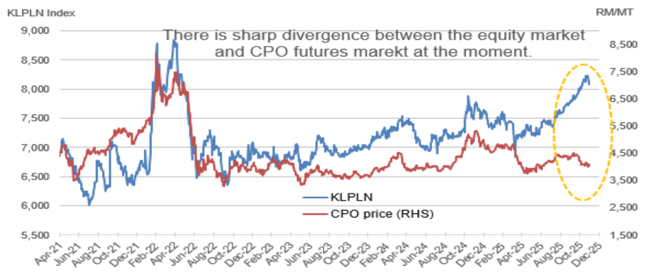
Source: World Bank, Kenanga Research

Downstream improved in 3Q but headwinds remain. Downstream improved more than expected in 3QCY25. Whilst the QoQ uptick in revenue was expected as 3Q is often the best quarter for demand and revenue, margins were surprisingly strong in 3Q. However, regional refining overcapacity remains. Oleochemical demand is also expected to stay muted in view of slow global growth ahead.

Non-plantation turned positive. Rising contributions are expected from the non-plantation segment. SDG, KLK and GENP are pushing into real estates. IOI's investment into palm wood and Nextgreen's EFB-to-pulp projects should also start contributing in two to three years' time. Beyond that, SDG should see more meaningful renewable energy earnings.

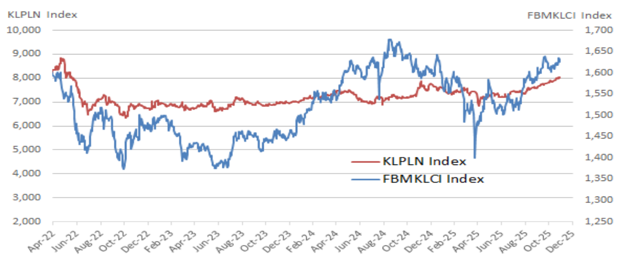
Stay NEUTRAL. Robust CY25 earnings are expected for the plantation sector but, due to softer CPO prices, CY26 earnings are expected to moderate (or stay flat) though still good. Current ratings of 1.1x PBV and 15x PER probably are reflecting this trend already. Coupled with the absence of strong upside catalyst, we are keeping our **NEUTRAL** weight unchanged. Our picks are **KLK (OP; TP: RM24.00)** and **PPB (OP; TP:RM12.50)** for earnings recovery and **TSH (OP; TP:RM1.55)** for its organic upstream expansion, while maturing Indonesian estates should underpin growth for **UMCCA (OP; TP: RM6.00)**.

KL Plantation Index vs. CPO (RM/MT)



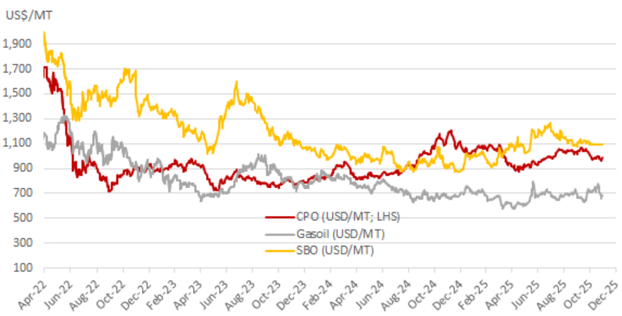
Source: Bloomberg, Kenanga Research

KL Plantation Index vs. KLCI



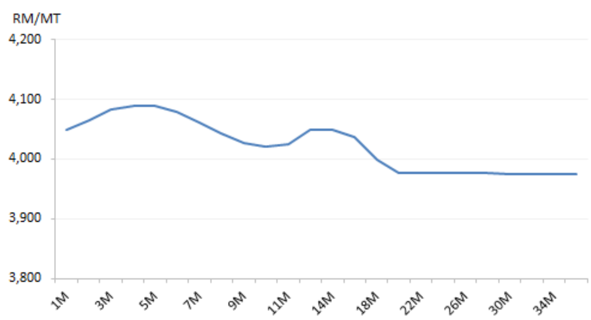
Source: Bloomberg, Kenanga Research

CPO vs. Soyabean Oil vs. Gasoil Prices



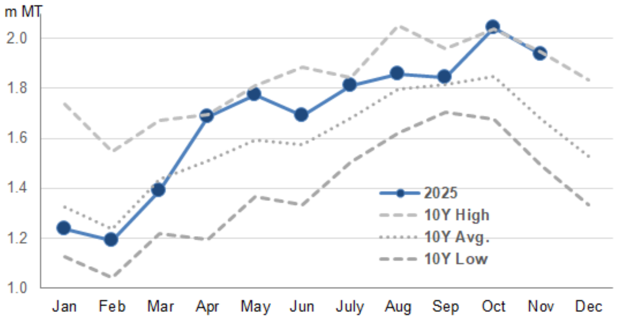
Source: Bloomberg, Kenanga Research

36-Month Forward Palm Oil Curve



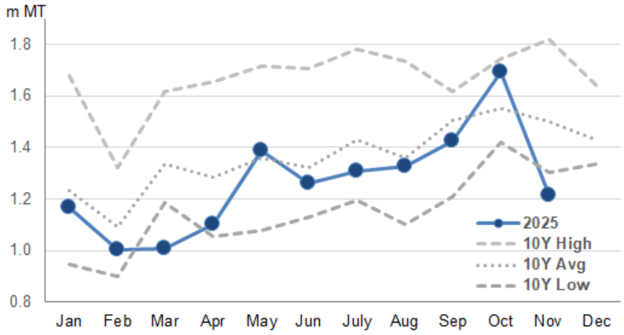
Source: Bloomberg, Kenanga Research

10-Year Monthly Production Trend (‘000 MT)



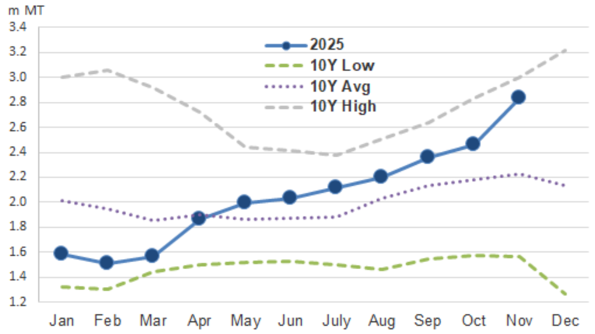
Source: MPOB, Kenanga Research

10-Year Monthly Exports Trend (‘000 MT)



Source: MPOB, Kenanga Research

10-Year Monthly Inventory Trend (‘000 MT)



Source: MPOB, Kenanga Research

Kenanga’s Expectation for Next Month

Kenanga Est '000 MT	Dec-25	MoM	YoY
Opening Inventory	2,835	15%	54%
Production	1,781	-8%	20%
Imports	30	29%	-21%
Total Supply	4,646	5%	38%
Exports	(1,213)	-	-10%
Domestic Usage	(350)	-7%	13%
Total Demand	(1,563)	-2%	-5%
Closing Inventory	*3,083*	*9%*	80%

Source: Kenanga Research

MPOB Nov 2025 Production, Exports & Inventory

'000 MT	Nov-25	Oct-25	Diff.	MoM %	Nov-24	YoY%
Opening Inventory	2,464	2,361	103	4%	1,885	31%
Production	**1,936**	**2,044**	**(108)**	**-5%**	**1,621**	**19%**
Imports	23	36	(13)	-36%	22	5%
Total Supply	**4,423**	**4,441**	**(18)**	**0%**	**3,529**	**25%**
Exports	(1,213)	(1,693)	480	-28%	(1,490)	-19%
Domestic Usage	(375)	(284)	(91)	32%	(202)	85%
Total Demand	**(1,588)**	**(1,977)**	**389**	**-20%**	**(1,692)**	**-6%**
Ending Inventory	***2,835.4***	***2,464***	***371***	***15%***	***1,836***	***54%***
Stock/Usage Ratio	14.9%	10.4%			9.0%	

Source: MPOB, Kenanga Research

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RMm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net. Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
PLANTATION																	
GENTING PLANTATIONS BHD	MP	4.97	5.10	2.6%	4,458.9	Y	12/2025	39.8	42.8	17.0%	7.5%	12.5	11.6	0.8	12.5%	25.0	5.0%
HAP SENG PLANTATIONS HOLDINGS	MP	2.05	2.40	17.1%	1,639.4	Y	12/2025	14.8	15.6	-20.4%	5.2%	13.9	13.2	0.8	5.6%	11.0	5.4%
IOI CORP BHD	MP	4.05	4.20	3.7%	25,455.1	Y	06/2026	22.9	22.5	13.1%	-1.8%	17.7	18.0	1.9	11.2%	11.0	2.7%
KUALA LUMPUR KEPONG BHD	OP	19.20	24.00	25.0%	21,382.3	Y	09/2026	122.0	141.3	58.8%	15.9%	15.7	13.6	1.4	9.7%	50.0	2.6%
PPB GROUP BHD	OP	10.00	12.50	25.0%	14,226.0	Y	12/2025	98.5	115.3	21.5%	17.0%	10.2	8.7	0.5	3.0%	45.0	4.5%
SD GUTHRIE BHD	MP	5.26	5.10	-3.0%	36,376.7	Y	12/2025	28.7	26.5	32.3%	-7.5%	18.3	19.8	1.8	13.0%	17.0	3.2%
TA ANN HOLDINGS BHD	MP	4.13	3.90	-5.6%	1,819.1	Y	12/2025	45.5	41.5	20.4%	-8.8%	9.1	10.0	1.0	10.9%	40.0	9.7%
TSH RESOURCES BHD	OP	1.29	1.55	20.2%	1,639.5	Y	12/2025	13.3	12.7	39.3%	-4.2%	9.7	10.1	0.8	8.3%	3.0	2.3%
UNITED MALACCA BHD	OP	5.87	6.00	2.2%	1,231.3	Y	04/2026	56.4	54.8	1.6%	-2.8%	10.4	10.7	0.8	7.8%	18.0	3.1%
Simple Average					**108,228.2**					**26.6%**	**3.9%**	**15.2**	**14.7**	**1.1**	**9.1%**		**4.3%**

Source: Bloomberg, Kenanga Research

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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