Plantation

Exports Surged But Output Soared Even More

NEUTRAL

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By Khoo Teng Chuan I khootc@kenanga.com.my,

MPOB registered strong Oct production of 2.154m MT (+2% QoQ, +5% YoY) with YTD output of 16,905m MT (+2% YoY) or 7% above the 10-year average of 15.772m MT. Though not as strong as the uptick in production, October, unlike the two months preceding, saw exports surging to 1.709m MT (+53% MoM, +1% YoY) as weaker-than-expected CPO price in Oct (RM4,406, -5% MoM, -0.2% YoY) provided an uplift. As a result, Oct inventory stood at 10-year high of 3.621m MT (+3% QoQ, +47% YoY), within 4% of consensus but 12% below our estimate. CPO prices may stay subdued for a month or two as Malaysia's full year CY26 production may match (or exceed) last year's record of 20.28m MT. Beyond that, CPO prices should still strengthen in CY27 as key palm oil regions in Indonesia have already endured very dry weather for the past 3-4 months, hence yield is expected to suffer over the coming 6-18 months.

Maintain NEUTRAL. While valuation is not demanding (1.2x PBV, 14−15x PER) and current softness in CPO prices is expected to be temporary (1-2 months), additional investor interest in the sector is not likely until CPO price recovers towards RM4,500 or higher. Meanwhile, our picks are **IOICORP (OP; TP: RM5.40)** for timely forward sales and rising yields while **UP (OP; TP:RM37.00)** leads the sector in productivity and ROE. We also like **SDG (OP; TP: RM7.20)** and **HSPLANT (OP; TP:RM3.00)** for their good values.

MPOB October 2026 Highlights

Mil MT	Oct-26	MoM %	YoY%
Opening Inventory	3.511	▲ 24%	▲ 49%
Production	**2.154**	▲ **2%**	▲ **5%**
Imports	0.026	▼ -55%	▼ -28%
Exports	**(1.709)**	▲ **53%**	▲ **1%**
Domestic Usage	(0.361)	▼ -2%	▲ 27%
Closing Inventory	**3.621**	▲ **3%**	▲ **47%**

Source: MPOB, Kenanga Research

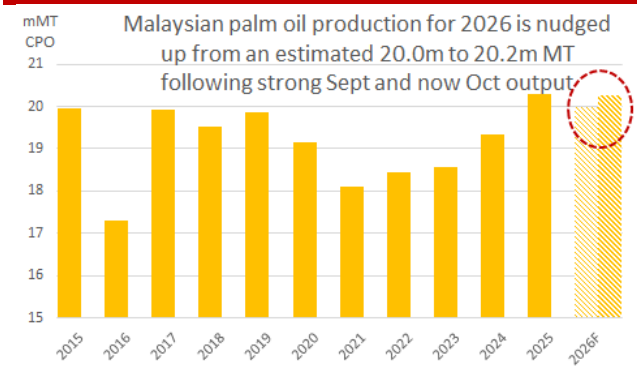
Oct 2026 vs. Historical 10-Year Avg (2016−25) for Oct

Mil MT	Oct-26	10Y-Low	10Y-Avg	10Y-High
Production	**2.154**	1.678	1.849	2.044
Exports	**1.709**	1.421	1.566	1.744
End Inventory	**3.621**	1.573	2.146	2.722

Source: MPOB, Kenanga Research

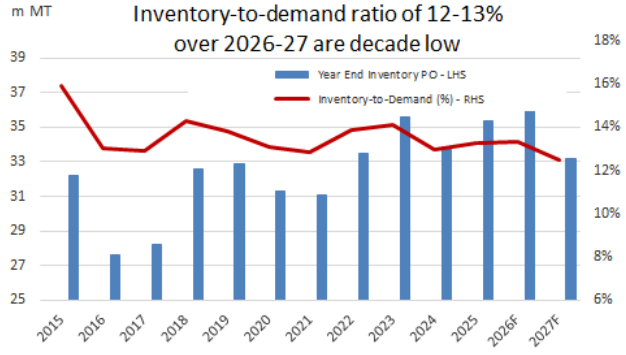
Strong Oct output suggests CY26 may match (and possibly surpass) last year's record. Malaysia saw record production of 20.28m MT in CY25. Monthly production stayed buoyant until Feb 2026, moderating thereafter until last month. Coupled with current strong Oct production, YTD 10MCY26 production of 16.905m MT has been 2% above the 10MCY25 output of 16.514m MT. With just two months left, CY26 production is looking to match or even surpass last year's record**.** Our old 20.0m MT estimate for CY26 is now looking conservative with full year's production likely to inch towards 20.2m-20.3m MT. Consequently, soft CPO prices may persist a little longer than earlier expected.

Malaysia Production Should End 2026 Close to 2025



Source: Kenanga Research

Overall, Supply Tightness Likely To Prevail



Source: IMF, Kenanga Research

Firm CPO prices still likely in CY27. Firstly, our upward revision in Malaysia CY26 palm oil output from 20.0m MT to 20.2m MT is small (<0.1%) in a global market involving 275-280m MT of annual edible oil supply. Inventory still looks tight even with the Malaysian palm oil upgrade. Lastly, Indonesia has been enduring dry weather for the past 3-4 months due to a severe El Nino and prolonged dryness tends to reduce FFB size around six months thereafter followed by fewer fruit 18-24 months

ahead as flowering pattern suffered. In the past 30 years, two very strong El Ninos caused global palm oil supply to dip by 3% in CY98 and by 5% in CY16. In both cases, it was the following year's yield which was affected following a severe El Nino hence the expectation for lower CY27 palm oil production, potentially by 1% in Malaysia but 2-3% globally. Maintain RM4,500 per MT CPO price for CY26 and RM4,700 in CY27.

Impact On Palm Oil Supply & Prices From Past El Ninos

		Very Strong El Nino			Moderate El Nino				Moderate El Nino					Very Strong El Nino				Strong El Nino		
	CY96	CY97	CY98	CY99	CY01	CY02	CY03	CY04	CY08	CY09	CY10	CY11	CY14	CY15	CY16	CY17	CY22	CY23	CY24	CY25
Global Supply																				
Palm Oil (m MT)	16.1	17.5	17.0	19.3	23.8	25.0	27.7	29.6	42.9	44.6	46.5	49.5	60.2	62.3	59.2	67.6	77.5	81.8	80.3	83.3
YoY	*+7%*	*+8%*	*-3%*	*+13%*	*+12%*	*+5%*	*+11%*	*+7%*	*+13%*	*+4%*	*+4%*	*+6%*	*+7%*	*+3%*	*-5%*	*+14%*	*+2%*	*+6%*	*-2%*	*+4%*
Palm Kernel Oil (m MT)	2.1	2.2	2.2	2.4	2.9	3.0	3.3	3.5	4.9	5.0	5.2	5.4	6.5	6.8	6.4	7.1	8.1	8.4	8.3	8.5
YoY	*+7%*	*+6%*	*+0%*	*+10%*	*+10%*	*+3%*	*+10%*	*+5%*	*+13%*	*+1%*	*+3%*	*+5%*	*+5%*	*+5%*	*-6%*	*+11%*	*+2%*	*+4%*	*-1%*	*+3%*
Average Prices																				
Palm Oil Price (USD/MT)	531	546	671	436	286	390	443	471	949	683	807	1,146	867	659	655	727	1,425	996	1,020	1,211
YoY	*-15%*	*+3%*	*+23%*	*-35%*	*-8%*	*+36%*	*+14%*	*+6%*	*+22%*	*-28%*	*+18%*	*+42%*	*+4%*	*-24%*	*-1%*	*+11%*	*+33%*	*-30%*	*+2%*	*+19%*
Palm Kernel Oil Price (USD/MT)	729	680	653	708	313	379	439	619	1,248	662	972	1,741	1,146	941	1,126	1,307	1,809	1,007	1,233	1,874
YoY	*+7%*	*-7%*	*-4%*	*+8%*	*-41%*	*+21%*	*+16%*	*+41%*	*+63%*	*-47%*	*+47%*	*+79%*	*+37%*	*-18%*	*+20%*	*+16%*	*+39%*	*-44%*	*+22%*	*+52%*

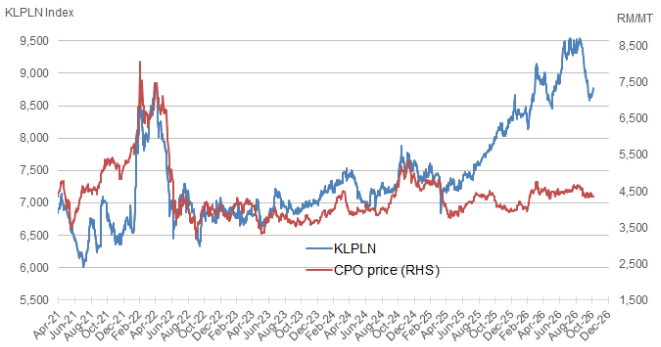
Source: Oilworld, FAO, Kenanga Research

Robust upstream outlook despite some patches of softness. With palm oil supply likely to dip in CY27 from a very strong El Nino, Ukrainian sunflower exports affected by shipping disruptions in the Black Sea and 3-4% YoY demand growth, CPO and PK prices can be expected to stay firm over CY26-27. Thanks to seasonally higher production and strong CPO prices, good 3QCY26 upstream profit is expected despite higher diesel cost. For planters who had not locked in prices earlier, higher fertilizer prices as well. Malaysian minimum wages will rise by 18% but will take effect only from mid CY27 onwards.

Downstream & non-plantation still face headwind except disposal gains. Although 2QCY26 downstream margins soared to 6%, headwinds are still expected moving forward due to regional overcapacity. Meanwhile, excluding land disposal gains, non-plantation profits are likely only from CY28 onwards as SDG, KLK and GENP are expected to see more recurring property development profit. Elsewhere, IOICORP's coconut, palm wood and EFB-to-pulp projects are also likely to start contributing from CY28 onwards.

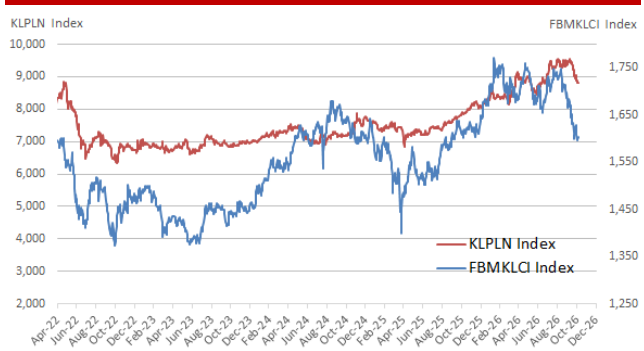
Maintain NEUTRAL. While valuation is not demanding (1.2x PBV, 14−15x PER) and current softness in CPO prices is expected to be temporary (1-2 months), additional investor interest in the sector is not likely until CPO price recovers towards RM4,500 or higher. Meanwhile, our picks are **IOICORP (OP; TP: RM5.40)** for timely forward sales, rising yields, robust ROE with growth from new non-plantation income post-FY28. As the undisputed sector leader in productivity, profitability-per-hectare and ROEs, **UP (OP; TP:RM37.00)** is also highly recommended. Among the large integrated planters, **SDG (OP; TP:RM7.20)** is liquid with decent valuations and growing industrial property as well as renewable energy contributions while **KLK (OP; TP: RM25.80)** offers CPO price sensitive earnings. **PPB (OP; TP: RM13.40)** offers attractive regional food FMCG exposure with decade-low valuation and is thus worth considering for long-term holding notwithstanding near-term uncertainties over WIL's Indonesian operation. For smaller planters, **HSPLANT (OP; TP:RM2.95)** provides pure upstream sensitivity to CPO price upside while downside is limited by its defensive RM710m in net cash holding. **UMCCA (OP; TP: RM7.00)** offers rising FFB production and improving ROE from maturing Indonesian estates. **TSH (OP; TP:RM1.80)** is a pure upstream CPO sensitive play but with rare long-term expansion underway and a low valuation.

KL Plantation Index vs. CPO (RM/MT)



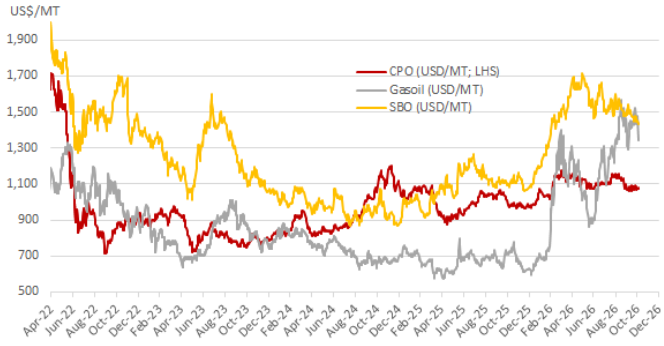
Source: Bloomberg, Kenanga Research

KL Plantation Index vs. KLCI



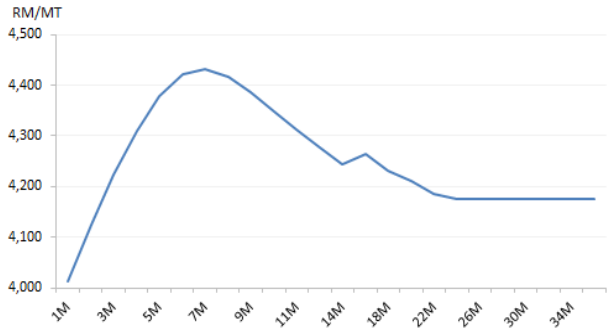
Source: Bloomberg, Kenanga Research

CPO vs. Soyabean Oil vs. Gasoil Prices



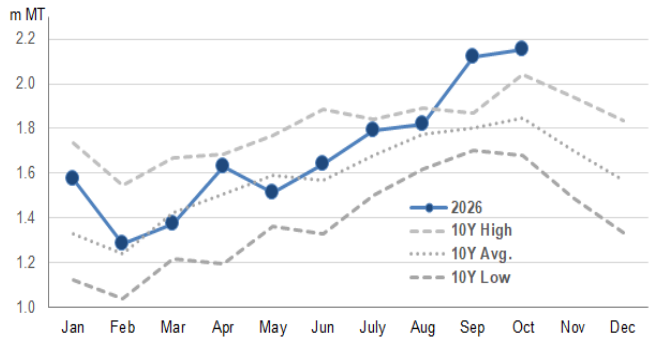
Source: Bloomberg, Kenanga Research

36-Month Forward Palm Oil Curve



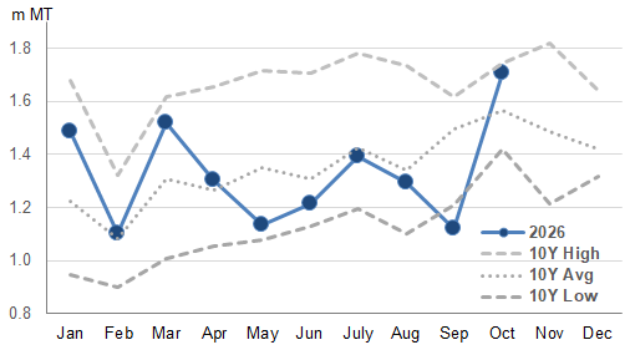
Source: Bloomberg, Kenanga Research

10-Year Monthly Production Trend ('000 MT)



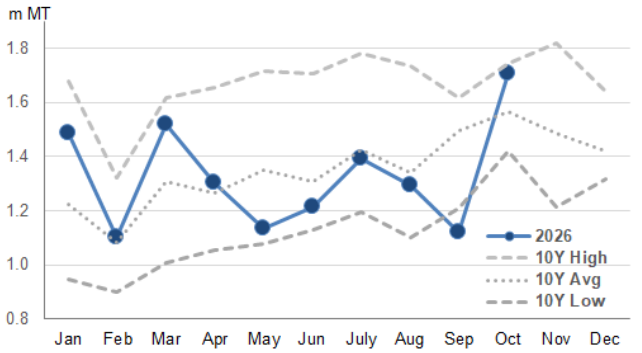
Source: MPOB, Kenanga Research

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	Nov-26	MoM	YoY
Opening Inventory	3,621	3%	47%
Production	1,960	-9%	1%
Imports	50	91%	116%
Total Supply	5,631	-1%	27%
Exports	(1,845)	8%	52%
Domestic Usage	(400)	11%	7%
Total Demand	(2,245)	8%	41%
Closing Inventory	*3,386*	*-7%*	19%

Source:Kenanga Research

MPOB October 2026 Production, Exports & Inventory

'000 MT	Oct-26	Sep-26	Diff.	MoM %	Oct-25	YoY%
Opening Inventory	3,511	2,824	686	24%	2,361	49%
Production	**2,154**	**2,117**	**37**	**2%**	**2,044**	**5%**
Imports	26	58	(32)	-55%	36	-28%
Total Supply	**5,691**	**5,000**	**691**	**14%**	**4,441**	**28%**
Exports	(1,709)	(1,120)	(588)	53%	(1,693)	1%
Domestic Usage	(361)	(368)	7	-2%	(284)	27%
Total Demand	**(2,070)**	**(1,489)**	**(581)**	**39%**	**(1,977)**	**5%**
Ending Inventory	***3,621***	***3,511***	***110***	***3%***	***2,464***	***47%***

Source: MPOB, Kenanga Research

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	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.
Stocks Under Coverage																	
GENTING PLANTATIONS BHD	OP	4.87	6.40	31.4%	4,367.4	Y	12/2026	49.8	57.8	26.2%	16.0%	9.8	8.4	0.9	8.8%	28.0	5.7%
HAP SENG PLANTATIONS HOLDINGS	OP	2.18	3.00	37.6%	1,743.3	Y	12/2026	18.9	20.1	8.6%	6.5%	11.5	10.8	0.8	6.1%	9.0	4.1%
IOI CORP BHD	OP	4.29	5.40	25.9%	26,963.5	Y	06/2027	24.0	25.1	19.5%	5.1%	17.8	17.1	2.0	12.6%	11.0	2.6%
KUALA LUMPUR KEPONG BHD	OP	21.00	25.80	22.9%	23,386.8	Y	09/2026	125.6	163.9	15.8%	30.4%	16.7	12.8	1.7	-1.6%	60.0	2.9%
PPB GROUP BHD	OP	8.61	13.40	55.6%	12,233.2	Y	12/2026	103.3	116.2	8.6%	12.5%	8.3	7.4	0.5	6.3%	45.0	5.2%
SD GUTHRIE BHD	OP	5.93	7.20	21.4%	41,010.2	Y	12/2026	31.7	33.1	10.3%	4.5%	18.7	17.9	2.1	15.9%	16.0	2.7%
TA ANN HOLDINGS BHD	UP	5.41	5.00	-7.6%	2,382.8	Y	12/2026	53.9	60.7	11.2%	12.8%	10.0	8.9	1.2	12.3%	40.0	7.4%
TSH RESOURCES BHD	OP	1.11	1.85	66.7%	1,346.8	Y	12/2026	14.2	17.0	-7.4%	19.6%	7.8	6.5	0.7	9.1%	5.0	4.5%
UNITED MALACCA BHD	OP	6.08	7.00	15.1%	1,275.4	Y	04/2027	79.6	68.8	6.8%	-13.6%	7.6	8.8	0.7	10.1%	30.0	4.9%
UNITED PLANTATIONS BHD	OP	30.40	37.00	21.7%	18,914.2	Y	12/2026	118.6	141.4	-9.2%	19.2%	25.6	21.5	6.9	26.3%	120.0	3.9%
SECTOR AGGREGATE					**114,709.5**					**12.8%**	**11.6%**	**14.9**	**13.3**	**1.2**	**8.8%**		**4.5%**

Source: 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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