Plantation

Overweight (from Neutral)

El Nino Is Officially Here; U/G To OVERWEIGHT

Stocks Covered	15
Rating (Buy/Neutral/Sell):	8 / 6 / 1
Last 12m Earnings Revision Trend:	Positive

- **U/G to OVERWEIGHT from Neutral; Top Picks: Johor Plantations Group (JPG), Sarawak Oil Palms (SOP), IOI Corp (IOI), Hap Seng Plantations (HSP), London Sumatra Indonesia (LSIP) and SD Guthrie (SDG).** An official *El Nino* Advisory was declared by the US National Oceanic Atmospheric Association (NOAA), although the strength of the event has yet to be confirmed. Even with current geopolitical risks, we believe CPO prices will remain supported at current levels with upside risk should the *El Nino* be deemed a strong one.
- **The US NOAA announced that *El Nino* has developed** and issued an *El Nino* Advisory, predicting it to intensify to a moderate or strong level. In terms of strength, the probability of a strong El Nino peaks at 88% for the Nov 2026-Jan 2027 period. Should a strong *El Nino* occur, palm oil output would be affected negatively – this impact can last for as long as two years, depending on the severity. In previous years, a significant impact on CPO yield from *El Nino* was only felt during strong *El Nino* periods. We highlight that the Australian Bureau of Meteorology has yet to declare a confirmed *El Nino*.
- **Historically, *El Nino* usually results in a yield drop of between 2% and 20%.** We note that during the two strong *El Nino* episodes in 1997-1998 and 2015-2016: there was a 17% decline in yield in 1998-1999 and a 14% decline in yield in 2016-2017 ie a one-year lagged impact. As for CPO prices, average CPO prices rose by as much as 21% during the *El Nino* years and by an additional average of 26% one year after *El Nino*.
- **As such, while we are keeping to our CPO price forecasts for now – pending confirmation of the strength of the *El Nino*, we believe there is upside risk** to our CPO price assumption of MYR4,400/tonne for 2026 and MYR4,300/tonne for 2027, particularly for 2027 as CPO prices should rise instead of fall the year after the *El Nino*, particularly if it is a strong event.
- **Other upside risks to CPO prices would be the impact of Indonesia's natural resources export governance scheme** which will channel all export transactions through Danantara Sumberdaya Indonesia. Although the Indonesian Government is now thinking of scaling back this scheme, there will still be tighter monitoring of exports and a pricing methodology set for export prices. This is aimed at curbing suspected under-invoicing and transfer pricing. Once it is implemented (hard deadline of 31 Dec 2026), exporters are to submit monthly reports detailing product types, volumes, values, and tariff classifications, and must keep all export earnings in Indonesian state banks. We believe there could be some front loading of exports out of Indonesia in the initial transition phase, but once implemented, we could potentially see expected delays of exports from Indonesia, leading to tighter supply and higher prices. We also could see Indonesian planters facing higher costs related to this extra monitoring, but CPO prices could also rise to offset this.
- **O/W.** Our stock calls are under review as share prices of regional planters have corrected significantly of late from regulatory changes in Indonesia.

Company Name	Rating	Target	% Upside (Downside)	P/E (x) Dec-26F	P/B (x) Dec-26F	ROAE (%) Dec-26F	Yield (%) Dec-26F
Astra Agro Lestari	Neutral	IDR8,730	41.4	6.2	0.5	7.4	5.6
Bumitama Agri	Neutral	SGD1.70	1.8	11.3	2.5	22.9	6.1
First Resources	Neutral	SGD3.70	30.6	8.6	2.0	24.5	7.0
Golden Agri-Resources	Buy	SGD0.36	33.7	6.2	0.5	21.5	3.2
Hap Seng Plantations	Buy	MYR2.60	16.9	10.6	0.8	7.8	5.9
IOI Corp	Buy	MYR5.05	20.3	17.2	1.9	11.5	2.6
Johor Plantations Group	Buy	MYR1.90	10.1	14.6	1.4	9.6	4.0
Kuala Lumpur Kepong	Buy	MYR23.00	10.8	17.6	2.9	8.9	2.9
Nusantara Sawit Sejahtera	Sell	IDR700	58.4	10.8	3.4	38.5	-
PP London Sumatra Indonesia	Buy	IDR1,970	57.6	4.4	0.5	12.6	6.6
Sarawak Oil Palms	Buy	MYR5.20	10.6	7.8	0.9	12.4	3.8
SD Guthrie	Buy	MYR7.00	16.6	18.2	2.1	12.1	2.8
Ta Ann	Neutral	MYR5.15	(3.0)	10.4	1.2	11.5	7.5
TSH Resources	Neutral	MYR1.30	12.7	9.5	0.7	7.9	3.5
Wilmar International	Neutral	SGD3.55	(0.6)	12.2	0.7	6.1	4.0

Source: Company data, RHB

Top Picks	Target Price
SD Guthrie (SDG MK) – BUY	MYR 7.00
Johor Plantations Group (JPG MK) – BUY	MYR 1.90
Sarawak Oil Palms (SOP MK) – BUY	MYR 5.20
IOI Corp (IOI MK) – BUY	MYR 5.05
Hap Seng Plantation (HAPL MK) – BUY	MYR 2.60
London Sumatra Indonesia (LSIP IJ) – BUY	IDR1,970

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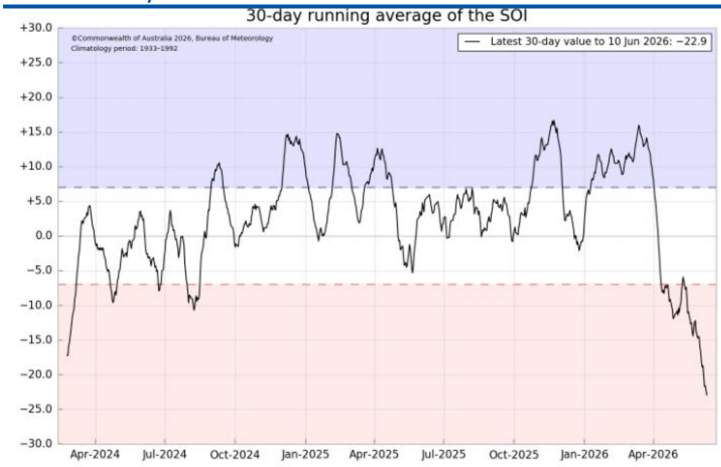
El Nino Strength Probabilities (1.5-2.0 = Strong, Above 2.0 = Very Strong)

Season	Index ≤ -2.0°C	-1.5°C ≥ Index > -2.0°C	-1.0°C ≥ Index > -1.5°C	-0.5°C ≥ Index > -1.0°C	-0.5°C < Index < 0.5°C	0.5°C ≤ Index < 1.0°C	1.0°C ≤ Index < 1.5°C	1.5°C ≤ Index < 2.0°C	Index ≥ 2.0°C
MJJ	0	0	0	0	3	86	11	0	0
JJA	0	0	0	0	1	32	58	9	0
JAS	0	0	0	0	1	11	46	36	6
ASO	0	0	0	0	0	5	26	43	26
SON	0	0	0	0	0	2	14	36	48
OND	0	0	0	0	0	2	9	27	62
NDJ	0	0	0	0	0	2	10	25	63
DJF	0	0	0	0	1	4	16	33	46
JFM	0	0	0	0	2	11	28	35	24

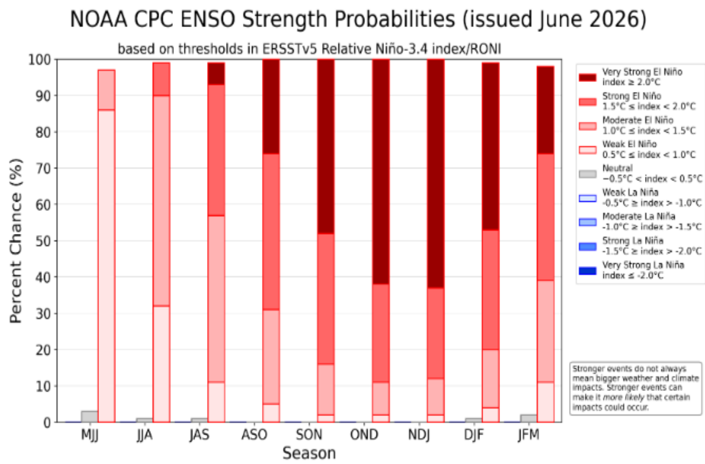
Source: US National Oceanic Atmospheric Association (NOAA)

Figure 1: Current Southern Oscillation Index at -22.9 (*El Nino*: <-7, *La Nina*: >+7).



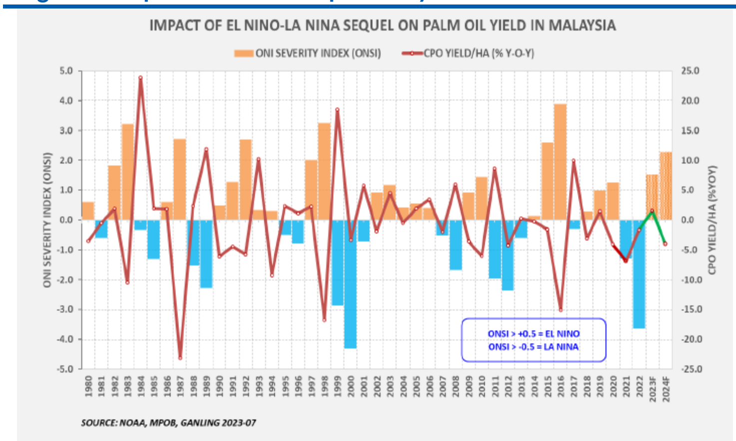
Source: Australian Bureau of Meteorology

Figure 2: Probability of a strong *El Nino* at 88% for Nov 2026-Jan 2027



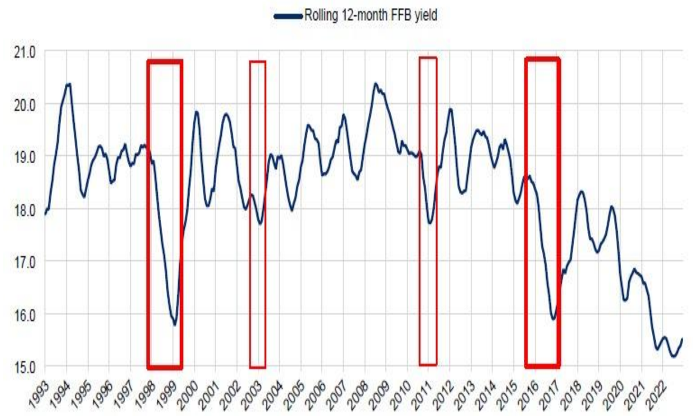
Source: US NOAA

Figure 3: Impact of *El Nino* on palm oil yield



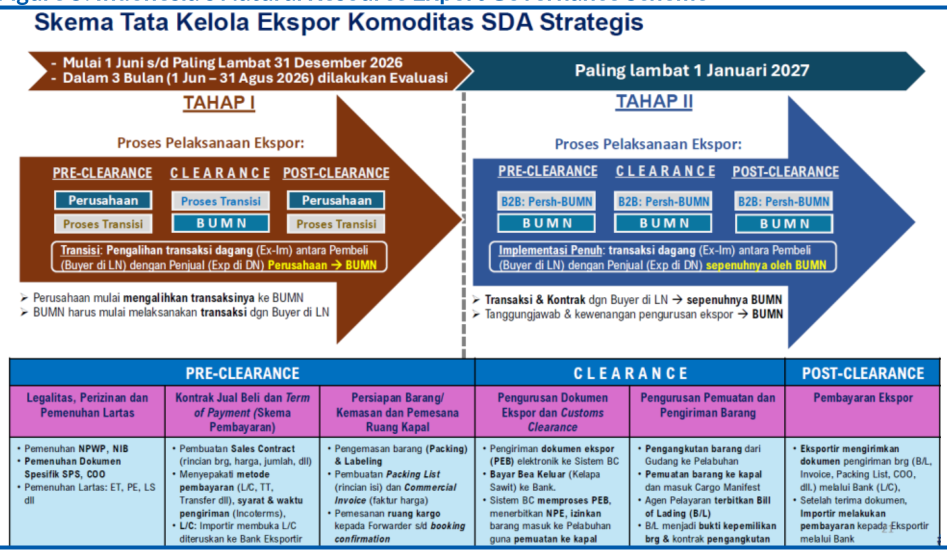
Source: GanLing

Figure 4: 1-year lagged impact of *El Nino* on palm oil yield



Source: GanLing

Figure 5: Indonesia's Natural Resource Export Governance Scheme



Source: : Kementerian Koordinator Bidang Perekonomian Republik Indonesia

Figure 6: Effective CPO prices in Indonesia (applicable from 1 Mar 2026)

CPO price@ MYR/tonne	**5,000**	**4,900**	**4,800**	**4,700**	**4,600**	**4,500**	**4,400**	**4,300**	**4,200**	**4,100**	**4,000**	**3,900**	**3,800**	**3,700**	**3,600**	**3,500**
CPO Price (USD)	1,255	1,230	1,205	1,179	1,154	1,129	1,104	1,079	1,054	1,029	1,004	979	954	928	903	878
Levy Rate (USD) (10% of CPO price)	157	154	151	147	144	141	138	135	132	129	125	122	119	116	113	110
Levy Rate (MYR)	625	613	600	588	575	563	550	538	525	513	500	488	475	463	450	438
Export Tax (USD)	250	240	240	220	220	201	201	178	178	148	148	124	124	74	74	52
Export Tax (MYR)	996	956	956	877	877	801	801	709	709	590	590	494	494	295	295	207
Effective Indo Price (MYR)	**3,379**	**3,331**	**3,244**	**3,236**	**3,148**	**3,137**	**3,049**	**3,053**	**2,966**	**2,998**	**2,910**	**2,918**	**2,831**	**2,943**	**2,855**	**2,855**

*Note: *Exchange rate conversion applied = MYR3.985/USD*
Source: RHB

Figure 7: Effective CPO prices in Malaysia (applicable from 1 Jan 2025)

CPO price at MYR/tonne	**4,500**	**4,400**	**4,300**	**4,200**	**4,100**	**4,000**	**3,900**	**3,800**	**3,700**	**3,600**	**3,500**	**3,400**	**3,300**	**3,200**	**3,100**	**3,000**
West Malaysia – Windfall tax (15% above MYR3,150/tonne	203	188	173	158	143	128	113	98	83	68	53	38	23	8	-	-
East Malaysia – Windfall tax (15% above MYR3,650/tonne	128	113	98	83	68	53	38	23	8	-	-	-	-	-	-	-
Export tax (%)	10.0	10.0	10.0	10.0	10.0	9.5	9.0	9.0	8.5	8.0	8.0	7.5	7.5	7.0	6.5	6.0
Export tax (MYR/tonne)	450	440	430	420	410	380	351	342	315	288	280	255	248	224	202	180.00
Effective West Malaysia price (MYR/tonne)	**3,848**	**3,773**	**3,698**	**3,623**	**3,548**	**3,493**	**3,437**	**3,361**	**3,303**	**3,245**	**3,168**	**3,108**	**3,030**	**2,969**	**2,899**	**2,820**
Effective East Malaysia price (MYR/tonne)	**3,923**	**3,848**	**3,773**	**3,698**	**3,623**	**3,568**	**3,512**	**3,436**	**3,378**	**3,312**	**3,220**	**3,145**	**3,053**	**2,976**	**2,899**	**2,820**

Source: RHB

Figure 8: Sensitivity of company earnings to changes in CPO prices

	Net profit change for every MYR100/tonne change
Kuala Lumpur Kepong (KLK) (MYR)	6-8%
IOI Corp (IOI) (MYR)	4-6%
SD Guthrie (SDG) (MYR)	7-9%
Sarawak Oil Palms (SOP) (MYR)	10-12%
Ta Ann (TAH) (MYR)	12-15%
Johor Plantations Group (JPG) (MYR)	8-10%
TSH Resources (TSH) (MYR)	7-8%
Hap Seng Plantations (HAPL MK)	8-10%
Golden Agri (GGR) (SGD)	8-10%
First Resources (FR) (SGD)	6-8%
Bumitama Agri (BAL) (SGD)	7-9%
Astra Agro Lestari (AALI) (IDR)	9-11%
Nusantara Sawit Sejahtera (NSSS) (IDR)	5-7%
London Sumatra (LSIP) (IDR)	11-12%

Source: RHB

Figure 9: Companies' forward sales positions

Company	Forward sales for 2026
KLK	It has sold forward a small portion of 3QFY26 (Sep) output
IOI	Locked in less than 5% of production 2-3 months forward
SDG	For 2Q, it has almost fully sold forward its Malaysian output at MYR4,380, while for 3Q and 4Q, it has locked in >60% at MYR4,400 and 30% at MYR4,500
JPG	None
SOP	None
TAH	None
TSH	None
HAPL	None
FR	No quantum given, but continues to hedge 2-4 weeks ahead
BAL	None
GGR	1-2 months of production, 3-6 months forward
LSIP	Minimal to none
NSSS	Minimal

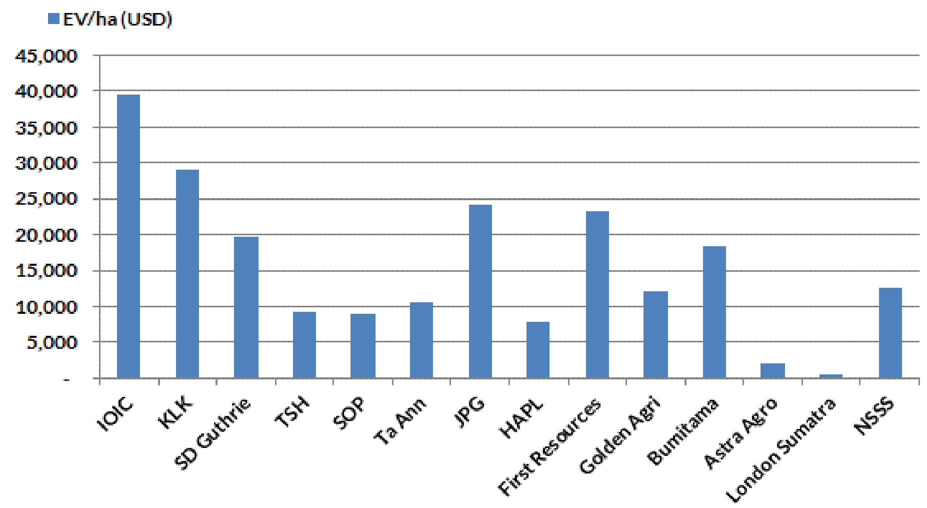
Source: Company data, RHB

Figure 10: Companies' fertiliser status

Company	Fertiliser status for 2026
KLK	Locked in for FY26 (Sep); prices are higher YoY by a single digit
IOI	Locked in for FY26 (Jun) at flattish prices. Currently tendering for 1HFY27 – prices could be 30-40% higher YoY
SDG	Locked in for the full year at prices that are 1-3% higher YoY
JPG	Locked in for a full CY26, at prices 10% higher YoY
SOP	Not available
TAH	1H26 requirements tendered at prices that are 5% lower YoY
TSH	Not available
HAPL	100% of 2026 requirements purchased at prices 5-10% higher YoY
FR	1H26 requirements tendered at prices 10% higher YoY
BAL	65% of its full-year requirement tendered at prices 5% higher YoY
GGR	100% of 2026 requirements purchased at prices 7% higher YoY
LSIP	100% of 2026 requirements purchased at 5-10% higher YoY
AALI	1H26 requirements purchased at 5-10% higher YoY
NSSS	Locked in for FY26 at prices less than 5% higher YoY

Source: Company data, RHB

Figure 11: Peer comparison based on EV/ha



Source: Bloomberg, RHB

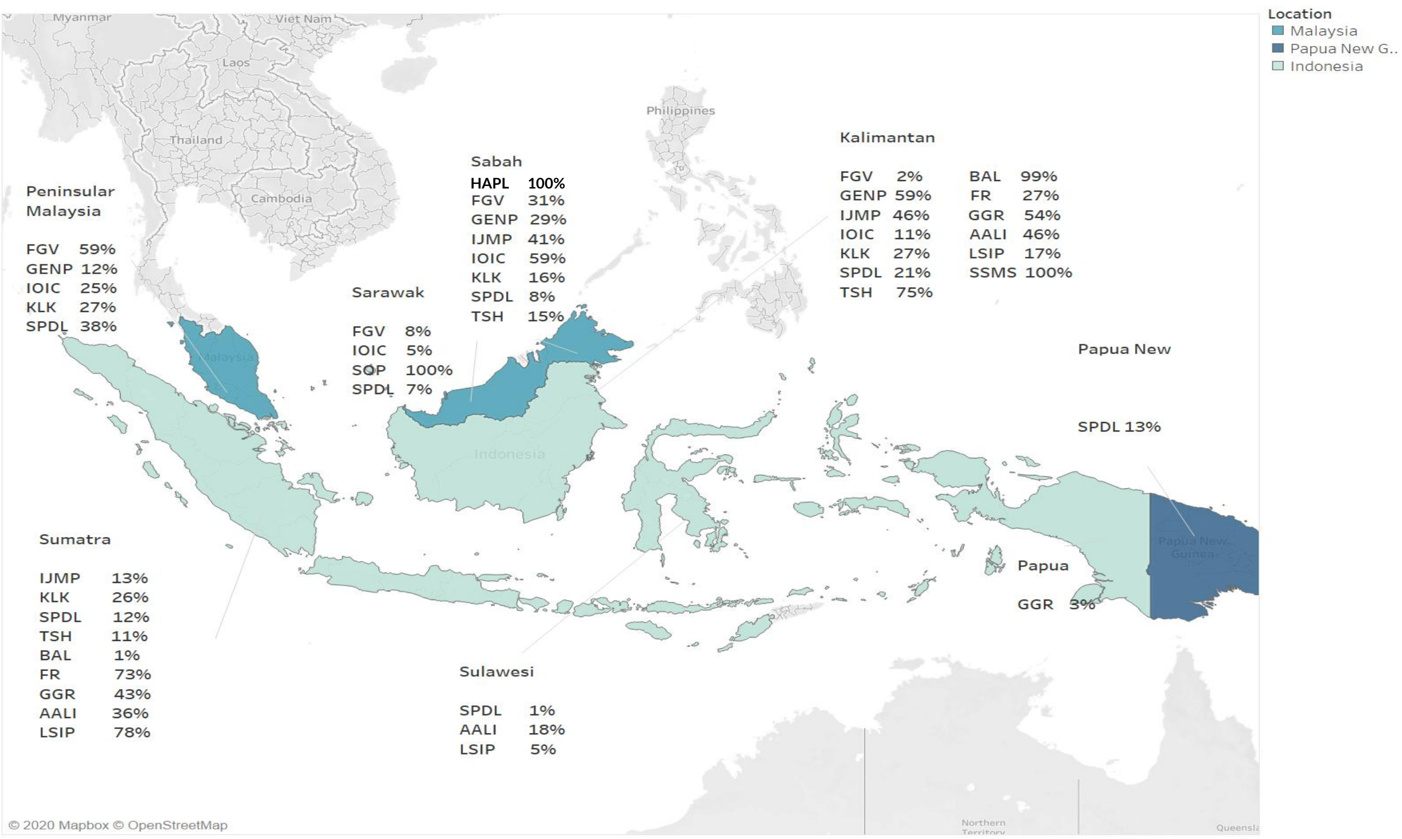
Figure 12: Regional peer comparison

	BBG ticker	Market cap (USDm)	Rating	Price (local ccy)	TP (local ccy)	Core P/E FY26F	Core P/E FY27F	P/BV FY26F	Net gearing FY26F	Div yield FY26F	ROE FY26F	EV/ha USD
Kuala Lumpur Kepong	KLK MK	5,685	Buy	20.76	23.00	17.7	17.4	2.9	59.4%	2.9%	8.9%	29,146
Sarawak Oil Palms	SOP MK	1,046	Buy	4.70	5.20	7.8	8.2	0.9	Cash	3.8%	12.4%	9,027
IOI Corp	IOI MK	6,491	Buy	4.20	5.05	17.2	17.2	2.0	9.2%	2.6%	11.9%	39,458
SD Guthrie	SDG MK	10,203	Buy	6.00	7.00	18.2	17.2	2.1	19.7%	2.8%	12.1%	19,806
Ta Ann	TAH MK	575	Neutral	5.31	5.15	10.4	10.7	1.2	Cash	7.5%	11.5%	10,619
TSH Resources	TSH MK	352	Buy	1.15	1.30	9.5	9.0	0.7	Cash	3.5%	7.9%	9,220
Johor Plantations	JPG MK	1,063	Buy	1.73	1.90	14.6	13.2	1.4	37.2%	4.0%	9.6%	24,167
Hap Seng Plantations	HAPL MK	437	Buy	2.22	2.60	10.6	11.1	0.8	Cash	5.9%	7.8%	7,902
Wilmar	WIL SP	17,296	Neutral	3.57	3.55	12.2	10.8	0.7	88.4%	4.0%	6.1%	N/A
Bumitama Agri	BAL SP	2,247	Neutral	1.67	1.70	11.4	12.7	2.5	Cash	6.1%	22.9%	18,447
Golden Agri	GGR SP	2,657	Buy	0.27	0.36	6.1	6.1	0.5	13.0%	3.3%	21.5%	12,178
First Resources	FR SP	3,400	Neutral	2.83	3.70	8.6	8.5	2.0	28.5%	7.0%	24.5%	23,367
PP London Sumatra Indonesia	LSIP IJ	474	Buy	1,250	1,970	4.4	4.3	0.5	Cash	6.6%	12.6%	508
Astra Agro Lestari	AALI IJ	661	Neutral	6,175	8,730	6.2	6.5	0.5	Cash	5.6%	7.4%	2,082
Nusantara Sawit Sejahtera TB	NSSS IJ	585	Sell	442	700	10.8	10.4	3.4	Cash	0.0%	38.5%	12,639
Regional Average						**11.1**	**10.9**	**1.5**				**15,331**

Note: Prices are as at 10 Jun 2026

Source: Bloomberg, Company data, RHB

Figure 13: Breakdown of plantation companies' landbanks



Source: Company data, RHB

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