

# Plantation

## 2025 Ends on High Notes

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# NEUTRAL



Malaysia ended 2025 with inventory of 3.051m MT (+8% MoM, +79% YoY), 2% higher than consensus and 1% above Kenanga's estimates. Dec 2025 production dipped 5% QoQ to 1.83m MT but stayed at the top-end of the 10-year range; hence standing 23% higher YoY. Meanwhile, exports managed to improve 9% QoQ to 1.317m MT but still 2% down YoY. Dec 2025 CPO price slipped to RM4,043 per MT (-1% MoM, -21% YoY) resulting in full-year CY25 CPO price of RM4,308 per MT (+2% YoY). Hence, we are keeping our CPO prices at RM4,300 and RM4,000 respectively for CY25 and CY26.

We remain wary of current divergence between the KL Plantation Index and CPO prices. During 4QCY25, KL Plantation Index rose 7% from end-Sept to the close of Dec while CPO prices fell 8%. Nonetheless, on average basis, CPO prices are more stable QoQ, with average 4QCY25 CPO price of RM4,182 (-2% QoQ, -14% YoY). Our preferences are: (i) **KLK (OP; TP: 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 Dec 2025 Highlights

| Mil MT                   | Dec-25         | MoM %  | YoY%   |
|--------------------------|----------------|--------|--------|
| Opening Inventory        | 2.835          | ▲ 15%  | ▲ 54%  |
| <b>Production</b>        | <b>1.830</b>   | ▼ -5%  | ▲ 23%  |
| Imports                  | 0.033          | ▲ 44%  | ▼ -12% |
| <b>Exports</b>           | <b>(1.317)</b> | ▲ 9%   | ▼ -2%  |
| Domestic Usage           | (0.331)        | ▼ -12% | ▲ 7%   |
| <b>Closing Inventory</b> | <b>3.051</b>   | ▲ 8%   | ▲ 79%  |

Source: MPOB, Kenanga Research

### Dec 2025 vs. Historical 10-Year (2015-24)

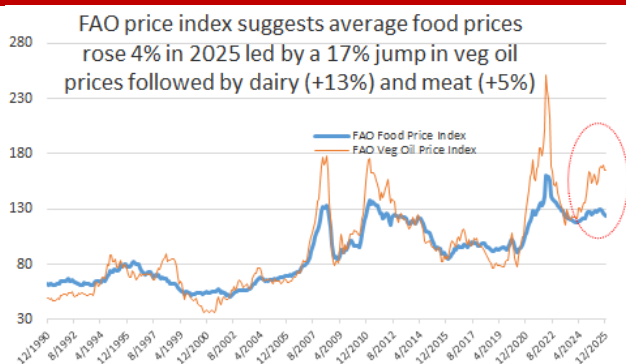
| Mil MT        | Dec-25       | 10Y-Low | 10Y-Avg | 10Y-High |
|---------------|--------------|---------|---------|----------|
| Production    | <b>1.830</b> | 1.334   | 1.529   | 1.834    |
| Exports       | <b>1.317</b> | 1.334   | 1.431   | 1.643    |
| End Inventory | <b>3.051</b> | 1.265   | 2.130   | 3.215    |

Source: MPOB, Kenanga Research

**A quarter or two of softness may be ahead.** CY25 production of 20.2m MT (+5% YoY) is at record level, 6% above 10-year average and 3%-4% above Oilworld, USDA and Kenanga's estimates of 19.4m-19.6m MT for the year. Meanwhile, CY25 exports of 15.2m MT came in 8% below the 10-year average to result in higher inventory level. Consequently, CPO prices have been under downward pressures for the past few months. However, with coming festivities such as Chinese New Year (Feb 2026) and Hari Raya Aidilfitri (Mar 2026), CPO prices should still be able to hover around RM4,000 per MT.

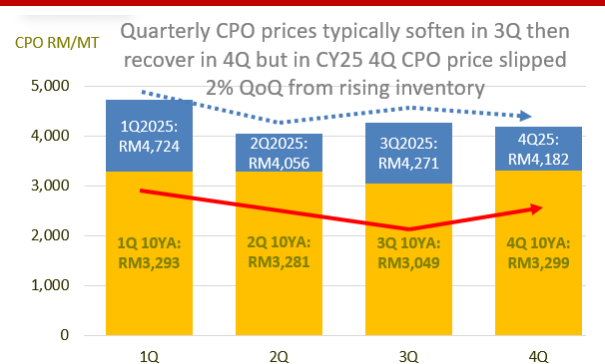
**CY26-27 upstream profits are expected to stay healthy even if upside looks limited.** European rapeseed and sunflower harvests are expected to recover from a poor CY25 while Latin American soyabean planting is likely to expand further. Consequently, CY26 edible oil supply should improve 2%-3%, sufficient to meet a moderate demand growth scenario. However, higher bio-diesel blending for palm oil in Indonesia and/or soyabean oil in US may push CY26 demand to outstrip supply. If so, CPO prices may trade above our assumption of RM4,000 per MT and if sustained at RM4,300 or higher, we will revisit our forecasts.

### Firm Vegetable Oil Prices Globally in CY25



Source: FAO, Kenanga Research

### CY25 Palm Oil Price Movement Was Unusual

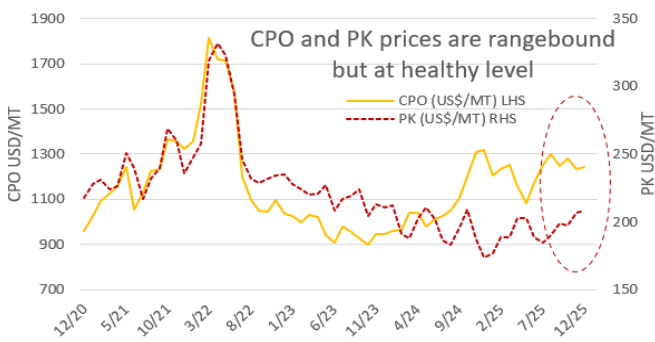


Source: MPOB, Kenanga Research

Upstream margin may slip a little on rising wages in Indonesia but staying manageable from still good PK price while fertiliser prices (especially nitrogen-based ones) have recently shown weakness again along with fuel costs. Nonetheless, after a good CY25, flattish to softer CY26-27 upstream earnings are expected, but still staying robust.

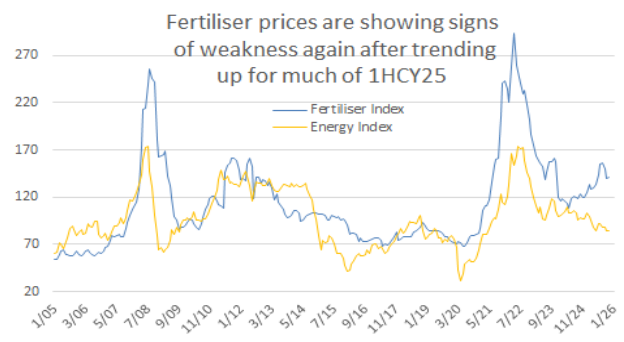
13 January 2026

**CPO & PK Prices Consolidating At Healthy Levels**



Source: Oilworld, Kenanga Research

**Input Costs Look Manageable**



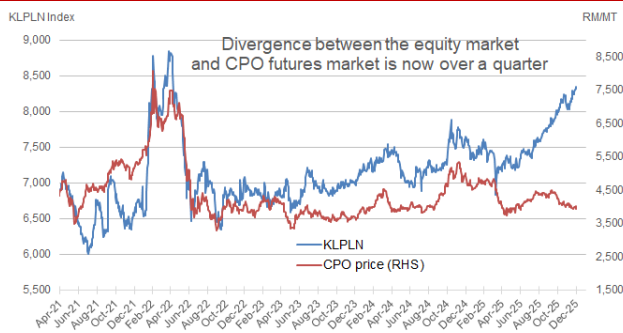
Source: World Bank, Kenanga Research

**Downstream still looks challenging.** 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.** With SDG, KLK and GENP growing their real estate businesses while IOI invests into palm wood and EFB-to-pulp projects via Nextgreen, contributions from non-plantation segment look set to grow. SDG is also expected to see more meaningful renewable energy earnings following its tie up with Gamuda to scout for solar opportunities.

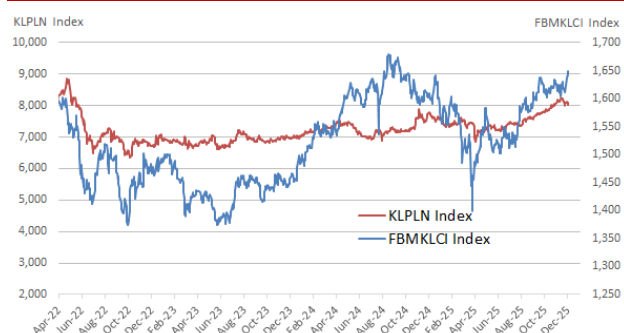
**Stay NEUTRAL.** CY25 earnings are expected to be good for the plantation sector but earnings are expected to moderate (or stay flat) moving into CY26 due to softer CPO prices. Nevertheless, robust earnings and cash flows are still likely in CY26. Despite minor re-rating towards the end of last year, ratings of 1.1x PBV and 15x PER are also not excessive. However, there is no compelling upside catalyst in sight; hence, our **NEUTRAL** call on the sector is 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)**



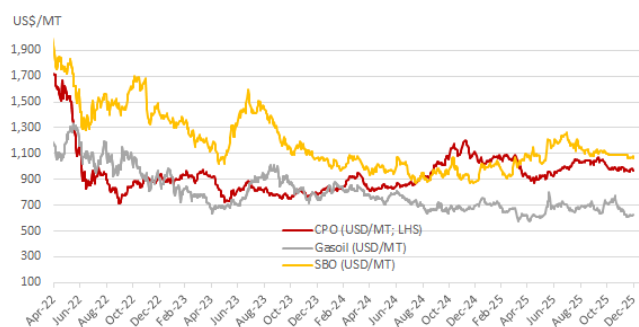
Source: Bloomberg, Kenanga Research

**KL Plantation Index vs. KLICI**



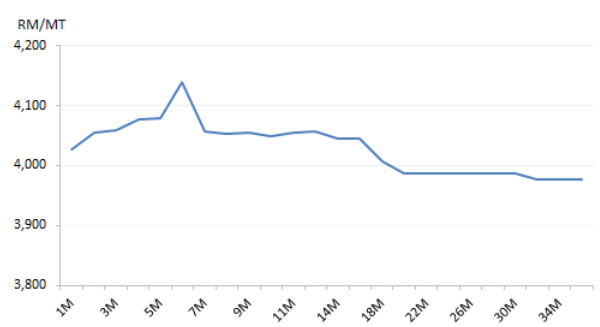
Source: Bloomberg, Kenanga Research

**CPO vs. Soyabean Oil vs. Gasoil Prices**



Source: Bloomberg, Kenanga Research

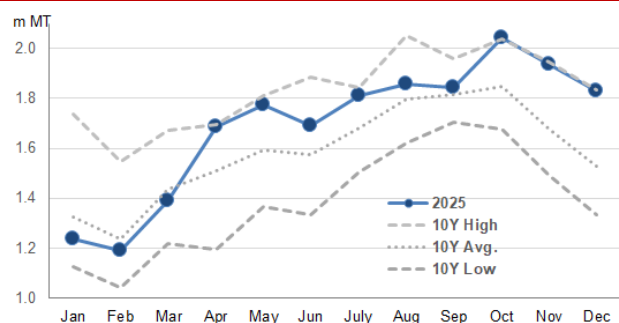
**36-Month Forward Palm Oil Curve**



Source: Bloomberg, Kenanga Research

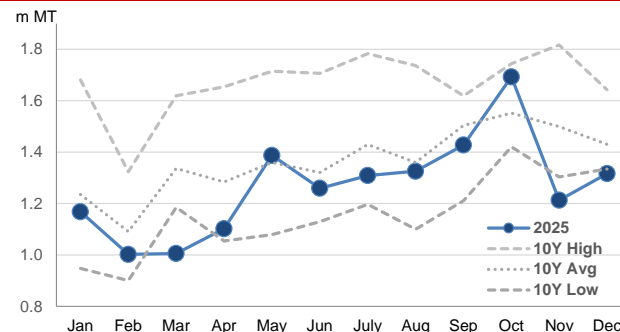
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**10-Year Monthly Production Trend ('000 MT)**



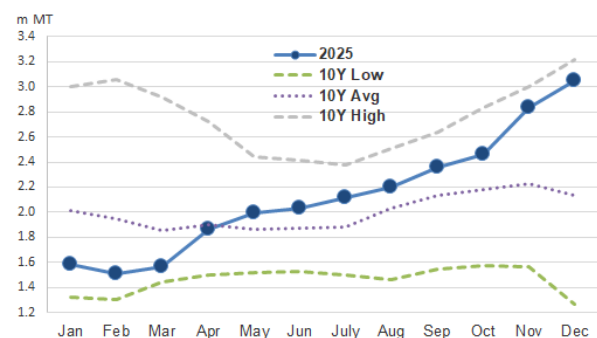
Source: MPOB, Kenanga Research

**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 | Jan-26         | MoM        | YoY        |
|---------------------|----------------|------------|------------|
| Opening Inventory   | 3,051          | 8%         | 79%        |
| Production          | 1,592          | -13%       | 29%        |
| Imports             | 30             | -10%       | -66%       |
| <b>Total Supply</b> | <b>4,672</b>   | <b>-1%</b> | <b>54%</b> |
| Exports             | (1,251)        | -5%        | 7%         |
| Domestic Usage      | (500)          | 51%        | 75%        |
| <b>Total Demand</b> | <b>(1,751)</b> | <b>6%</b>  | <b>20%</b> |
| Closing Inventory   | 2,922          | -4%        | 85%        |

Source: Kenanga Research

**MPOB Dec 2025 Production, Exports & Inventory**

| '000 MT                 | Dec-25         | Nov-25         | Diff.        | MoM %      | Dec-24         | YoY%       |
|-------------------------|----------------|----------------|--------------|------------|----------------|------------|
| Opening Inventory       | 2,835          | 2,464          | 371          | 15%        | 1,836          | 54%        |
| <b>Production</b>       | <b>1,830</b>   | <b>1,936</b>   | <b>(106)</b> | <b>-5%</b> | <b>1,487</b>   | <b>23%</b> |
| Imports                 | 33             | 23             | 10           | 44%        | 38             | -12%       |
| <b>Total Supply</b>     | <b>4,698</b>   | <b>4,423</b>   | <b>275</b>   | <b>6%</b>  | <b>3,361</b>   | <b>40%</b> |
| Exports                 | (1,317)        | (1,213)        | (104)        | 9%         | (1,342)        | -2%        |
| Domestic Usage          | (331)          | (375)          | 44           | -12%       | (310)          | 7%         |
| <b>Total Demand</b>     | <b>(1,648)</b> | <b>(1,588)</b> | <b>(60)</b>  | <b>4%</b>  | <b>(1,652)</b> | <b>0%</b>  |
| <b>Ending Inventory</b> | <b>3,051</b>   | <b>2,835</b>   | <b>215</b>   | <b>8%</b>  | <b>1,709</b>   | <b>79%</b> |
| Stock/Usage Ratio       | 15.4%          | 14.9%          |              |            | 8.6%           |            |

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.  |            |             |                |             |
| <b>PLANTATION</b>             |        |                 |                   |        |                  |                   |             |                |            |                 |             |                         |             |            |             |                |             |
| GENTING PLANTATIONS BHD       | MP     | 5.07            | 5.10              | 0.6%   | 4,548.6          | Y                 | 12/2025     | 39.8           | 42.8       | 17.0%           | 7.5%        | 12.7                    | 11.9        | 0.8        | 12.5%       | 25.0           | 4.9%        |
| HAP SENG PLANTATIONS HOLDINGS | MP     | 2.25            | 2.40              | 6.7%   | 1,799.3          | Y                 | 12/2025     | 14.8           | 15.6       | -20.4%          | 5.2%        | 15.2                    | 14.5        | 0.8        | 5.6%        | 11.0           | 4.9%        |
| IOI CORP BHD                  | MP     | 4.09            | 4.20              | 2.7%   | 25,706.5         | Y                 | 06/2026     | 22.9           | 22.5       | 13.1%           | -1.8%       | 17.9                    | 18.2        | 1.9        | 11.2%       | 11.0           | 2.7%        |
| KUALA LUMPUR KEPONG BHD       | OP     | 20.26           | 24.00             | 18.5%  | 22,562.7         | Y                 | 09/2026     | 122.0          | 141.3      | 58.8%           | 15.9%       | 16.6                    | 14.3        | 1.4        | 9.7%        | 50.0           | 2.5%        |
| PPB GROUP BHD                 | OP     | 11.00           | 12.50             | 13.6%  | 15,648.6         | Y                 | 12/2025     | 98.5           | 115.3      | 21.5%           | 17.0%       | 11.2                    | 9.5         | 0.6        | 3.0%        | 45.0           | 4.1%        |
| SD GUTHRIE BHD                | MP     | 5.91            | 5.10              | -13.7% | 40,871.9         | Y                 | 12/2025     | 28.7           | 26.5       | 32.3%           | -7.5%       | 20.6                    | 22.3        | 2.1        | 13.0%       | 17.0           | 2.9%        |
| TA ANN HOLDINGS BHD           | MP     | 4.25            | 3.90              | -8.2%  | 1,872.0          | Y                 | 12/2025     | 45.5           | 41.5       | 20.4%           | -8.8%       | 9.3                     | 10.2        | 1.0        | 10.9%       | 40.0           | 9.4%        |
| TSH RESOURCES BHD             | OP     | 1.25            | 1.55              | 24.0%  | 1,583.3          | Y                 | 12/2025     | 13.3           | 12.7       | 39.3%           | -4.2%       | 9.4                     | 9.8         | 0.8        | 8.3%        | 3.0            | 2.4%        |
| UNITED MALACCA BHD            | OP     | 5.91            | 6.45              | 9.1%   | 1,239.7          | Y                 | 04/2026     | 76.1           | 70.8       | 37.2%           | -7.0%       | 7.8                     | 8.3         | 0.8        | 10.4%       | 20.0           | 3.4%        |
| <b>Simple Average</b>         |        |                 |                   |        | <b>115,832.6</b> |                   |             |                |            | <b>27.4%</b>    | <b>3.8%</b> | <b>16.2</b>             | <b>15.6</b> | <b>1.1</b> | <b>9.4%</b> |                | <b>4.1%</b> |

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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