

Plantation

1Q25 Earnings Largely In Line; Output Picking Up

- **Maintain OVERWEIGHT; Top Picks: Johor Plantations Group (JPG), Sarawak Oil Palms (SOP), Bumitama Agri (BAL), PP London Sumatra Indonesia (LSIP) and SD Guthrie (SDG).** 1Q25 saw strong YoY earnings growth, which was mostly within expectations. This trend should continue for the rest of the year. In Malaysia, PO inventory rose MoM to 1.99m tonnes in May despite the higher exports, as output grew. PO output should continue ramping up towards the peak season, while demand should also improve, as CPO prices are currently within historical discounts vs its competitors.
- **1Q25 reporting season featured earnings that were mostly within expectations.** Eleven planters chalked in-line earnings, while three underperformed. The downside surprises came from Ta Ann (larger-than-expected losses at its timber division), Golden Agri (lower-than-expected downstream contributions as well as steeper-than-expected unit costs), and FGV (losses on milling external FFB and higher unit costs). We maintain our 2025-2026 price per tonne estimates at MYR4,300 and MYR4,100, for now.
- **In Malaysia, FFB output of the planters we cover fell by c.19% QoQ or 0.7% YoY in 1Q25.** For the rest of 2025, most Malaysian planters expect a moderate improvement in output in 2H, on normalised weather, with the expectation of mid-single digit growth. In 1Q25, spot CPO prices dipped 3% QoQ to MYR4,713/tonne, while the price of PK increased 4% QoQ to MYR3,629/tonne. YoY, CPO and PK prices rose by 18% and 62% YoY.
- **In Indonesia, we saw an average 21.6% QoQ decline but 6.4% YoY output growth in 1Q25 for the companies we cover.** The stronger YoY recovery was due to a recovery post-El Nino impact, which affected productivity in the first nine months of 2025. Going forward, Indonesian players expect to see a stronger output recovery in 2025, stemming from a full recovery post-El Nino – with most projecting mid-single-digit to high-single-digit growth. In Indonesia, CPO prices – nett of taxes – decreased 5% QoQ, but rose 8% YoY.
- **For Indonesian planters with downstream operations, margins declined QoQ in 1Q25** despite a slightly larger tax differential in upstream vs downstream products (+c.3% QoQ) of USD101/tonne (vs USD98 in 4Q24). Hence, it was an opposite trend in Malaysian planters with downstream operations, as margins grew QoQ. Refining margins stayed narrow, while oleochemical and specialty fats margins grew. Going forward, however, this may reverse. We expect downstream EBIT margins for Malaysian planters to contract in 2Q25 again, as the impact of Indonesia's increase in levy takes effect in May 2025, while Indonesian planters' margins improve QoQ.
- **In Malaysia, PO stock rose 7% MoM to 1.99m tonnes, on higher output (+5% MoM), offset by the higher exports (+26% MoM).** We expect output to continue ramping up towards the peak season, while demand should also improve, as CPO prices are still trading at significant discounts vs competitors.
- **Still OVERWEIGHT.** We expect sector earnings to continue to grow in 2025, on higher CPO and PK prices. We made no changes to our recommendations during the 1Q25 reporting season.

Company Name	Rating	Target	% Upside (Downside)	P/E (x) Dec-25F	P/B (x) Dec-25F	ROAE (%) Dec-25F	Yield (%) Dec-25F
Astra Agro Lestari	Neutral	IDR6,150	2.5	9.4	0.5	5.0	4.5
Bumitama Agri	Buy	SGD0.90	15.1	8.0	1.1	14.8	8.4
FGV Holdings	Neutral	MYR1.20	(7.8)	11.1	0.7	6.8	3.3
First Resources	Buy	SGD1.85	28.4	7.5	1.2	16.4	6.7
Golden Agri-Resources	Neutral	SGD0.26	4.0	8.7	0.5	19.9	2.3
IOI Corp	Buy	MYR4.60	28.0	17.1	1.8	10.6	2.9
Johor Plantations Group	Buy	MYR1.55	28.9	11.2	1.0	9.3	4.6
Kuala Lumpur Kepong	Buy	MYR24.45	22.5	18.6	2.4	8.3	2.5
PP London Sumatra Indonesia	Buy	IDR1,530	19.1	5.8	0.6	11.0	5.9
Sarawak Oil Palms	Buy	MYR4.80	54.8	5.5	0.7	12.4	4.2
SD Guthrie	Buy	MYR5.65	25.0	19.4	1.6	8.6	3.1
Ta Ann	Neutral	MYR3.65	(6.6)	9.8	0.9	9.5	8.2
TSH Resources	Neutral	MYR1.15	6.7	10.2	0.7	7.1	1.9
Wilmar International	Neutral	SGD3.00	(1.6)	11.6	0.7	6.4	5.0

Source: Company data, RHB

Overweight (Maintained)

Stocks Covered 14
Rating (Buy/Neutral/Sell): 8 / 6 / 0
Last 12m Earnings Revision Trend: Positive

Top Picks

Top Picks	Target Price
SD Guthrie (SDG MK) – BUY	MYR5.65
Johor Plantations Group (JPG MK) – BUY	MYR1.55
Sarawak Oil Palms (SOP MK) – BUY	MYR4.80
Bumitama Agri (BAL SP) – BUY	SGD0.90
PP London Sumatra Indonesia (LSIP IJ) – BUY	IDR1,530

Analysts

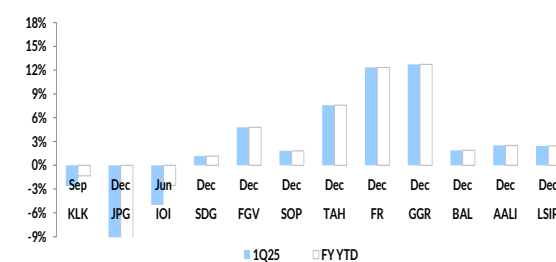
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1Q25 FFB Output Trends



Source: Company data, RHB

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Monthly statistics

Figure 1: Monthly CPO statistics

('000 tonnes)	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
Opening stocks	1,745	1,753	1,831	1,754	1,883	2,012	1,885	1,836	1,709	1,580	1,510	1,563	1,866
Imports	21	12	10	10	5	16	22	38	88	67	122	58	69
Production	1,704	1,615	1,841	1,894	1,822	1,797	1,621	1,487	1,240	1,188	1,387	1,686	1,772
Total supply	3,470	3,380	3,683	3,658	3,711	3,825	3,529	3,361	3,037	2,835	3,019	3,307	3,707
Exports	1,382	1,207	1,690	1,529	1,560	1,744	1,490	1,342	1,197	996	1,006	1,104	1,387
Domestic use	334	342	239	246	139	196	203	310	260	329	450	337	329
Total off take	1,717	1,549	1,928	1,775	1,699	1,940	1,693	1,652	1,457	1,326	1,456	1,441	1,717
End-month stocks	1,753	1,831	1,754	1,883	2,012	1,885	1,836	1,709	1,580	1,510	1,563	1,866	1,990
Production YTD	7,261	8,876	10,717	12,611	14,433	16,230	17,851	19,338	1,240	2,428	3,815	5,501	7,273
MoM (%)	13.5	(5.2)	14.0	2.9	(3.8)	(1.3)	(9.8)	(8.3)	(16.6)	(4.2)	16.8	21.5	5.1
YoY (%)	12.3	11.6	14.3	8.0	(0.4)	(7.2)	(9.4)	(4.1)	(11.6)	(5.7)	(0.4)	12.3	3.9
YTD (%)	9.4	9.8	10.5	10.2	8.7	6.7	5.0	4.2	(11.6)	(8.8)	(5.9)	(1.0)	0.2
Exports YTD	6,318	7,525	9,215	10,743	12,303	14,048	15,538	16,880	1,197	2,193	3,199	4,303	5,690
MoM (%)	12.0	(12.7)	39.9	(9.5)	2.0	11.8	(14.6)	(10.0)	(10.8)	(16.7)	0.9	9.8	25.6
YoY (%)	28.1	3.0	24.8	25.1	28.8	17.8	6.0	(1.5)	(11.3)	(2.7)	(24.2)	(10.5)	0.3
YTD (%)	6.7	6.1	9.1	11.1	13.1	13.7	12.9	11.6	(11.3)	(7.6)	(13.6)	(12.8)	(9.9)
Stocks													
MoM (%)	0.5	4.5	(4.2)	7.3	6.8	(6.3)	(2.6)	(6.9)	(7.5)	(4.5)	3.5	19.4	6.6
YoY (%)	3.9	6.5	1.2	(10.8)	(13.1)	(23.0)	(23.6)	(25.4)	(21.8)	(21.4)	(8.8)	6.9	13.5

Source: Malaysian Palm Oil Board (MPOB), RHB

May 2025 production rose 5% MoM (+3.9% YoY), bringing YTD-May 2025 output growth to 0.2 YoY. The MoM increase came from all three regions, with West Malaysia and Sabah recording 5.9% and 4.7% growth, followed by Sarawak, at 3.2% MoM. Meanwhile, the YoY growth was driven by Sabah (+13%) and Sarawak (+6%), but slightly offset by West Malaysia (-0.1% YoY). We expect output in Malaysia to continue picking up gradually over the next few months, to head towards the peak in 3Q25.

Malaysian exports continued to increase +26% MoM in May 2025, bringing YTD-May 2025 export growth to -10% YoY. The MoM increase was driven by competitive CPO prices, as it traded at a discount of USD182 per tonne on average to soybean oil (SBO) and a larger discount of USD246 per tonne to sunflower oil (SFO) in May 2025 (vs USD121 per tonne in Apr 2025 to SBO and USD165 to SFO). Recently, [India also halved the basic import tax on crude edible oils to 10% on 31 May](#) and left the import duty on refined oils unchanged to boost the local refining industry. As such, we expect CPO exports to continue picking up in the coming months, buoyed by still-attractive CPO prices. CPO is currently still trading at a discount to SBO and SFO, albeit at a lower USD118/tonne below SBO and USD224/tonne below SFO.

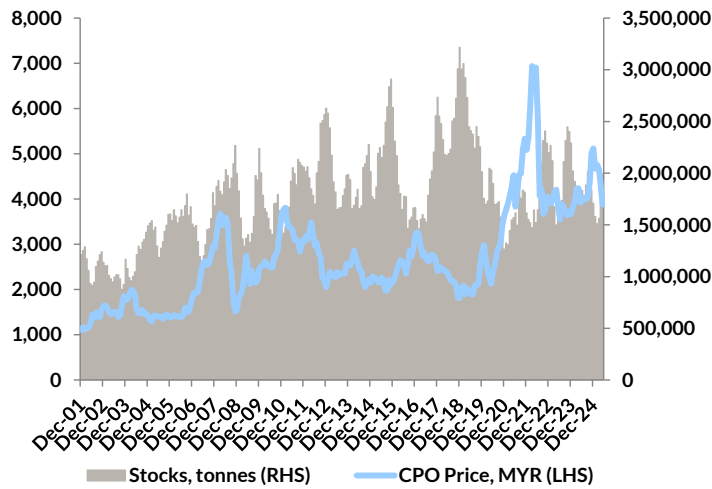
Inventory levels at importing countries still low at end-May. Despite the more attractive CPO prices in May 2025, restocking activities in importing countries were somewhat mixed. At end-May 2025, China's PO stocks slightly decreased to 42% below the historical average (vs -39% in April); and Pakistan's stocks levels decreased to 4% above the historical average (from +63% in April). However, India's PO stocks improved to 29% below the historical average (vs -35% in April). As CPO continues to trade at discounts to SBO and SFO in June 2025, we expect PO restocking activities to slowly recover in the short term – although buying activities would still likely lean towards Indonesia PO, given the recent change in levy rate effective mid-May – resulting in an even more advantageous tax structure (at 16.1% vs Malaysia's 10%).

Despite the higher output and exports, Malaysia's May 2025 inventory levels rose to 1.99m tonnes (+7% MoM and +14% YoY) from 1.86m tonnes in April 2025. This was mainly driven by the increase in production, but offset by the increase in exports. With this, May 2025 annualised stock/usage ratio is back to being above the 15-year historical average of 10%, at 10.14%. Going forward, we expect stock levels to continue picking up in the next few months, crossing the 2m-tonne mark.

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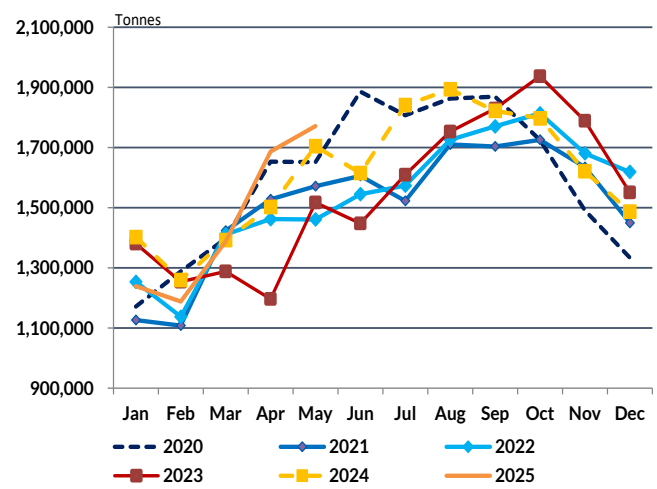
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Figure 2: CPO inventory was at 1.99m tonnes in May 2025 (+13.5% YoY from 1.75m tonnes in May 2024)



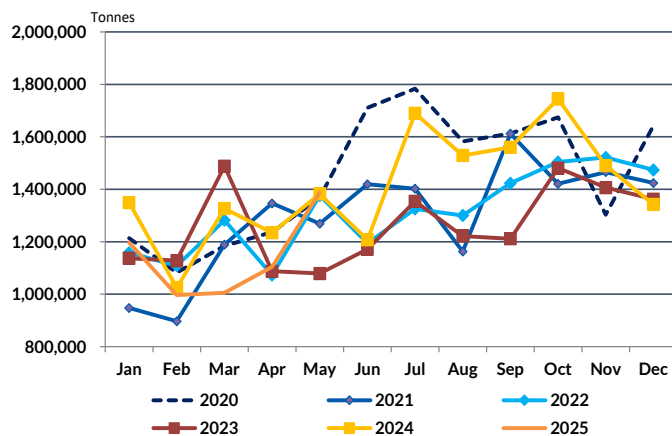
Source: MPOB, Bloomberg

Figure 3: Malaysia's CPO production (+0.2% YoY in YTD-May 2025)



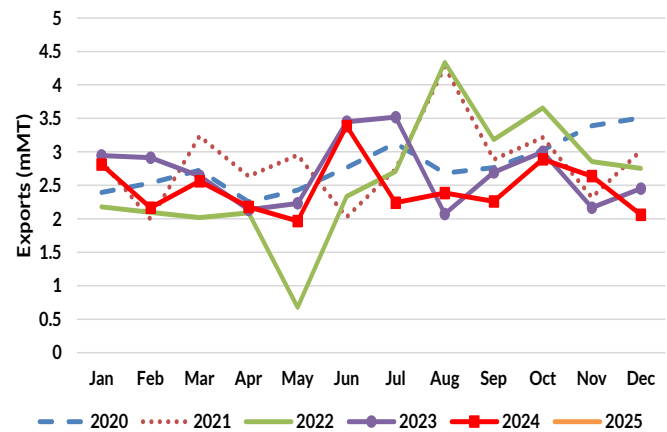
Source: MPOB, RHB

Figure 4: Malaysia's monthly palm oil exports (-9.9% YoY in YTD-May 2025)



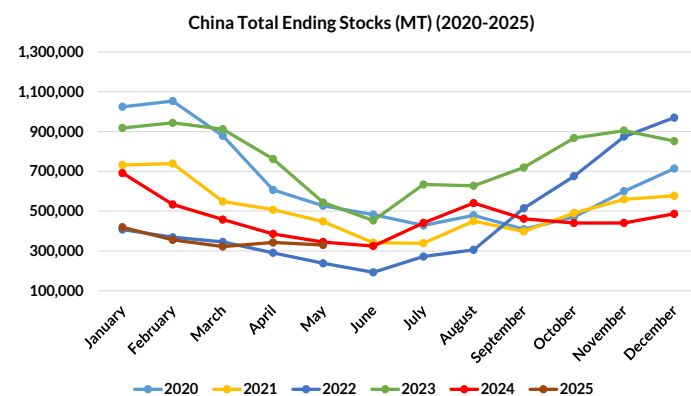
Source: MPOB

Figure 5: Indonesia's Jan-2025 exports at -31% YoY



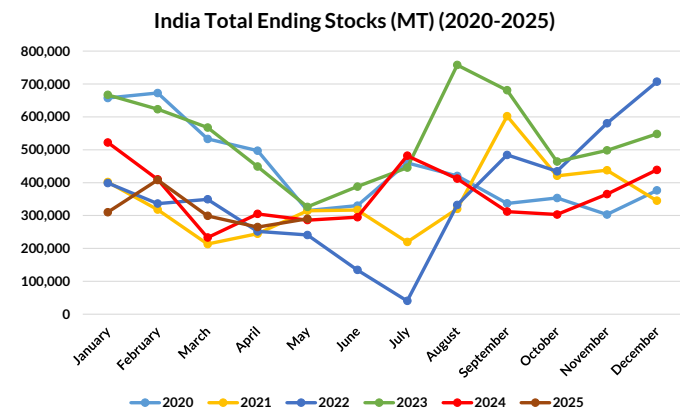
Source: Indonesian Palm Oil Association (GAPKI)

Figure 6: China's palm oil stocks decreased to 42% below the historical average as at end-May 2025 (vs -39% at end-Apr 2025)



Source: Malaysian Palm Oil Council (MPOC)

Figure 7: India's PO stocks improved to 29% below the historical average as at end-May 2025 (vs -35% at end-Apr 2025)

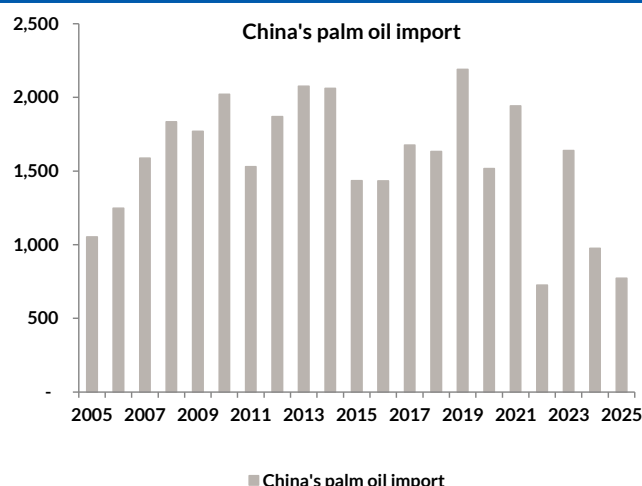


Source: MPOC

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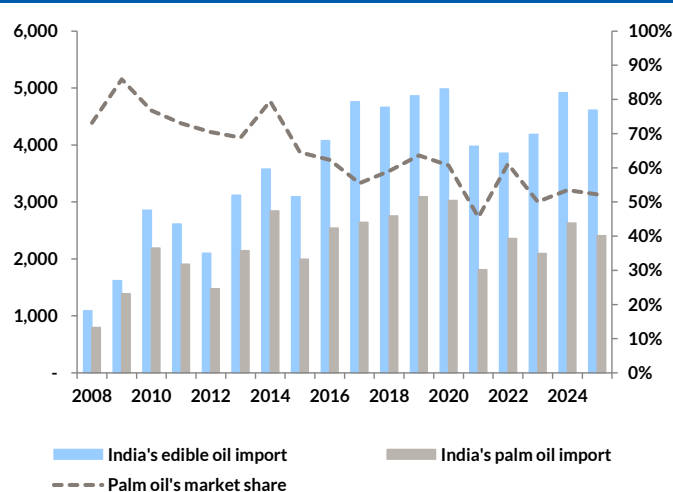
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Figure 8: China's PO imports declined 21% in YTD-Apr 2025 (vs -27% YoY in YTD-Mar)



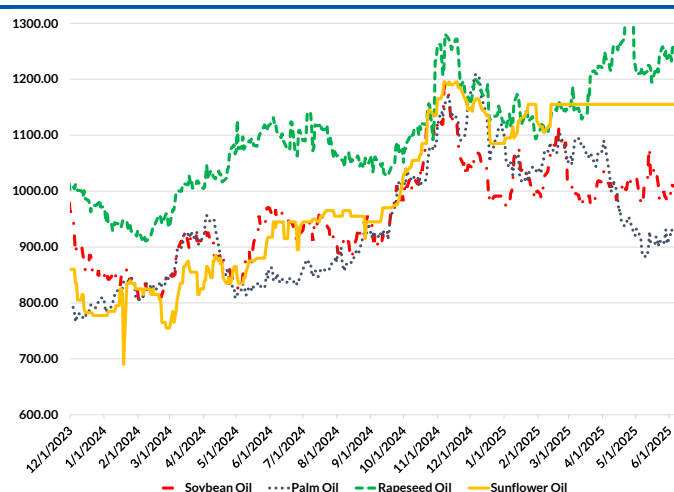
Source: Bloomberg

Figure 9: India's edible oil imports decreased 19% YoY in YTD-Apr 2025, while its PO imports dropped 43%



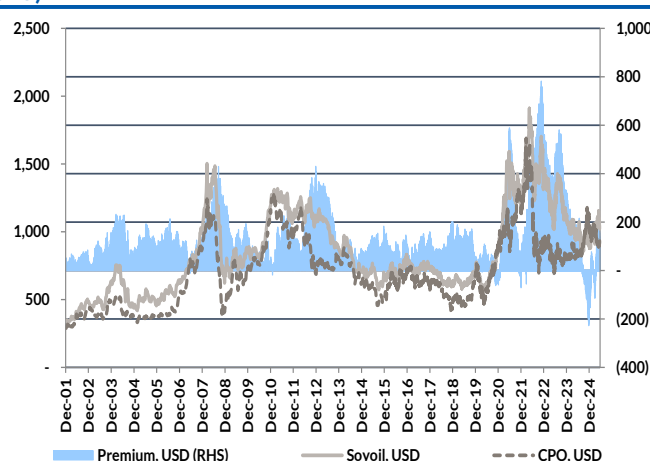
Source: Bloomberg

Figure 10: CPO is now trading at a USD224/tonne discount to sunflower oil (from USD246/tonne discount in May 2025)



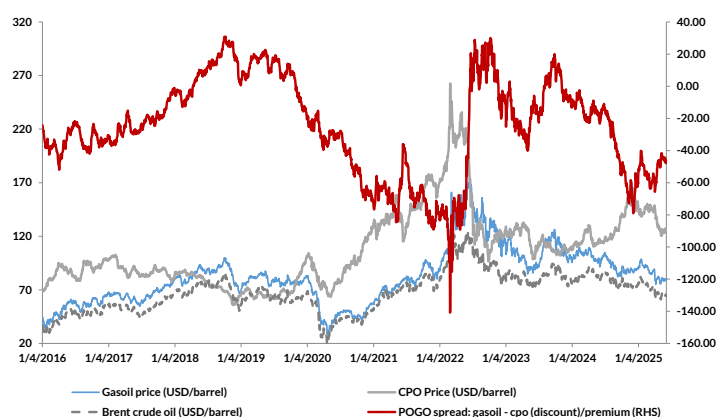
Note: Prices here refer to the FOB spot price
Source: Bloomberg

Figure 11: CPO is now trading at a USD118/tonne discount to soybean oil (from USD182/tonne discount on average in May 2025)



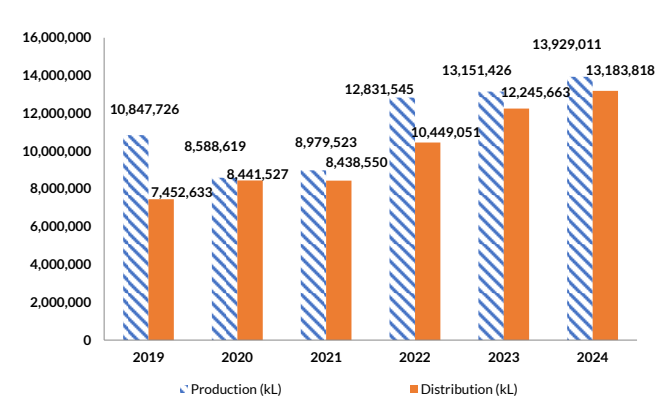
Source: Bloomberg

Figure 12: The gasoil-CPO price gap has slightly widened to USD47/bbl now vs USD45/bbl in May 2025



Source: Bloomberg

Figure 13: Biodiesel production (+6% YoY) and distribution in Indonesia (+8% YoY) in 2024



Source: Indonesia Biofuel Producer Association

Risks

The main downside risks to our outlook include:

- i. Trade war;
- ii. Significant changes in the crude oil price trend, which may result in changes in biodiesel mandates;
- iii. Weather abnormalities resulting in an oversupply or undersupply of vegetable oils;
- iv. Significant changes in the demand for vegetable oils, caused by changes in economic cycles or price dynamics;
- v. Worsening labour situation in Malaysia causing production to be affected negatively;
- vi. Revision in Indonesia's tax structure and trade policies;
- vii. More ESG issues being pinpointed for listed companies.

Figure 14: New effective CPO prices in Indonesia (applicable from 17 May 2025)

CPO price@ 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
CPO Price (USD)	1,017	994	972	949	926	904	881	859	836	813	791	768	746	723	700	678
Levy (USD) Rate (10% of price)	102	99	97	95	93	90	88	86	84	81	79	77	75	72	70	68
Levy (MYR) Rate	450	440	430	420	410	400	390	380	370	360	350	340	330	320	310	300
Export Tax (USD)	148	148	124	124	74	74	52	52	52	33	33	18	18	3	3	-
Export Tax (MYR)	655	655	549	549	328	328	328	230	230	146	146	80	80	13	13	-
Effective Indo Price NEW minus OLD	3,395	3,305	3,321	3,231	3,362	3,272	3,182	3,190	3,100	3,094	3,004	2,980	2,890	2,867	2,777	2,700
Effective Indo Price (USD/tonne)	(113)	(110)	(108)	(105)	(103)	(100)	(98)	(95)	(93)	(90)	(88)	(85)	(83)	(80)	(78)	(75)

Note: *Exchange rate conversion applied = MYR4.43/USD

Source: RHB

Figure 15: 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
NEW minus OLD Effective East Malaysia price (MYR/tonne)	(68)	(66)	(64)	(62)	(60)	(38)	(17)	(16)	4	23	23	23	6	23	15	-
NEW minus OLD Effective East Malaysia price (MYR/tonne)	(68)	(66)	(64)	(62)	(60)	(38)	(17)	(16)	4	15	-	-	-	-	-	-

Source: RHB

Figure 16: 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%
FGV (MYR)	12-15%
Sarawak Oil Palms (SOP) (MYR)	10-12%
Ta Ann (TAH) (MYR)	12-15%
Johor Plantations Group (JPG) (MYR)	6-7%
TSH Resources (TSH) (MYR)	7-8%
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%
London Sumatra (LSIP) (IDR)	11-12%

Source: RHB

Figure 17: Labour shortage among Malaysian planters

	Shortage (end-1Q25)	Comments
SDG	Fully staffed	
IOI	Fully staffed	
KLK	Fully staffed	
SOP	<4%	Management has been focusing on training existing workers, and note that labour is no longer a concern
TAH	Fully staffed	Helped by contract workers

Source: RHB

Figure 18: Regional companies' forward sales positions

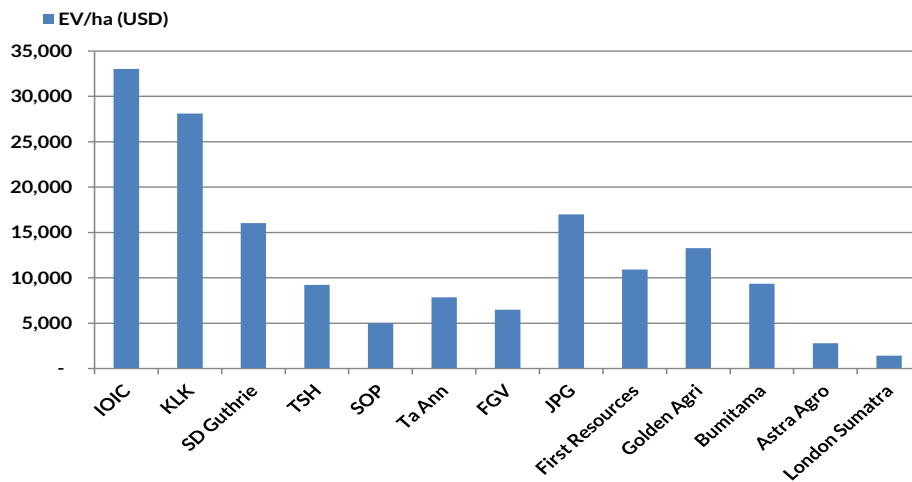
Company	Forward sales for 2025 (as at end-1Q25)
KLK	10% of Malaysian production three months ahead
IOI	70% of production, sold on an average of two months forward
SDG	It has sold about 12% of its May-Dec Peninsular output at MYR4,200/tonne
SOP	None
FGV	Around 20 – 30% of its production
TAH	None
FR	No 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
AALI	Minimal

Source: Company data, RHB

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Figure 19: Peer comparison based on EV/ha



Source: RHB

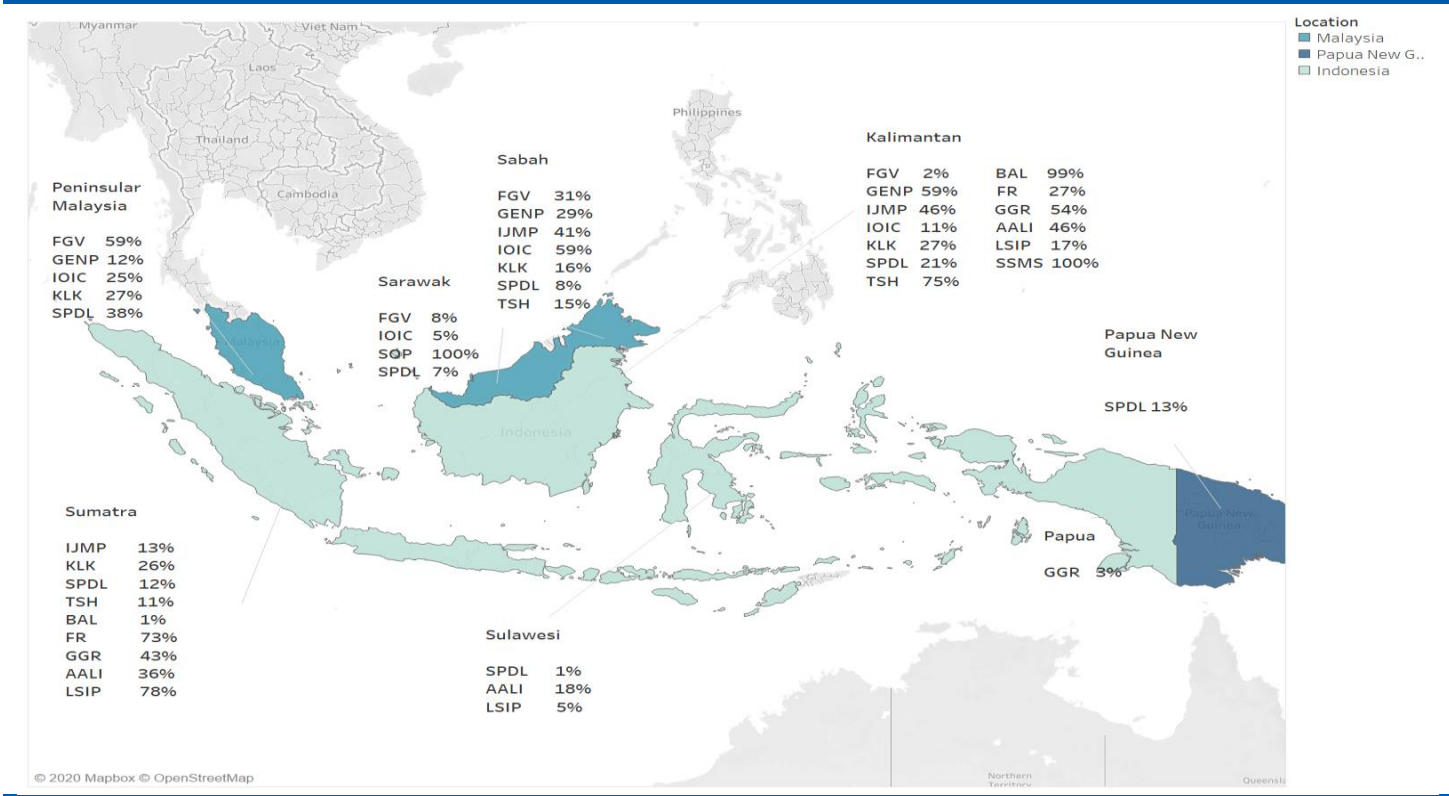
Figure 20: Regional peer comparison

	BBG ticker	Market cap (USDm)	Rating	Price (local ccy)	TP (local ccy)	Core P/E FY25F	Core P/E FY26F	P/BV FY25F	Net gearing FY25F	Div yield FY25F	ROE FY25F	EV/ha USD
Kuala Lumpur Kepong	KLK MK	5,253	Buy	19.96	24.45	18.5	18.7	2.4	54.6%	2.5%	8.4%	28,108
Sarawak Oil Palms	SOP MK	655	Buy	3.10	4.80	5.5	6.1	0.7	Cash	4.2%	12.4%	4,981
IOI Corp	IOI MK	5,263	Buy	3.59	4.60	17.9	16.3	1.8	14.3%	2.8%	10.4%	33,018
SD Guthrie	SDG MK	7,387	Buy	4.52	5.65	19.4	20.0	1.6	21.0%	3.1%	8.6%	16,036
Ta Ann	TAH MK	407	Neutral	3.91	3.65	9.8	10.1	0.9	Cash	8.2%	9.5%	7,844
TSH Resources	TSH MK	336	Neutral	1.08	1.15	10.2	10.8	0.7	Cash	1.9%	7.1%	9,219
FGV Holdings	FGV MK	1,121	Neutral	1.30	1.20	11.1	12.8	0.7	21.8%	3.3%	6.8%	6,487
Johor Plantations	JPG MK	719	Buy	1.20	1.55	11.2	12.0	1.0	41.5%	4.6%	9.3%	16,991
Wilmar	WIL SP	14,802	Neutral	3.05	3.00	11.6	10.8	0.7	110.4%	5.0%	6.4%	N/A
Bumitama Agri	BAL SP	1,052	Buy	0.78	0.90	8.0	8.5	1.1	5.9%	8.4%	14.8%	9,353
Golden Agri	GGR SP	2,465	Neutral	0.25	0.26	8.7	8.3	0.5	29.3%	2.3%	19.9%	13,277
First Resources	FR SP	1,734	Buy	1.44	1.85	7.5	8.0	1.2	1.8%	6.7%	16.4%	10,926
PP London	LSIP IJ	538	Buy	1,285	1,530	5.8	6.1	0.6	Cash	5.9%	11.0%	1,424
Sumatra Indonesia	AALI IJ	709	Neutral	6,000	6,150	9.4	9.9	0.5	Cash	4.5%	5.0%	2,789
Astra Agro Lestari						11.0	11.3	1.0				11,807

Note: Prices are as at 10 Jun 2025

Source: Bloomberg, Company data, RHB

Figure 21: Breakdown of plantation companies' landbanks



Source: Company data, RHB

RHB Guide to Investment Ratings

Buy:	Share price may exceed 10% over the next 12 months
Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
Sell:	Share price may fall by more than 10% over the next 12 months
Not Rated:	Stock is not within regular research coverage

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