

## Plantation

### More Even Fundamentals; Geopolitical Risks Remain

- **Downgrade to NEUTRAL from Overweight;** Top Picks: Value plays -Johor Plantations (JPG), Sarawak Oil Palms (SOP), IOI Corp (IOI), and London Sumatra Indonesia (LSIP); situational plays – SD Guthrie (SDG) and First Resources (FR). We expect 2026 to be a more balanced year fundamentally, with lower YoY CPO prices, but geopolitical risks will translate to more volatility. We lower our CPO price assumptions and rejig our Top Picks.
- **Spot CPO prices have moderated** from MYR4,600-4,800/tonne in 1Q25 to a low of MYR3,780/tonne in May, only to bounce back to the current levels of MYR3,900-MYR4,100/tonne. The downward movement was mainly driven by geopolitics in the light of the US trade tariffs, wars, and crude oil prices falling – all of which pushed CPO prices in the same direction.
- **Correlation between CPO prices and crude oil prices surged to 0.47 in Apr 2025** from -0.6 in 1Q25, and subsequently rose further to current levels of 0.68, due to raised geopolitical risks. Besides following crude oil price trends, CPO prices also followed the lead of soybean oil (SBO) prices which rose due to the recent US biofuel policy change, leading to a rise in blending targets.
- **What's next for CPO prices?** We expect CPO prices to remain volatile given the ever-changing geopolitical situation. Fundamentally however, global supply and demand will likely be more balanced in 2026F, as supply improves, while demand should pick up given the more attractive relative prices.
- **Supply of 17 oils and fats complex is expected to improve YoY in 2026F**, coming from a partial recovery of palm, sunflower and rapeseed supplies, as well as continued growth from soybeans. Still, the stock/usage ratio of the 17 oils and fats complex is still expected to remain below the historical average of 13.6%, at 12.9% for Oct 2025F/Sep 2026F, albeit up from 12.7% in 2025F. This leaves very little cushion in case of any short-term bullish supply or demand surprises, hence raising the risk of price volatility going forward.
- **What does this mean for relative prices of vegetable oils and demand?** Ignoring the noises from geopolitics, we expect 2026F to see: i) Muted soybean prices, due to continued strong supply in 2026F; ii) SBO prices remain supported at higher levels, due to the higher demand from increased US biofuel blending; iii) CPO prices to continue trading at a discount to SBO in the medium term (currently at USD217/tonne discount); and iv) demand from price sensitive countries like India, Pakistan, Bangladesh come back.
- **We revise down our CPO price assumptions** to MYR4,100/tonne (from MYR4,300) for 2025 and to MYR4,000/tonne (from MYR4,100) for 2026 and 2027; but revise up our PK prices to MYR3,300/tonne for 2025F (from MYR2,800) and to MYR3,200/tonne for 2026F and 2027F (from MYR2,600).
- **Downgrade to NEUTRAL.** Post annual ESG review, we have made several changes to our ESG scores and rolled forward our valuation targets to 2026 (from 2025). All in, we downgraded two stocks to NEUTRAL – Kuala Lumpur Kepong (KLK) and Bumitama Agri (BAL), post earnings revision. We now have six BUYs and seven NEUTRALs. Our BUYs are now mixed – with a focus on value plays (JPG, SOP, IOI, and LSIP) and situational plays (SDG and FR).

## Neutral (from Overweight)

Stocks Covered 13  
 Rating (Buy/Neutral/Sell): 6 / 7 / 0  
 Last 12m Earnings Revision Trend: Positive

### Top Picks

Top Picks	Target Price
SD Guthrie (SDG MK) – BUY	MYR5.45
Johor Plantations Group (JPG MK) – BUY	MYR1.45
Sarawak Oil Palms (SOP MK) – BUY	MYR3.80
IOI Corp (IOI MK) – BUY	MYR4.30
London Sumatra Indonesia (LSIP IJ) – BUY	IDR1,500
First Resources (FR SP) – BUY	SGD1.70

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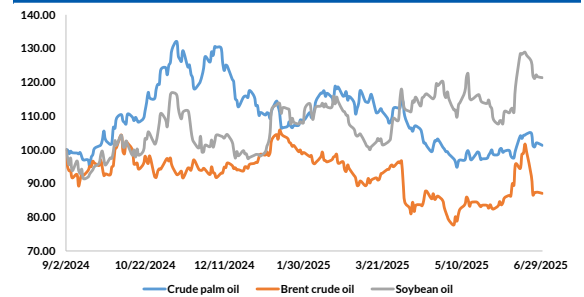
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### CPO vs Brent crude oil vs SBO (indexed comparison)



Source: Company data, RHB

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	IDR6,090	5.9	9.1	0.5	4.8	5.2
Bumitama Agri	Neutral	SGD0.80	5.1	7.9	1.1	13.8	7.9
First Resources	Buy	SGD1.70	14.1	8.4	1.1	14.1	5.9
Golden Agri-Resources	Neutral	SGD0.25	(0.4)	8.8	0.4	-	2.3
IOI Corp	Buy	MYR4.30	14.6	17.2	1.7	10.4	2.8
Johor Plantations Group	Buy	MYR1.45	23.2	11.0	1.0	8.7	4.2
Kuala Lumpur Kepong	Neutral	MYR20.65	(1.6)	21.2	2.4	7.4	2.4
PP London Sumatra Indonesia	Buy	IDR1,500	19.0	5.8	0.5	9.4	6.5
Sarawak Oil Palms	Buy	MYR3.80	20.8	5.7	0.6	11.1	3.8
SD Guthrie	Buy	MYR5.45	16.1	22.2	1.6	7.5	2.6
Ta Ann	Neutral	MYR3.60	(2.8)	9.4	0.8	9.1	8.1
TSH Resources	Neutral	MYR1.10	(3.2)	11.1	0.7	6.5	1.8
Wilmar International	Neutral	SGD2.80	(3.4)	11.0	0.7	6.4	5.5

Source: Company data, RHB

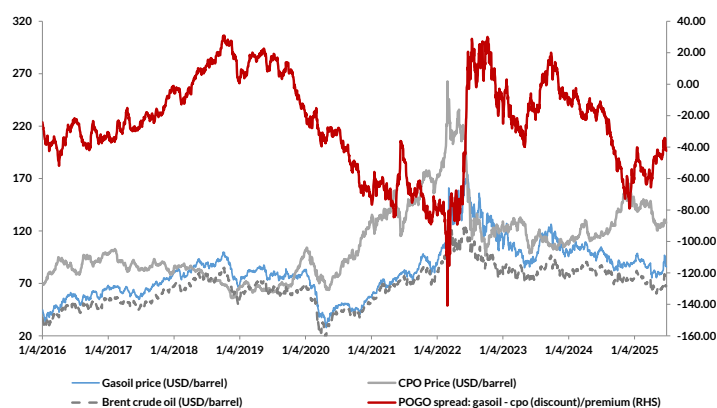
**Geopolitical risks aplenty, but more even fundamentals**

Spot CPO prices have moderated from MYR4,600-MYR4,800 per tonne in 1Q25, down to a low of MYR3,780 per tonne in May 2025, only to bounce back to the current levels of MYR3,900-MYR4,100 per tonne. The downward movement was predominantly driven by geopolitics in the light of the US trade tariffs, wars, and crude oil prices falling – all of which pushed CPO prices in the same direction.

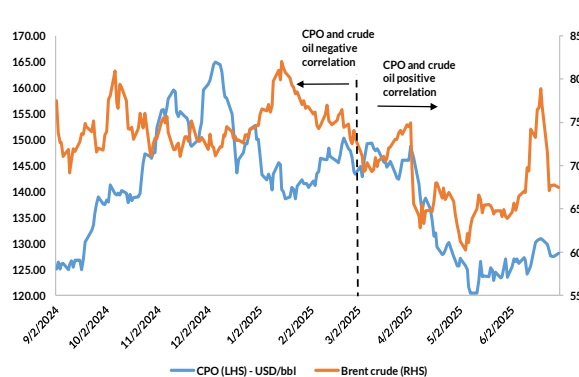
Correlation between CPO prices and crude oil prices surged to 0.47 in Apr 2025 from -0.6 in 1Q25 (pre-Liberation Day), and subsequently rose further to current levels of 0.68, due to more geopolitical risks in the form of escalating wars. In the last five weeks, crude oil prices rose to USD79 per bbl from a low of USD61 per bbl (early May), with CPO prices following a similar pattern. Besides this, CPO prices was also following the lead of SBO prices which rose due to the US biofuel policy change announced on 12 Jun, [which proposed an increase in total biofuel blending volumes to 24.02bn gallons in 2026 and 24.46bn in 2027, \(up from 22.33bn in 2025\)](#). This is positive for soybean produced in the US as a feedstock for biofuel, but may not be positive for Canadian canola oil, as The US Environmental Protection Agency (EPA) has also proposed a 50% reduction in the number of renewable identification numbers (RINs), for imported renewable fuels and fuels produced with foreign feedstocks. This means Canadian canola-oil demand from the US would be reduced as a result, resulting in more canola oil supply in the market. Currently, the US takes up more than 30% of Canada’s canola oil exports.

**Figure 1: The POGO spread has slightly narrowed to USD42/bbl on average in June vs USD45/bbl in May**

**Figure 2: CPO vs Brent crude oil prices**



Source: Bloomberg



Source: Bloomberg

**What’s next for CPO prices?** We expect CPO prices to continue to be remain volatile given the ever-changing geopolitical situation. However, fundamentally, we highlight that global supply and demand is expected to be more balanced in 2026F, as supply should improve, while demand should also pickup in light of the more attractive prices now.

**Supply of 17 oils and fats complex is expected to improve YoY in 2026F**, coming from a partial recovery of palm output and from sunflower and rapeseed supplies, as well as continued growth from soybeans. However, the overall stock/usage ratio for the composite 17 oils and fats complex is still expected to remain below the historical average of 13.6%, at 12.9% for Oct 2025/Sep 2026F, albeit up from 12.7% in 2025F. This leaves very little cushion in case of any short-term bullish supply or demand surprises, hence raising the risk of price volatility going forward.

Figure 3: Palm oil production forecasts

Palm oil	Oct 25/26F	Oct 24/25E	Oct 23/24
Open'g stocks	13.10	12.67	14.57
Production	83.10*	81.39	80.05
Imports	49.30*	47.68	48.61
Exports	49.40*	47.88	48.47
Disappear. (a)	82.80*	80.76	82.11
Ending stocks	13.30*	13.10	12.67

	HARVEST	2026F	2025p	2024	2021- 2025
Cameroon.....	Jan-Dec	370*	360*	345*	333*
Ivory Coast....	Jan-Dec	632*	620*	600*	588*
Nigeria(a).....	Jan-Dec	1600*	1570*	1540*	1468*
Guatemala.....	Jan-Dec	1000*	870*	700*	888*
Honduras.....	Jan-Dec	520*	490*	500*	588*
Brazil.....	Jan-Dec	860*	820*	760*	725*
Colombia.....	Jan-Dec	1860*	1850*	1720	1784*
Ecuador.....	Jan-Dec	600*	570*	531	494*
Indonesia.....	Jan-Dec	49000*	47800*	45500*	46754*
Malaysia.....	Jan-Dec	19200*	19310*	19338	18754*
Thailand.....	Jan-Dec	3500*	3400*	3450*	3271*
Papua/NGuinea..	Jan-Dec	790*	780*	690*	763*
Oth countries..		3802*	3676*	3448*	3397*
WORLD.....		83734	82116	79123	79807

Source: Oil World

Figure 4: 10 oilseeds supply and demand

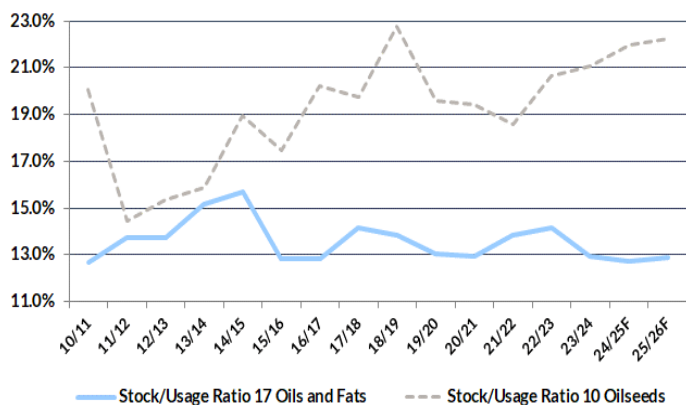
10 OILSEEDS: World Supply and Demand ( Mn T )					
	Forecast 2025/26F	Change to 24/25	24/25	23/24	22/23
Opening stocks	143.1*	+9.0	134.1	125.8	115.0
Production .....	673.3*	+12.4	660.9*	644.7	620.3
<i>thereof Soybeans</i> .....	424.2*	+6.1	418.1*	395.0	373.0
<i>Sunseed</i> .....	60.6*	+5.8	54.8*	59.2	56.1
<i>Rapeseed</i> .....	77.2*	+1.8	75.4*	80.2	80.8
<i>Cottonseed</i> .....	40.9*	-1.1	42.0*	40.8	41.6
<i>Groundnuts (b)</i> .....	34.9*	-1.3	36.2*	34.7	33.7
<i>Palmkern &amp; Copra</i> .....	24.6*	+0.9	23.7*	23.8	24.2
<i>Sesame, Lin &amp; Castor</i> .....	10.9*	+0.3	10.6*	11.0	11.0
Total supplies .....	816.3*	+21.4	794.9*	770.5	735.3
Disappearance .....	668.0*	+16.1	651.9*	636.4	609.5
<i>thereof Soybeans</i> .....	418.2*	+12.1	406.1*	383.4	366.6
<i>Sunseed</i> .....	59.8*	+4.7	55.1*	61.1	57.6
<i>Rapeseed</i> .....	78.2*	-0.7	78.9*	81.2	74.5
Ending stocks .....	148.4*	+5.3	143.1*	134.1	125.8
<i>thereof Soybeans</i> .....	127.7*	+6.0	121.7*	109.7	98.1
<i>Sunseed</i> .....	5.1*	+0.8	4.3*	4.6	6.5
<i>Rapeseed</i> .....	10.7*	-1.0	11.7*	15.2	16.2
Stocks/usage (a)	22.2%		21.9%	21.1%	20.6%
<i>thereof Soybeans</i> .....	30.5%		30.0%	28.6%	26.8%

(a)Stocks in % of annual disappearance. (b)Shelled basis.

Source: Oil World

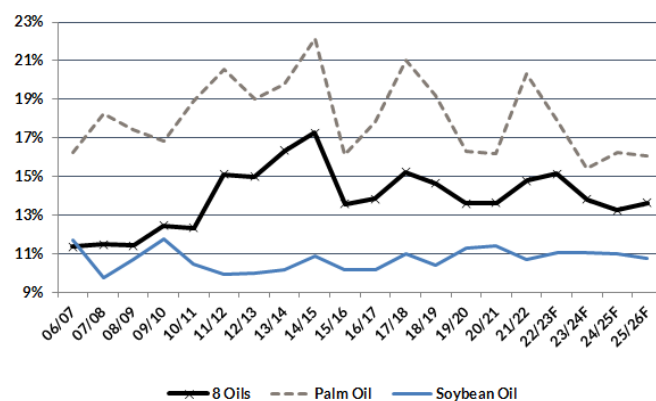
Within this complex however, the supply of the 10 oilseeds complex remains robust, driven by from strong soybean output in South America and improving sunflower seed supply in Russia/Ukraine. The latest Oil World forecasts project the stock/usage ratio for the 10 oilseeds to rise to 22.2% in 2025F-2026F (from 22% in 2024-2025F), still above the historical average of 19.1%. For soybeans in particular, the stock/usage ratio is anticipated to rise to 30.5% in 2025F (from 30% in 2025F), above the historical average of 27.3%. This should translate to keeping prices of soybeans muted in 2026F.

Figure 5: Stock/usage ratios of 17 oils & fats and 10 oilseeds



Source: Bloomberg

Figure 6: Stock/usage ratios of 8 vegetable oils, PO and SBO



Source: Indonesia Biofuel Producer Association

Despite robust supply of oilseeds, the stock/usage ratio of the 8-vegetable oil complex remains relatively tight, due to the still tight supply of palm oil, and still low levels of crushing activities of soybeans. While more SBO can be easily extracted by crushing more beans, this will result in higher soymeal output, which will need to be utilised. Currently, soymeal demand remains weak due to weak feed demand for the hog industry in China and the cattle industry in the US. As such, while the stock/usage ratio of the 8-vegetable oil complex is expected to rise slightly to 13.6% in 2026F (from 13.3% in 2025F), it will remain below the historical level of 14.4%.

We would need, however, to monitor the development of US soybean crushing, given the recent change in the US biofuel policies which would favour domestic feedstock in US production of biodiesel/hydotreated vegetable oil (HVO). What this means is that more US soybeans would need to be crushed to produce SBO to be utilised as biofuel feedstock. Based

on the increase in biomass-based diesel mandate for 2025, the US would require an additional 2.2-2.7m tonnes of SBO pa.

However, with more crushing, there will also be a corresponding increase in soymeal produced, likely exceeding demand in the US. This will likely result in a need to increase US soymeal exports in 2026F, creating competition from other soymeal exporters like Argentina, and pressuring soymeal prices.

Figure 7: New US biofuel mandate

Figure 8: US soybean supply and demand

Proposed Volume Requirements 2023 – 2027 (billion RINs)

Billion RINs	Volume Requirement Established in Set 1 Rule			Proposed Volume Requirements	
	2023	2024	2025	2026	2027
Cellulosic biofuel	0.84	1.09	1.38	1.30	1.36
Biomass-based diesel (RINs)	4.51	4.86	5.36	7.12	7.50
Biomass-based diesel (gallons) – projected	2.82	3.04	3.35	5.61	5.86
Advanced biofuel	5.94	6.54	7.33	9.02	9.46
Total renewable fuel	20.94	21.54	22.33	24.02	24.46
Conventional (implied mandate)	15.00	15.00	15.00	15.00	15.00

Source: EPA

U.S.A. : Soybean Supply & Demand Balance ( Mn T )

	September / August				
	25/26F	24/25	23/24	22/23	21/22
Op. stocks . . . . .	10.60*	9.32	7.19	7.47	6.99
Crop . . . . .	116.80*	118.84	113.27	116.22	121.53
Imports . . . . .	.50*	.61*	.58	.68	.45
Exports . . . . .	43.60*	49.10*	46.22	53.94	58.71
Crushings . . . . .	68.30*	66.00*	62.20	60.20	59.98
Other use . . . . .	3.30*	3.07*	3.31	3.04	2.81
End. stocks . . . . .	12.70*	10.60*	9.32	7.19	7.47
Stocks/usage	11.0%	9.0%	8.3%	6.1%	6.1%

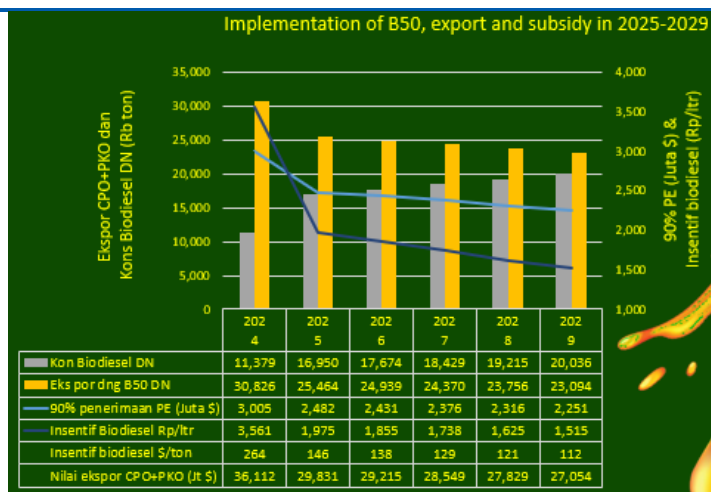
Source: Oil World

Indonesia to increase mandate to B50? Besides the increased demand for SBO in the US for biofuel, we would also need to watch out for Indonesia’s plan to increase its biodiesel admixture to B50 (from B40). As at mid-2025, there has been no update as to the production or distribution of biodiesel in Indonesia for 2025. However, based on media reports by the Indonesian Palm Oil Association (GAPKI), production could be behind schedule as at YTD-April, as biodiesel distributed is only at 4.3m kL (+3.6% YoY). Assuming B40 is fully met in Indonesia in 2025, this would translate to a 12% YoY rise in biodiesel output, utilising c13.5m tonnes of CPO (+18% YoY). Should the mandate be increased to B50, this would mean a total of 18m tonnes of CPO to be utilised for 2026F.

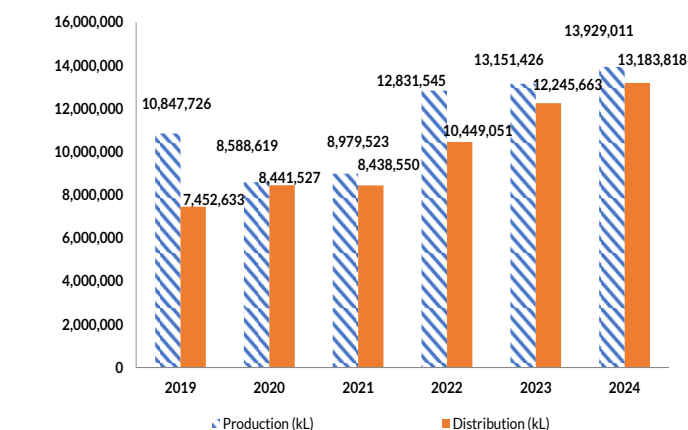
Our base case assumption is for B40 to be maintained in 2026, as we believe the Indonesian Government would be hard pressed to ensure that this does not result in inflationary pressure for the country. Should B50 be implemented, domestic PO demand would rise further and PO exports from Indonesia would shrink to 21m tonnes (from 27m tonnes projected for 2025F), which would likely result in higher global CPO prices, thus raising domestic cooking oil prices. There is also a need to ensure there is enough biodiesel capacity to produce B50 – end-2025F capacity of 21m tonnes would need to be raised to 23.5m tonnes to produce at B50 levels.

Figure 9: Simulation of B50 output vs PO exports

Figure 10: Biodiesel production (+6% YoY) and distribution in Indonesia (+8% YoY) in 2024



Source: GAPKI

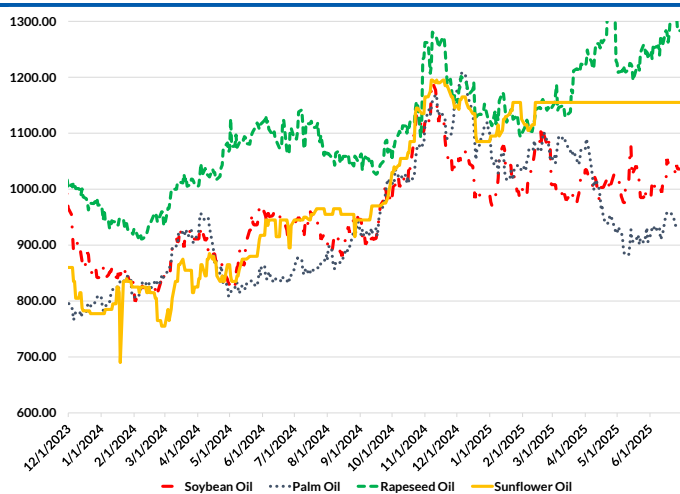


Source: Indonesia Biofuel Producer Association

What does all this mean for relative prices of vegetable oils and demand? Ignoring all other noises and reactions from geopolitics, we expect to see these few things happening in 2026F:

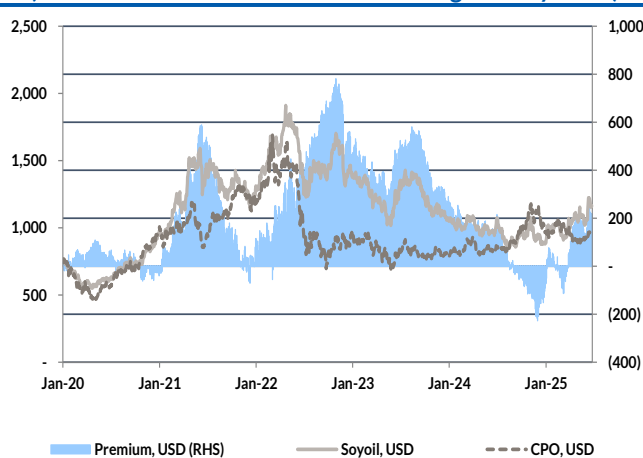
- i. Soybean prices could remain muted, due to the strong soybean supply anticipated to continue in 2026F;
- ii. But SBO prices could remain supported at higher levels, particularly in the US, due to support from biofuel policies and the subsequent increase in demand anticipated;
- iii. As a result, CPO prices, now trading at a discount to SBO, are likely to remain at a discount in the medium term;
- iv. With CPO prices remaining at a discount to SBO, demand from price sensitive countries like India, Pakistan, Bangladesh etc should come back.

Figure 11: CPO vs other vegetable oils



Source: Bloomberg - note that prices here refer to the FOB spot price

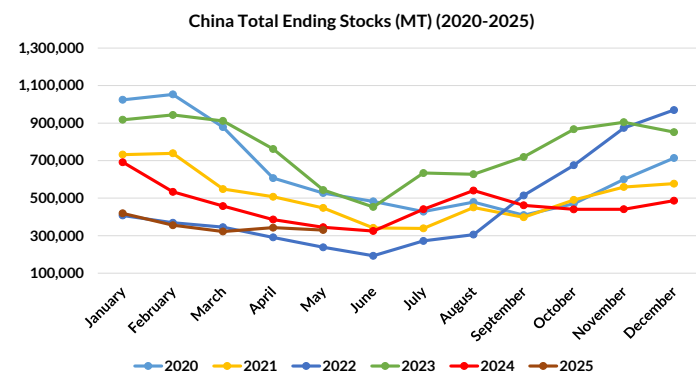
Figure 12: CPO is now trading at a USD217/tonne discount to SBO (from USD182/tonne discount on average in May 2025)



Source: Bloomberg

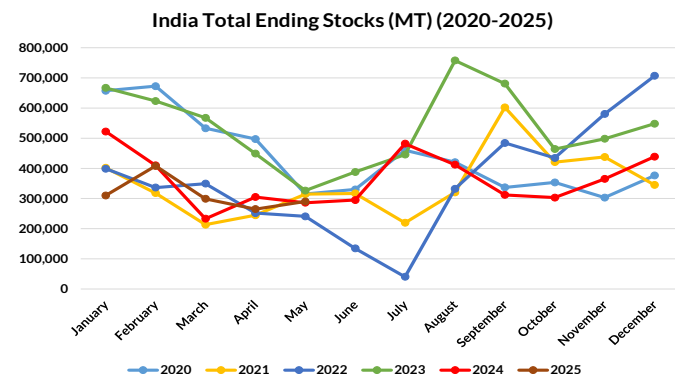
In the short term, demand from India and Bangladesh should come back. Currently, India's end-May 2025 palm oil stock levels are at 29% below the historical average (vs -35% in April). Should CPO prices remain at a discount to SBO prices (currently at USD217/tonne) for the rest of the year and into 2026, we should see stronger demand for PO coming from India. This can already be seen for May 2025, whereby India's PO imports have increased 85% MoM, bringing YTD-May 2025 PO imports to -38%, an improvement from YTD-Apr 2025 of -43%. As for China, its PO stocks remained low at 42% below the historical average at end-May, mainly due to ample stocks of SB and SBO in the country. Bangladesh's PO stock levels are also low, at 42% below historical average as at end-May, while Pakistan's stocks levels are at 4% above the historical average during the same period.

Figure 13: 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 14: India's PO stocks improved to 29% below the historical average at end-May 2025 (vs -35% at end-Apr 2025)



Source: MPOC

## Conclusion

All in, we believe that demand for PO will remain supportive in 2026F, while supply will improve, barring any unforeseen weather issues. This means that prices for CPO will likely not vary too greatly in 2026 from 2025 levels. For 2025, YTD prices are currently at MYR4,390 per tonne per tonne. Assuming CPO prices remain in the range of MYR3,700-4,100 per tonne for the rest of the year, we believe prices may fall slightly short of our original MYR4,300 per tonne average forecast. As such, we bring down our CPO price forecasts to MYR4,100 per tonne for 2025, and to MYR4,000 per tonne (from MYR4,100 per tonne) for 2026 and 2027. We also adjust upwards our PK price assumptions, given the current tight lauric oil market, which has resulted in YTD prices rising 49% YoY to MYR3,489 per tonne. As such, we have raised our PK price forecasts to MYR3,300 per tonne for 2025 (from MYR2,800) and to MYR3,200 per tonne for 2026 and 2027 (from MYR2,600).

## Risks

The main downside risks to our outlook include:

- i. Intensifying geopolitical risks;
- ii. Significant changes in the crude oil price trend, which may result in changes to 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. Revision in Indonesia's tax structure, trade policies and biodiesel mandates;
- vi. Revision in US biofuel policy or delays in implementation; and
- vii. More ESG issues.

## Annual ESG Review

We review the ESG credentials of all the stocks under our coverage on an annual basis in order to ensure that our ESG ratings are up to date. This year, while the sector's overall ESG score is maintained at 2.7, we note that there have been notable improvements across the board for companies under our coverage. This is a positive indicator of their readiness in complying with the EU Deforestation Regulation (EUDR), as well as positive progress made with regards to other ESG aspects in the last financial year.

Figure 15: ESG scores of stocks under coverage

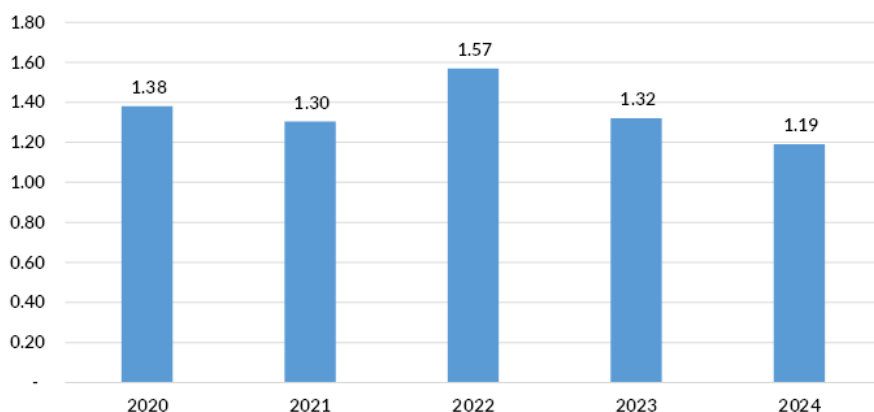
	Environment	Social	Governance	Aggregate Score
Wilmar International	3.7	2.7	3.3	3.3
Kuala Lumpur Kepong	3.0	3.3	3.3	3.2
SD Guthrie	3.3	3.0	3.0	3.2
Johor Plantations Group	3.0	3.7	3.0	3.2
IOI Corporation	3.3	2.7	3.3	3.1
First Resources	3.0	2.0	3.3	2.8
Bumitama	2.7	2.0	3.0	2.6
Golden Agri	2.3	2.7	3.0	2.6
TSH Resources	2.7	2.0	2.7	2.4
Astra Agro Lestari	2.7	2.0	2.3	2.4
Sarawak Oil Palms	2.3	2.0	2.7	2.3
London Sumatra	2.3	2.3	2.0	2.3
Ta Ann	2.0	2.0	2.3	2.1
<b>Average Score</b>	<b>2.7</b>	<b>2.4</b>	<b>2.9</b>	<b>2.7</b>

Source: RHB

### Environment

**Greenhouse gas (GHG) emissions.** In 2024, four companies under our coverage – SOP, TSH Resources (TSH), BAL and Golden Agri (GGR), recorded an increase in GHG intensity, ranging from +3% to +7%. For the rest of the plantation companies, they recorded a reduction in GHG intensity, ranging from -2% to as high as -33% YoY. The company that recorded the highest reduction YoY is FR (-33% YoY), followed by IOI (-28% YoY) and SDG (-22% YoY). These improvements were mainly driven by consistent crop sequestration, installation of methane capture facilities as well as increasing the usage of renewable energy (RE) in their operations. Additionally, TAH has also started to disclose its GHG emissions, while BAL has incorporated polygon-mapping traceability in its operations to better prepare for the EUDR.

Figure 16: Average GHG emission intensity (tonne CO2 eq/tonne of palm products)

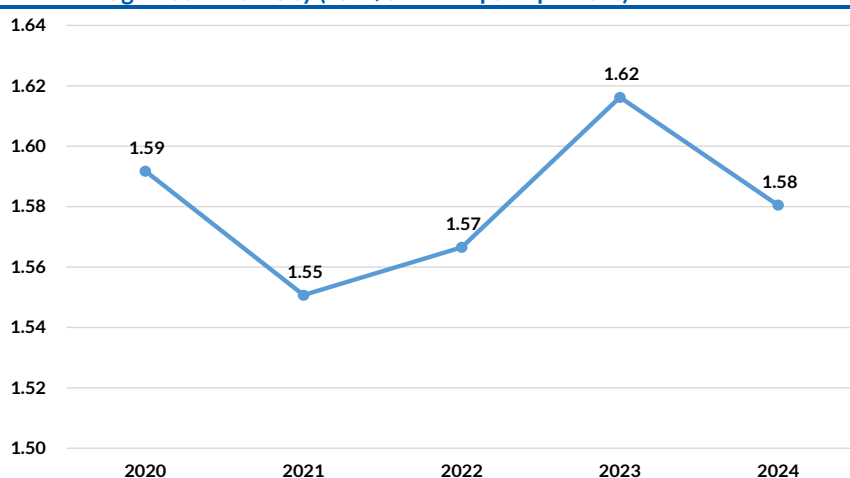


Source: Company data, RHB

We highlight that certain companies have revised their historical GHG emissions data, after including Scope 3 emissions and also, adoption of different reporting methodologies. As a result, YoY comparisons may not be entirely feasible given the changes in baseline data. Furthermore, some planters have yet to map or disclose their GHG emissions, limiting the effectiveness of peer benchmarking. Nevertheless, our analysis concludes that GHG emissions intensity for the sector has decreased by 9.8% on average. With both Indonesia and Malaysia committing to the net-zero target by 2050 onwards, we view the progress by palm oil players as a positive development and as such, expect them to remain steadfast in reducing GHG emissions in the future.

**Water and energy intensity flattish YoY.** Average water intensity marginally reduced by 2% in the past financial year, with the performance varying from -16% to +7% YoY. SOP recorded the biggest reduction (-16% YoY), driven by its Balingian Palm Oil Mill, which saw a 45% reduction in its water usage thanks to improvements in effluent system piping and comprehensive training sessions. Meanwhile, the highest increase came from GGR (+6.5% YoY), despite recording flattish water consumption growth of +0.5% YoY.

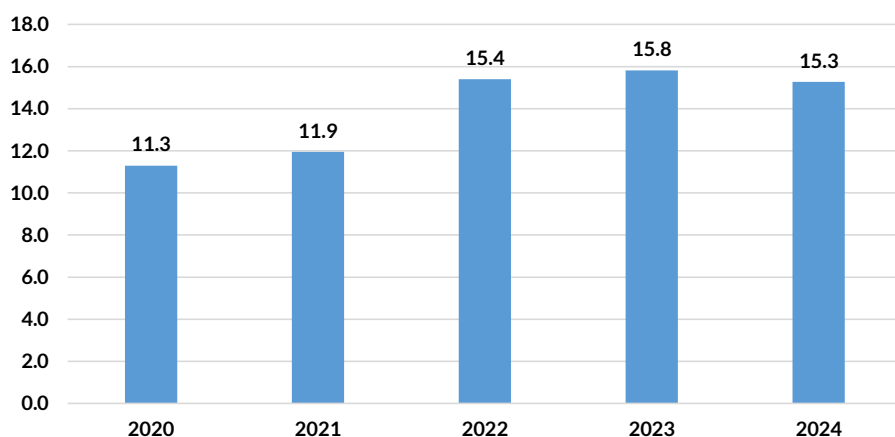
Figure 17: Average water intensity (cu m/tonne of palm product)



Source: Company data, RHB

Average energy consumption has shown a decrease for the first time in three years, at -3% YoY, with the biggest contributor coming from FR (-18% YoY). We also note that companies under our coverage have also increased their usage of RE in their operations, with larger-cap planters like SDG, Wilmar International and KLK consuming about 87%, 52% and 68% of RE from their total energy consumption. This represents a more suitable alternative, given its sustainable nature.

Figure 18: Average energy consumption for stocks under coverage (GJm)



Source: Company data, RHB

Our average “Environment” score for the sector is maintained at 2.7, but note that we have raised the individual scores of IOI and FR, albeit offset by a reduction for TSH. The positive increase in scores came from improvements made over the last year such as GHG emissions, usage of RE, certification status as well as traceability rates. TSH faced a slight reduction in its “E” scoring, following its decision to withdraw from the Roundtable on Sustainable Palm Oil (RSPO) membership.

## Social

Our “Social” score remains the same as last year, as there were no significant improvements made nor changes done in terms of disclosure over the last year. Furthermore, this pillar is the hardest to evaluate using quantifiable methods, given its qualitative nature. However, we highlight that we have uplifted SDG’s “S” score, following the lifting of US Customs and Border Protection’s (CBP) two-year ban on its palm products on the allegations of forced labour. While there have been developments as well on Wilmar relating to misconduct allegations over palm oil export permits in 2022, we believe the outcome remains uncertain at this juncture. As such, our average rating of 2.4 for the “Social” pillar for the stocks under our coverage is unchanged.

Figure 19: Companies’ “Social” aspects

Company	Channels for workers to raise concerns	Whistleblowing policy	Employees' professional /personal development	Policy for smallholders (where applicable)	Employees' welfare
Description	Existence of grievance channels or channels to raise concerns	Existence of policy to protect whistleblowers	Provision of training and education to employees	Any policy/action in place to training, yield improvement and RSPO certification	Accommodation and amenities provided
WIL	Yes	Yes	Yes	Yes	Yes
KLK	Yes	Yes	Yes	Yes	Yes
SDG	Yes	Yes	Yes	Yes	Yes
JPG	Yes	Yes	Yes	Yes	Yes
IOI	Yes	Yes	Yes	Yes	Yes
FR	Yes	Yes	Yes	Yes	Yes
BAL	Yes	Yes	Yes	Yes	Yes
GGR	Yes	Yes	Yes	Yes	Yes
TSH	Yes	Yes	Yes	Yes	Yes
AALI	Yes	Yes	Yes	Yes	Yes
SOP	Yes	Yes	Yes	Yes	Yes
LSIP	Yes	Yes	Yes	Yes	Yes
TAH	Yes	Yes	Yes	Yes	Yes

Source: Company data, RHB

## Governance

**Board independence.** We note an increase in the proportion of independent directors on the board of BAL (from 33% to 57%) and KLK (from 44% to 56%). However, three companies saw a decline in their independent directors’ proportion – IOI, SOP and TSH, although their proportion of independent directors still make up half of their Boards. For other companies under our coverage, there are no changes to composition of the board in terms of proportion of independent directors/commissioners.

**Gender diversity.** On the gender diversity at the board level however, four companies under our coverage (JPG, SDG, IOI and SOP) recorded a decrease in female representation, ranging from -2% to -10%, while only BAL showed notable improvement, by +6.4%. IOI has the highest percentage of female directors for companies under our coverage, accounting for 43% of the board. Overall, eight companies under our coverage (KLK, Ta Ann, JPG, TSH, GGR, BAL, Astra Agro Lestari (AALI) and LSIP) are still sitting below the threshold for female directors, ie below 30%, while five companies are sitting above the threshold (SDG, IOI, SOP, WIL and FR).

Our overall “Governance” score stays at 2.9, given the lack of material changes.

Figure 20: Companies' governance aspects (as at latest annual report dates)

Company	Board independence	Limiting to just nine years (for independent directors)	Gender inclusivity	Emphasis of sustainability at board level	Remuneration transparency
Description	At least half of the board comprises of independent directors	Limiting to just nine years (for independent directors)	Female representation	Formation of a sustainability group	Full disclosure of fees and benefits on named basis
SDG	5/10 are independent	Yes	30.0%	Yes	Yes
IOI	4/7 are independent	Yes	42.9%	Yes	Yes
KLK	5/9 are independent	Yes	22.2%	Yes	Yes
JPG	5/9 are independent	Yes	22.2%	Yes	Yes
SOP	3/10 are independent	Yes	40.0%	Yes	Yes
TAH	3/8 are independent	Yes	25.0%	Yes	Yes
TSH	4/8 are independent	Yes	12.5%	Yes	No
WIL	7/13 are independent	Not applicable	30.8%	Yes	Yes
GGR	5/8 are independent	Not applicable	25.0%	Yes	Yes
FR	5/8 are independent	Not applicable	37.5%	No	Yes
BAL	4/7 are independent	Not applicable	28.6%	No	Yes
AALI	2/4 are independent	Not applicable	25.0%	No	No
LSIP	2/5 are independent	Not applicable	0.0%	Yes	No

Source: Company data, RHB

Overall, we have raised the ESG scores for three companies under our coverage – SDG, IOI and FR – driven mainly by above-average improvements in the “E” score and “S” pillar. Conversely, we have lowered the ESG score for TSH, primarily due to its decision to withdraw from the RSPO membership. For the remaining planters, while their ESG scores remain unchanged, we have observed gradual improvements across the board. Overall, we are upbeat on this development, as it reflects the steady progress by the sector in addressing ESG practices.

Figure 21: ESG scores

Company	ESG Score		Recommendation	
	Old	New	Old	New
Wilmar International	3.3	3.3	Neutral	Neutral
Kuala Lumpur Kepong	3.2	3.2	Buy	Neutral
SD Guthrie	3.0	3.2	Buy	Buy
Johor Plantations Group	3.2	3.2	Buy	Buy
IOI Corporation	3.0	3.1	Buy	Buy
First Resources	2.7	2.8	Buy	Buy
Bumitama Agri	2.6	2.6	Buy	Neutral
Golden Agri	2.6	2.6	Neutral	Neutral
TSH Resources	2.6	2.4	Neutral	Neutral
Astra Agro Lestari	2.4	2.4	Neutral	Neutral
Sarawak Oil Palms	2.3	2.3	Buy	Buy
London Sumatra	2.3	2.3	Buy	Buy
Ta Ann	2.1	2.1	Neutral	Neutral

Source: RHB

Forecasts

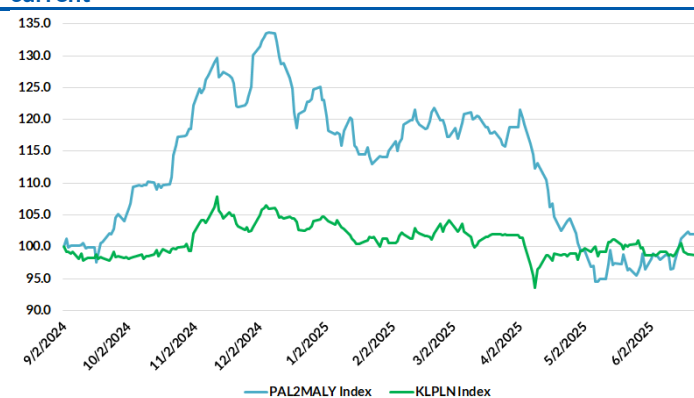
**Earnings changes.** With the reduction in our CPO price assumptions and increase in our PK price assumptions, our earnings forecast changes are mixed – as those with more PK sales would see earnings increase, while those with less would see a moderation in earnings. All in, earnings forecasts for the stocks under our coverage have been revised by between -7.6% and 7.2% for FY25, by -5.9% to 7.8% for FY26 and -6.7% to 9.5% for FY27F. We have also imputed the newly imposed 5% SST (from 1 Jul 2025) into our forecasts for the downstream segments of the big-cap Malaysian players, which has resulted in a moderation of downstream margins. Besides this, our earnings forecasts also take into account the recent changes to export levies in Indonesia and revision to our in-house forex assumptions.

Recommendation

**Downgrade to NEUTRAL (from Overweight).** We had upgraded the sector to Overweight in 4Q24, as CPO prices were on an uptrend, with prices rising from around MYR4,200 per tonne to a high of MYR5,300 per tonne in seven weeks. We believed at that time that share prices were only reflecting CPO prices of MYR4,000 per tonne and below as share prices only started moving once CPO prices crossed the MYR4,700 per tonne mark in Nov 2024. Based on the charts below, we highlight that while share prices did move slightly upward as CPO prices rose, it never matched the proportion of the CPO price movement. This is likely indicative of investors’ wary attitude toward the sector in general in view of the many external factors that can affect CPO prices and therefore earnings. In 2025 alone, there have been trade wars, actual wars, surprise taxes and levies, changes in trade policies and ESG risks which have affected the sector.

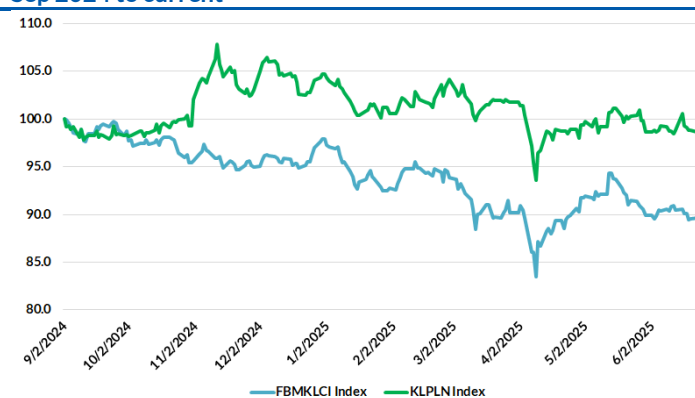
**Historically, in times of turmoil, the KL Plantation Index has outperformed the KLCI.** We highlight however, that while share prices may not have moved up as much as CPO prices, the reverse is also true when the price trend turns negative. When CPO prices fell from its highs to current levels, share prices also remained relatively steady, which could indicate that investors view plantation stocks as more defensive in nature, rather than alpha plays. When compared to the FBMKLCI, we also highlight that in general, the KL Plantation Index has also outperformed the KLCI in YTD-2025.

Figure 22: CPO prices vs KL Plantation Index – Sep 2024 to current



Source: Bloomberg

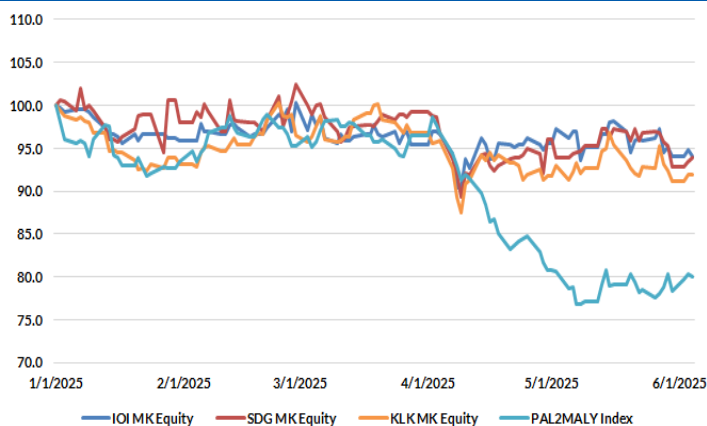
Figure 23: KL Plantation Index has outperformed the FBMKLCI – Sep 2024 to current



Source: Bloomberg

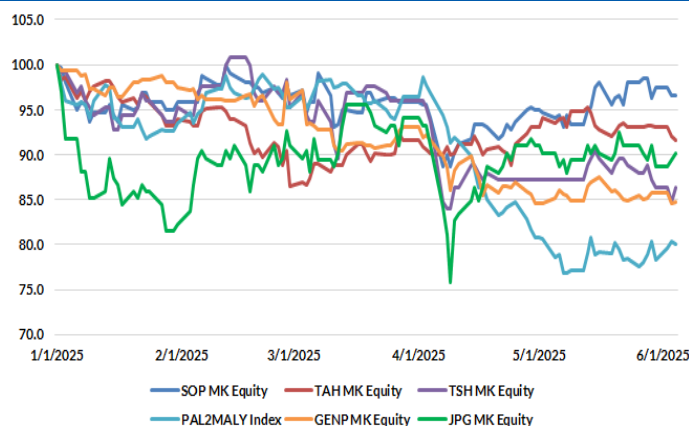
**Share prices of regional planters also held steady when CPO prices moderated.** This trend is also visible when comparing the share price performance of the various planters under our coverage vs CPO prices, where share prices hold relatively steadier vs CPO price movements – again speaking to the perceived defensiveness of earnings.

Figure 24: CPO prices vs Malaysian big-caps – YTD 2025



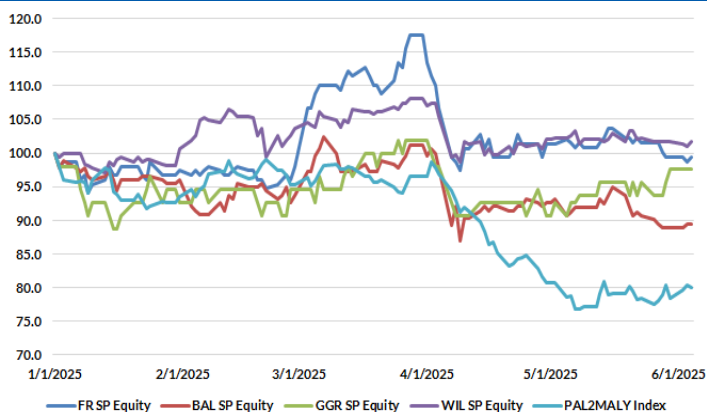
Source: Bloomberg

Figure 25: CPO prices vs Malaysian mid-caps – YTD 2025



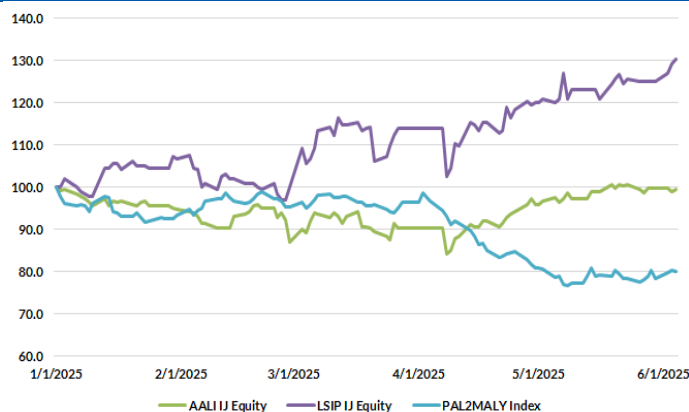
Source: Bloomberg

Figure 26: CPO prices vs SGX-listed stocks YTD-2025



Source: Bloomberg

Figure 27: CPO prices vs IDX-listed stocks YTD-2025



Source: Bloomberg

**TP rolled forward and ESG scores updated.** Post annual ESG review, we have also made several changes to our ESG scores, rolled forward our valuation targets to 2026 (from 2025) and updated our target P/Es for some of the stocks to reflect the latest historical averages – all of which have altered the TPs of the stocks under our coverage. ESG scores have been raised for three of our companies under coverage – SDG, IOI and FR but reduced for TSH. While all other scores for the stocks under coverage remain unchanged, we note that there have been gradual improvements or minimal declines in their ESG credentials.

**Top Picks rejigged.** Our Top Picks are now mixed – with focus on value plays as well as situational plays. With the change in CPO and PK price assumptions and the ESG scores, we have now downgraded two stocks to Neutral (from Buy) – ie BAL and KLK. Our Top Picks are now categorised into value plays: JPG, SOP, LSIP, IOI and situational plays: SDG (new earnings from value unlocking) and FR (new acquisition to drive growth). All in, we now have 6 BUY and 7 NEUTRAL recommendations.

Figure 28: Earnings and recommendation changes

	FYE	Current Price	Net Profit % chg			Old TP	New TP	Old Rec	New Rec	New Valuation Basis	Old Valuation Basis	New ESG Premium/(Discount)	Old ESG Premium/(Discount)
		2 Jul 2025	FY25F	FY26F	FY27F								
		<b>Malaysia (MYR)</b>											
JPG	Dec	1.18	3.5%	7.8%	9.5%	1.55	1.45	BUY	BUY	13x 2026F	14x 2025F	4%	4%
IOI	June	3.75	1.5%	-2.3%	-0.1%	4.60	4.30	BUY	BUY	18x 2026F	20x 2025F	2%	0%
KLK	Sep	20.98	-1.3%	-7.8%	-6.7%	24.45	20.65	BUY	NEUTRAL	18x 2026F	20x 2025F	4%	4%
SDG	Dec	4.70	-7.4%	-6.5%	-4.6%	5.65	5.45	BUY	BUY	20x 2026F	20x 2025F	4%	0%
SOP	Dec	3.15	4.3%	7.3%	7.8%	4.80	3.80	BUY	BUY	8x 2026F	10x 2025F	-14%	-14%
TAH	Dec	3.70	1.1%	2.0%	2.0%	3.65	3.60	NEUTRAL	NEUTRAL	11x 2026F	11x 2025F	-18%	-18%
TSH	Dec	1.14	7.2%	3.0%	2.6%	1.15	1.10	NEUTRAL	NEUTRAL	12x 2026F	12x 2025F	-12%	-8%
<b>Singapore (SGD)</b>													
BAL	Dec	0.76	2.5%	5.6%	7.4%	0.90	0.80	BUY	NEUTRAL	9x 2026F	10x 2025F	-10%	-10%
FR	Dec	1.49	3.2%	-1.2%	-1.3%	1.85	1.70	BUY	BUY	10x 2026F	10x 2025F	-6%	-8%
GGR	Dec	0.25	-3.9%	-4.8%	-6.1%	0.26	0.25	NEUTRAL	NEUTRAL	USD3,000 EV/ha SOP	USD4300 EV/ha SOP	-10%	-10%
WIL	Dec	2.90	-7.6%	-5.9%	-5.8%	3.00	2.80	NEUTRAL	NEUTRAL			4%	4%
<b>Indonesia (IDR)</b>													
AALI	Dec	5,750	4.3%	4.0%	7.9%	6,150	6,090	NEUTRAL	NEUTRAL	11x 2026F	11x 2025F	-12%	-12%
LSIP	Dec	1,260	5.1%	2.8%	3.9%	1,530	1,500	BUY	BUY	8x 2026F	8x 2025F	-14%	-14%

Note: Prices are as at 2 Jul 2025  
Source: RHB

Figure 29: 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) 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

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Figure 30: Effective CPO prices in Malaysia

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 MYR3,000/tonne)	225	210	195	180	165	150	135	120	105	90	75	60	45	30	15	-
East Malaysia – Windfall tax (15% above MYR3,500/tonne)	150	135	120	105	90	75	60	45	30	15	-	-	-	-	-	-
Export tax	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	7.5%	7.0%	7.0%	6.5%	6.0%
Export tax (MYR/tonne)	360	352	344	336	328	320	312	304	296	288	280	255	231	224	201.5	180
<b>Effective West Malaysia price (MYR/tonne)</b>	<b>3,915</b>	<b>3,838</b>	<b>3,761</b>	<b>3,684</b>	<b>3,607</b>	<b>3,530</b>	<b>3,453</b>	<b>3,376</b>	<b>3,299</b>	<b>3,222</b>	<b>3,145</b>	<b>3,085</b>	<b>3,024</b>	<b>2,946</b>	<b>2,883.50</b>	<b>2,820</b>
<b>Effective East Malaysia price (MYR/tonne)</b>	<b>3,990</b>	<b>3,913</b>	<b>3,836</b>	<b>3,759</b>	<b>3,682</b>	<b>3,605</b>	<b>3,528</b>	<b>3,451</b>	<b>3,374</b>	<b>3,297</b>	<b>3,220</b>	<b>3,145</b>	<b>3,069</b>	<b>2,976</b>	<b>2,898.50</b>	<b>2,820</b>

Source: RHB

Figure 31: Net margin advantage for downstream in Indonesia

FOR DOWNSTREAM	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 (MYR)	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
BUY CPO at discount of MYR/tonne	1,105	1,095	979	969	738	728	718	610	600	506	496	420	410	333	323	300
BUY CPO at discount of USD/tonne	250	247	221	219	167	164	162	138	136	114	112	95	93	75	73	68
Levy for RBDPO (7.5% of reference prices)	76	75	73	71	69	68	66	64	63	61	59	58	56	54	53	51
Tax for RBDPO	76	76	61	61	17	17	17	5	5	0	0	0	0	0	0	0
<b>Net margin advantage (USD/t)</b>	<b>97</b>	<b>97</b>	<b>87</b>	<b>87</b>	<b>80</b>	<b>80</b>	<b>79</b>	<b>68</b>	<b>68</b>	<b>53</b>	<b>53</b>	<b>37</b>	<b>37</b>	<b>21</b>	<b>21</b>	<b>17</b>

Source: RHB

Figure 32: 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)	6-7%
TSH Resources (TSH) (MYR)	7-8%
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%

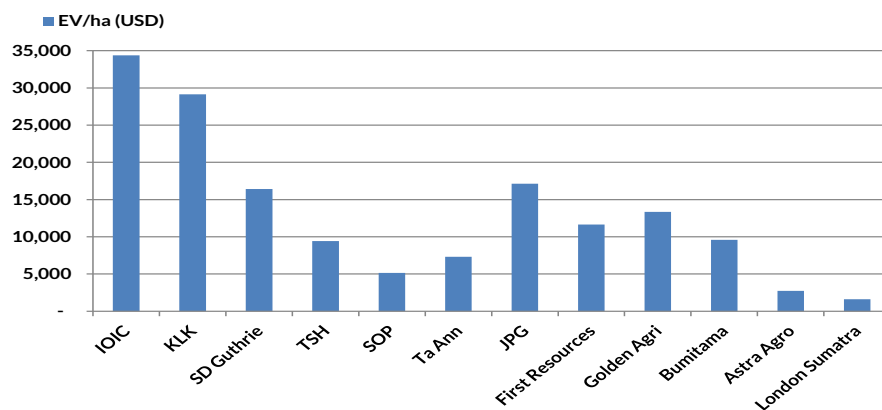
Source: RHB

Figure 33: 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
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

Figure 34: Peer comparison based on EV/ha



Source: RHB

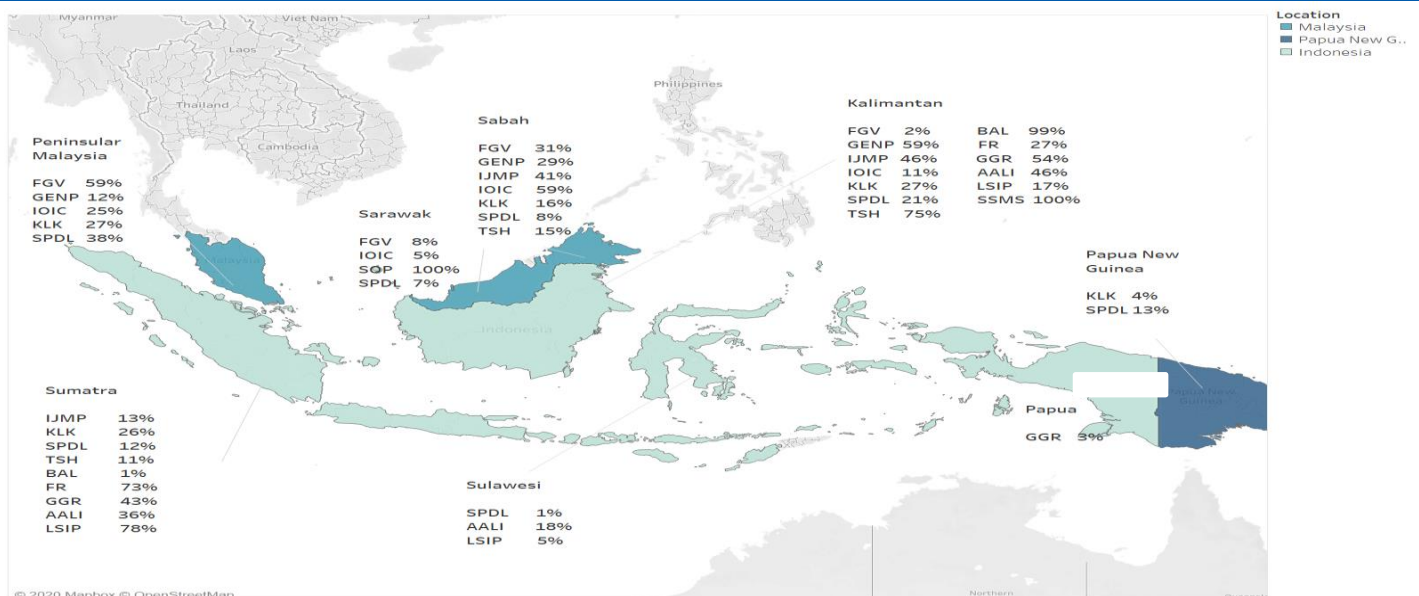
Figure 35: Regional peer comparison

	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	5,527	Neutral	20.98	20.65	19.8	21.3	2.5	54.4%	2.4%	8.3%	28,108
Sarawak Oil Palms	SOP MK	666	Buy	3.15	3.80	5.4	5.7	0.7	Cash	4.1%	13.0%	4,981
IOI Corp	IOI MK	5,503	Buy	3.75	4.30	18.5	17.4	1.9	14.2%	2.7%	10.5%	33,018
SD Guthrie	SDG MK	7,689	Buy	4.70	5.45	21.8	22.2	1.7	19.9%	2.3%	7.9%	16,036
Ta Ann	TAH MK	386	Neutral	3.70	3.60	9.1	9.4	0.9	Cash	8.6%	9.6%	7,844
TSH Resources	TSH MK	353	Neutral	1.14	1.10	10.0	11.1	0.7	Cash	1.8%	7.6%	9,219
Johor Plantations	JPG MK	719	Buy	1.18	1.45	10.7	11.0	1.0	41.1%	4.7%	9.6%	16,991
Wilmar	WIL SP	14,219	Neutral	2.90	2.80	12.1	11.0	0.7	110.6%	5.2%	5.9%	N/A
Bumitama Agri	BAL SP	1,035	Neutral	0.76	0.80	7.6	7.9	1.1	6.3%	8.5%	15.1%	9,353
Golden Agri Resources	GGR SP	2,490	Neutral	0.25	0.25	9.1	8.8	0.5	27.9%	2.2%	19.7%	13,277
First Resources	FR SP	1,813	Buy	1.49	1.55	7.6	8.4	1.2	1.4%	6.6%	16.9%	10,926
PP London	LSIP IJ	529	Buy	1,260	1,500	5.4	5.8	0.6	Cash	6.0%	11.5%	1,424
Sumatra Indonesia Astra Agro Lestari	AALI IJ	681	Neutral	5,750	6,090	8.7	9.1	0.5	Cash	4.7%	5.2%	2,789
<b>Regional Average</b>						<b>11.2</b>	<b>11.5</b>	<b>1.1</b>				<b>11,807</b>

Note: Prices are as at 2 Jul 2025

Source: RHB, Bloomberg, Company data

Figure 36: Breakdown of plantation companies' landbanks



Source: Company data, RHB

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## Astra Agro Lestari (AALI IJ)

## Neutral (Maintained)

### Unexciting Growth, Fairly Valued

Target Price (Return): IDR6,090 (+6%)  
 Price (Market Cap): IDR5,775 (USD687m)  
 ESG score: 2.4 (out of 4)  
 Avg Daily Turnover (IDR/USD) 3,045m/0.18m

- **Maintain NEUTRAL, with new IDR6,090 from IDR6,150 TP, 6% upside.** We expect 2026 to be a more balanced year fundamentally, with lower YoY CPO prices, but geopolitical risks will translate to more volatility. We lower our CPO, but raise our PK price assumptions for FY25-27. Astra Agro Lestari remains fairly valued, trading at 9x FY26F, at the high end of its peer range of 6-11x 2026F P/E.
- **Spot CPO prices have moderated** from MYR4,600-4,800/tonne in 1Q25 to a low of MYR3,780 in May, only to bounce back to MYR3,900-MYR4,100 currently. The decline was mainly driven by geopolitics in the light of US trade tariffs, wars, and crude oil prices falling as a result, all of which pushed CPO prices in the same direction. We highlight that the correlation between CPO prices and crude oil prices surged to 0.47 in Apr 2025 from -0.6 in 1Q25, and subsequently rose further to the current levels of 0.68, due to more geopolitical risks.
- **What's next for CPO prices?** We expect CPO prices to remain volatile given the ever-changing geopolitical situation. Fundamentally however, global supply and demand will likely be more balanced in 2026F, as supply improves, while demand should pick up given the more attractive relative prices.
- **Supply of 17 oils and fats complex is expected to improve YoY in 2026F,** coming from a partial recovery of palm, sunflower and rapeseed supplies, as well as continued growth from soybeans. Still, the stock/usage ratio of the 17 oils and fats complex is still expected to remain below the historical average of 13.6%, at 12.9% for Oct 2025F/Sep 2026F, albeit up from 12.7% in 2025F. This leaves very little cushion in case of any short-term bullish supply or demand surprises, hence raising the risk of price volatility going forward.
- **What does this mean for relative prices of vegetable oils and demand?** Ignoring the noises from geopolitics, we expect 2026F to see: i) Muted soybean prices, due to continued strong supply in 2026F; ii) SBO prices remain supported at higher levels, due to the higher demand from increased US biofuel blending; iii) CPO prices to continue trading at a discount to SBO in the medium term (currently at USD217/tonne discount); and iv) demand from price sensitive countries like India, Pakistan, Bangladesh come back.
- **We trim our CPO price** to MYR4,100/tonne (from MYR4,300) for 2025F and to MYR4,000 (from MYR4,100) for 2026F and 2027F; but raise PK prices to MYR3,300/tonne for 2025F (from MYR2,800) and to MYR3,200 for 2026F and 2027F (from MYR2,600). We also update for our latest in-house forex assumptions and adjust forecasts up by 4.3%, 4.0% and 7.9% for FY25-27.
- **Maintain NEUTRAL.** We maintain AALI's ESG score of 2.4 and roll forward our valuation target to 2026. With this, our TP is lowered to IDR6,090 (from IDR6,150), based on an unchanged P/E target of 11x 2026F.

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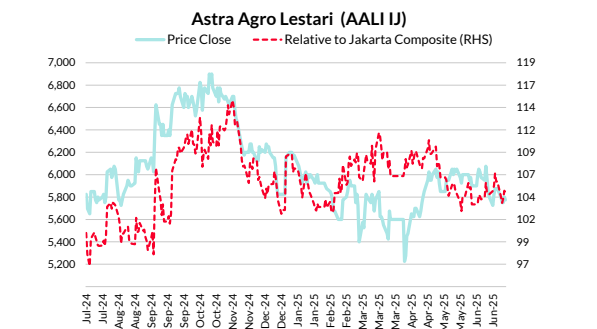


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#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(6.9)	(3.4)	3.1	(6.5)	5.0
Relative	(3.9)	(0.5)	(2.3)	(2.3)	9.9
52-wk Price low/high (IDR)	5,225 –6,900				



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (IDRb)	20,745	21,815	22,252	22,498	23,011
Recurring net profit (IDRb)	1,050	1,040	1,275	1,212	1,246
Recurring net profit growth (%)	(43.1)	(0.9)	22.6	(5.0)	2.8
Recurring P/E (x)	10.59	10.68	8.71	9.17	8.92
P/B (x)	0.5	0.5	0.5	0.5	0.5
P/CF (x)	4.38	3.29	4.19	4.02	3.88
Dividend Yield (%)	6.9	4.3	4.7	5.2	4.9
EV/EBITDA (x)	3.83	2.83	2.79	2.73	2.58
Return on average equity (%)	4.8	5.1	5.2	4.8	4.9
Net debt to equity (%)	8.5	net cash	0.1	net cash	net cash

Source: Company data, RHB

Overall ESG Score: 2.4 (out of 4)

E Score: 2.7 (GOOD)

S Score: 2.0 (MODERATE)

G Score: 2.3 (GOOD)

Please refer to the ESG analysis on the next page

## Emissions And ESG

Trend analysis	Emissions (tCO2e)	Dec-22	Dec-23	Dec-24	Dec-25
In FY24, Scope 1 emissions decreased to 753.7k tonnes of CO2 equivalents (FY23: 880.9k tonnes of CO2 equivalents) while Scope 2 decreased to 11.4k tonnes of CO2 equivalents (FY23: 23.6k tonnes of CO2 equivalents)	Scope 1	975,519	880,872	753,701	na
	Scope 2	21,779	23,577	11,445	na
	Scope 3	na	na	na	na
	Total emissions	997,298	904,449	765,146	na

Source: Company data, RHB

## Latest ESG-Related Developments

**Greenhouse gas (GHG) reduction:** AALI has set a target of reducing its GHG emissions by 30% by 2030 using 2019 as a baseline. (FY24: 38%)

**Renewable energy adoption:** AALI intends to increase its renewable energy use to 93.4% of its total energy consumption by 2030, which it has 92.2% in 2024.

**Traceability to mill:** AALI continues to maintain 100% traceability to plantation of its CPO and CPKO supply sources.

## ESG Unbundled

Overall ESG Score: 2.4 (out of 4)

Last Updated: 2 July 2025

E Score: 2.7 (GOOD)

AALI recorded a notable reduction in GHG emission intensity from 43.6 tonnes of CO2e per IDRbn in 2023 to 35.07 tonnes in 2024, contributed by substituting coal with shells, fertiliser reduction of 733 tonnes and methane capture from POME treatment

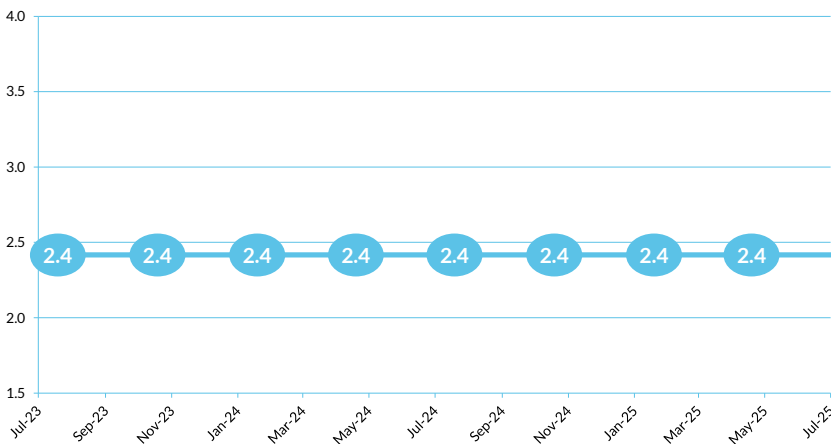
S Score: 2.0 (MODERATE)

AALI focuses on four main aspects in its CSR i.e. economy, environment, education and healthcare. It has been actively purchasing FFB from community shareholders, and also builds and manages education infrastructure under the Astra Agro Lestari Foundation. Integrated healthcare centres as well as at-plantation centres were also built for employees, as well as the communities living around plantation areas.

G Score: 2.3 (GOOD)

Half of the Board of Commissioners are independent, of which one is female, whose duty is to supervise the policy in an advisory capacity to the Board of Directors. AALI does not make full disclosure on its directors' remuneration and benefits

## ESG Rating History



Source: RHB

## Financial Exhibits

Asia	Financial summary (IDR)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Indonesia	Recurring EPS	545.35	540.59	662.68	629.60	647.24
Agriculture	DPS	401.00	249.00	270.61	300.78	285.76
<b>Astra Agro Lestari</b>	BVPS	11,438.76	11,763.94	12,061.75	12,329.39	12,612.05
AALI IJ	Return on average equity (%)	4.8	5.1	5.2	4.8	4.9
Neutral						
	<b>Valuation metrics</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
<b>Valuation basis</b>	Recurring P/E (x)	10.59	10.68	8.71	9.17	8.92
11x 2026F P/E	P/B (x)	0.5	0.5	0.5	0.5	0.5
	FCF Yield (%)	13.7	21.9	5.4	6.3	7.3
	Dividend Yield (%)	6.9	4.3	4.7	5.2	4.9
<b>Key drivers</b>	EV/EBITDA (x)	3.83	2.83	2.79	2.73	2.58
i. Increase in palm product prices;	EV/EBIT (x)	8.00	5.28	5.41	5.58	5.36
ii. Increase in palm product sales volume;						
iii. A drop in Indonesia's and Malaysia's inventory levels.						
	<b>Income statement (IDRb)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
<b>Key risks</b>	Total turnover	20,745	21,815	22,252	22,498	23,011
i. Further weakening of CPO prices;	Gross profit	2,771	3,341	3,328	3,302	3,389
ii. Significant drop in production.	EBITDA	2,615	3,095	3,166	3,209	3,348
	Depreciation and amortisation	(1,363)	(1,436)	(1,537)	(1,638)	(1,739)
	Operating profit	1,251	1,658	1,629	1,571	1,609
<b>Company Profile</b>	Net interest	(176)	(53)	22	17	21
Astra Agro Lestari manufactures cooking oil and operates rubber plantations. Through its subsidiaries, the company also runs oil palm, tea and cocoa plantations	Pre-tax profit	1,498	1,707	1,764	1,681	1,726
	Taxation	(410)	(520)	(529)	(508)	(520)
	Reported net profit	1,056	1,148	1,194	1,134	1,166
	Recurring net profit	1,050	1,040	1,275	1,212	1,246
	<b>Cash flow (IDRb)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Change in working capital	367	(294)	(117)	(50)	(77)
	Cash flow from operations	2,539	3,379	2,655	2,762	2,868
	Capex	(1,021)	(941)	(2,057)	(2,057)	(2,057)
	Cash flow from investing activities	(1,021)	(941)	(2,057)	(2,057)	(2,057)
	Dividends paid	(814)	(507)	(521)	(579)	(550)
	Cash flow from financing activities	(1,044)	(1,326)	(661)	(658)	(662)
	Cash at beginning of period	1,620	2,090	3,236	3,172	3,219
	Net change in cash	474	1,113	(64)	47	149
	Ending balance cash	2,090	3,236	3,172	3,219	3,368
	<b>Balance sheet (IDRb)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Total cash and equivalents	2,090	3,236	3,172	3,219	3,368
	Tangible fixed assets	16,392	15,921	16,441	16,860	17,178
	Total investments	3,566	2,874	2,874	2,874	2,874
	Total assets	28,846	28,793	29,351	29,878	30,441
	Short-term debt	2,315	1,690	1,690	1,690	1,690
	Total long-term debt	1,690	1,500	1,500	1,500	1,500
	Total liabilities	6,280	5,591	5,576	5,588	5,607
	Total equity	22,566	23,202	23,775	24,290	24,834
	Total liabilities & equity	28,846	28,793	29,351	29,878	30,441
	<b>Key metrics</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Revenue growth (%)	(5.0)	5.2	2.0	1.1	2.3
	Recurrent EPS growth (%)	(43.1)	(0.9)	22.6	(5.0)	2.8
	Gross margin (%)	13.4	15.3	15.0	14.7	14.7
	Operating EBITDA margin (%)	12.6	14.2	14.2	14.3	14.6
	Net profit margin (%)	5.1	5.3	5.4	5.0	5.1
	Dividend payout ratio (%)	73.1	41.8	43.6	51.0	47.2
	Capex/sales (%)	4.9	4.3	9.2	9.1	8.9
	Interest cover (x)	4.66	6.27	6.94	6.69	6.86

Source: Company data, RHB

Figure 1: AALI's progress on ESG factors

		2022	2023	2024
<b>ENVIRONMENT</b>				
GHG emissions	Emissions (tCO <sub>2</sub> e)	997,299	904,449	765,146
GHG emissions	Intensity (tCO <sub>2</sub> e per IDRbn)	45.7	43.6	35.1
Waste treatment	Recycling/Repurposing of waste	Yes	Yes	Yes
Energy efficiency (water)	Water usage (m <sup>3</sup> ) and intensity (m <sup>3</sup> /tonne of palm product)	7,620,757	7,731,565	6,802,496
Energy efficiency	Energy consumption and intensity	20,873,007	20,968,830	18,440,177
Certifications	RSPO/MSPO/ISPO certified (%)	RSPO: N/A MSPO: N/A ISPO: 40 certs	RSPO: N/A MSPO: N/A ISPO: 39 certs	RSPO: N/A MSPO: N/A ISPO: 39 certs
Use of peat land	Peat land (%)	Not disclosed	Not disclosed	Not disclosed
Fire accidents	Number of accidents	1	1	1
Usage of renewable energy	% of renewable energy used	92.4%	92.2%	92.2%
Traceability	Traceable to mills (%)	100.00%	100.00%	100.00%
Traceability	Traceable to plantation (%)	86.00%	88.00%	88.00%
<b>SOCIAL</b>				
Channels for workers to raise concerns	Existence of grievance channels to raise concerns	Yes	Yes	Yes
Whistleblowing policy	Policies to protect whistleblowers	Yes	Yes	Yes
Employees' professional/personal development	Provision of training and education	Yes	Yes	Yes
Policy for smallholders	Policy in place for training, yield improvement and RSPO certification	Yes	Yes	Yes
Employees' welfare	Accommodation and amenities provided	Yes	Yes	Yes
<b>GOVERNANCE</b>				
Board composition	At least half of the board being independent directors	2/4 are independent	2/4 are independent	2/4 are independent
Limiting to nine years (for independent directors)	Limitation of tenure to nine years (for independent directors)	Not applicable	Not applicable	Not applicable
Gender inclusivity	Female representation in the board	0.0%	25.0%	25.0%
Emphasis of sustainability at board level	Formation of a sustainability group	No	No	No
Remuneration transparency	Full disclosure of fees and benefits on named basis	No	No	No

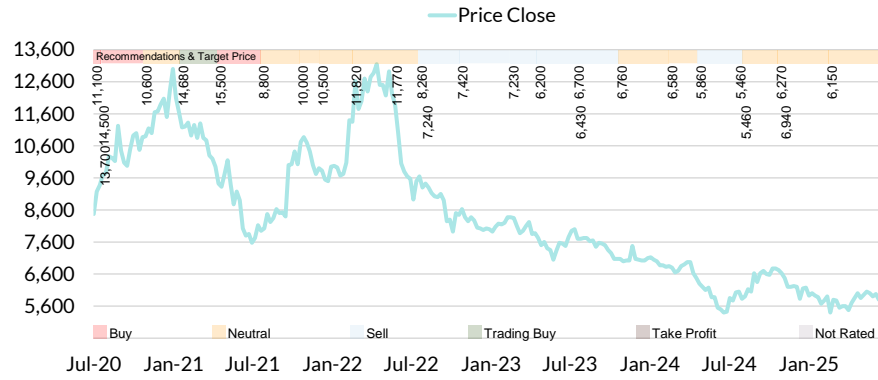
Source: Company data, RHB

Figure 2: Key assumptions

	2022	2023	2024	2025F	2026F	2027F
CPO production ('000 tonnes)	1,304	1,276	1,125	1,149	1,179	1,211
PK production ('000 tonnes)	282	272	234	262	268	276
FFB production ('000 tonnes)	3,160	3,312	3,003	3,093	3,186	3,281
CPO price (IDR/kg)	12,947	11,724	12,883	12,838	12,356	12,356
PK price (IDR/kg)	8,571	5,279	7,755	10,941	11,117	11,117

Source: Company data, RHB

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-02-24	Neutral	6,150	5,900
2024-11-11	Neutral	6,940	6,700
2024-10-30	Neutral	6,270	6,650
2024-08-11	Neutral	5,460	5,825
2024-07-30	Sell	5,460	5,975
2024-04-29	Sell	5,860	6,375
2024-02-23	Neutral	6,580	6,850
2023-10-31	Neutral	6,760	7,050
2023-07-28	Sell	6,430	7,700
2023-07-23	Sell	6,700	8,000
2023-04-26	Sell	6,200	7,675
2023-02-23	Sell	7,230	8,275
2022-10-30	Sell	7,420	8,450
2022-08-10	Sell	7,240	9,350
2022-07-28	Sell	8,260	9,550

Source: RHB, Bloomberg

9 July 2025

Agriculture | Plantation

## Bumitama Agri (BAL SP)

## Neutral (from Buy)

### More Balanced Year Ahead; D/G To NEUTRAL

Target Price (Return): SGD0.80 (+6%)  
 Price (Market Cap): SGD0.76 (USD1,024m)  
 ESG score: 2.6 (out of 4)  
 Avg Daily Turnover (SGD/USD) 0.58m/0.45m

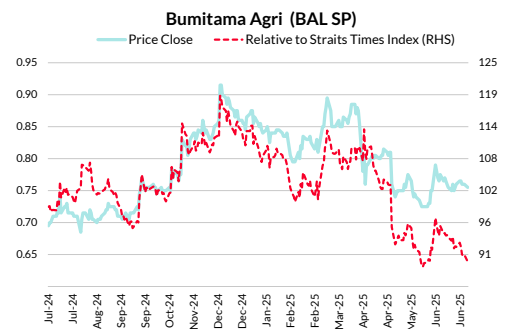
- **Downgrade to NEUTRAL (from BUY), with new SGD0.80 TP from SGD0.90, 6% upside.** We expect 2026 to be a more balanced year fundamentally, with lower YoY CPO prices, but geopolitical risks will translate to more volatility. We lower our CPO, but raise our PK price assumptions for FY25-27. Valuation is fair at 8x FY26F P/E, within its peers' 6-11x and close to its historical mean. Stock will also be supported by a FY26F dividend yield of 8%.
- **Spot CPO prices have moderated** from MYR4,600-4,800/tonne in 1Q25 to a low of MYR3,780 in May, only to bounce back to MYR3,900-MYR4,100 currently. The decline was mainly driven by geopolitics in the light of US trade tariffs, wars, and crude oil prices falling as a result, all of which pushed CPO prices in the same direction. We highlight that the correlation between CPO prices and crude oil prices surged to 0.47 in Apr 2025 from -0.6 in 1Q25, and subsequently rose further to the current levels of 0.68, due to more geopolitical risks.
- **What's next for CPO prices?** We expect CPO prices to remain volatile given the ever-changing geopolitical situation. Fundamentally however, global supply and demand will likely be more balanced in 2026F, as supply improves, while demand should pick up given the more attractive relative prices.
- **Supply of 17 oils and fats complex is expected to improve YoY in 2026F,** coming from a partial recovery of palm, sunflower and rapeseed supplies, as well as continued growth from soybeans. Still, the stock/usage ratio of the 17 oils and fats complex is still expected to remain below the historical average of 13.6%, at 12.9% for Oct 2025F/Sep 2026F, albeit up from 12.7% in 2025F. This leaves very little cushion in case of any short-term bullish supply or demand surprises, hence raising the risk of price volatility going forward.
- **What does this mean for relative prices of vegetable oils and demand?** Ignoring the noises from geopolitics, we expect 2026F to see: i) Muted soybean prices, due to continued strong supply in 2026F; ii) SBO prices remain supported at higher levels, due to the higher demand from increased US biofuel blending; iii) CPO prices to continue trading at a discount to SBO in the medium term (currently at USD217/tonne discount); and iv) demand from price sensitive countries like India, Pakistan, Bangladesh come back.
- **We trim our CPO price** to MYR4,100/tonne (from MYR4,300) for 2025F and to MYR4,000 (from MYR4,100) for 2026F and 2027F; but raise PK prices to MYR3,300/tonne for 2025F (from MYR2,800) and to MYR3,200 for 2026F and 2027F (from MYR2,600). We also update for our latest in-house forex assumptions and adjust forecasts up by 2.5%, 5.6% and 7.4% for FY25-27.
- **D/G to NEUTRAL.** We roll forward our valuation to 2026 and lower our target P/E to 9x 2026F (from 10x 2025F), after adjusting for its current historical average. With this, our TP is lowered to SGD0.80, from SGD0.90, based on an unchanged ESG score of 2.6.

### Analyst

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### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(13.7)	0.7	(3.2)	(11.2)	7.9
Relative	(20.1)	(1.8)	(17.1)	(16.5)	(10.3)
52-wk Price low/high (SGD)				0.69	-0.92



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (IDRb)	15,443	16,732	19,003	19,364	20,362
Recurring net profit (IDRb)	2,417	2,137	2,205	2,127	2,167
Recurring net profit growth (%)	(24.7)	(11.6)	3.2	(3.5)	1.9
Recurring P/E (x)	6.88	7.78	7.54	7.81	7.67
P/B (x)	1.2	1.2	1.1	1.1	1.0
P/CF (x)	5.07	5.09	4.67	4.45	4.33
Dividend Yield (%)	8.1	8.3	8.6	8.0	8.0
EV/EBITDA (x)	4.56	4.64	4.39	4.38	4.18
Return on average equity (%)	19.0	16.6	15.1	13.8	13.4
Net debt to equity (%)	14.5	9.0	6.3	2.6	net cash

Source: Company data, RHB

Overall ESG Score: 2.6 (out of 4)

E Score: 2.7 (GOOD)

S Score: 2.0 (MODERATE)

G Score: 3.0 (GOOD)

Please refer to the ESG analysis on the next page

## Emissions And ESG

Trend analysis	Emissions (tCO <sub>2</sub> e)	Dec-22	Dec-23	Dec-24	Dec-25
In FY24, Scope 1 emissions increased to 2.8m tonnes of CO <sub>2</sub> equivalents (FY23: 2.7m tonnes of CO <sub>2</sub> equivalents) while Scope 3 emissions increased to 483k tonnes of CO <sub>2</sub> equivalents (FY23: 423k tonnes of CO <sub>2</sub> equivalents)	Scope 1	2,665,960	2,674,877	2,840,623	na
	Scope 2	-	422	5,411	na
	Scope 3	454,650	423,296	482,924	na
	Total emissions	3,120,610	3,098,595	3,328,958	na

Source: Company data, RHB

## Latest ESG-Related Developments

**Sustainability certification:** As of end 2024, 59% of BAL's certifiable plantation area is RSPO certified

**Traceability:** In FY24, BAL managed to achieve 92.5% traceability to plantation, a slight reduction compared to last year as it incorporated polygon mapping.

**Reducing GHG emissions:** BAL plans to install methane capture facilities at the 15 existing mills by the end of 2029, to reach its 30% emissions reduction target by 2030.

## ESG Unbundled

Overall ESG Score: 2.6 (out of 4)

Last Updated: 2 July 2025

**E Score: 2.7 (GOOD)**

BAL has reported a reduction in greenhouse gas emissions intensity since 2017, and has set a target to reduce tCO<sub>2</sub>-e/mt CPO produced by 30% by 2030 against a 2016 baseline. To achieve the target, it aims to reduce methane emissions in mills through methane capture facilities, composting, and belt press.

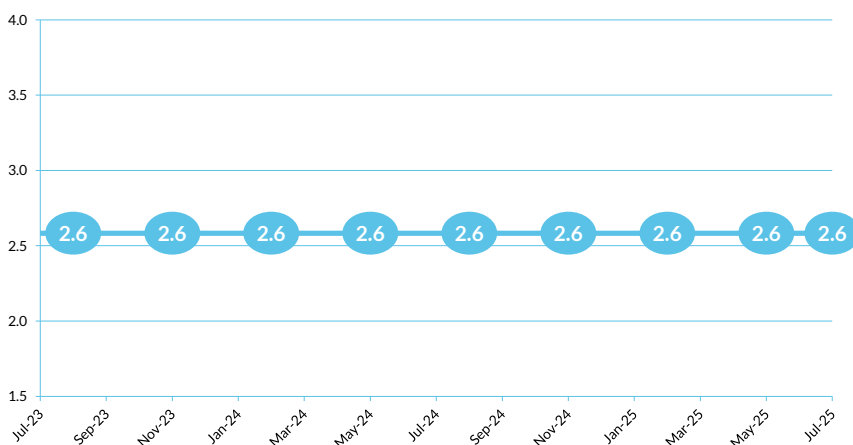
**S Score: 2.0 (MODERATE)**

BAL has embarked on an initiative to engage with its partners to assist communities in a social forestry programme – by providing administrative guidance, training and equipment to develop sustainable forest management practices. Additionally, it has also established dedicated programmes to assist smallholders with ISPO and RSPO certification.

**G Score: 3.0 (GOOD)**

47% of the Board are independent members, and there is full disclosure on director remuneration, including salaries and bonuses on a named basis. BAL has an in-house investor relations team and holds investor briefings regularly, embodying good transparency and disclosure practices.

## ESG Rating History



Source: RHB

## Financial Exhibits

Asia	Financial summary (IDR)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Singapore	Recurring EPS	1,393.81	1,232.33	1,271.65	1,226.71	1,249.57
Agriculture	DPS	777.78	793.12	826.89	765.25	765.25
<b>Bumitama Agri</b>	BVPS	7,672.85	8,198.12	8,642.88	9,104.34	9,588.65
BAL SP	Return on average equity (%)	19.0	16.6	15.1	13.8	13.4
Neutral						
	<b>Valuation metrics</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
<b>Valuation basis</b>	Recurring P/E (x)	6.88	7.78	7.54	7.81	7.67
We use 9x Dec-2026F P/E to value BAL. This implies an EV/ha of USD10,000, which is at the mid-range of its peers' range of USD8,000-15,000.	P/B (x)	1.2	1.2	1.1	1.1	1.0
	FCF Yield (%)	9.9	11.1	11.7	12.8	13.4
	Dividend Yield (%)	8.1	8.3	8.6	8.0	8.0
	EV/EBITDA (x)	4.56	4.64	4.39	4.38	4.18
	EV/EBIT (x)	5.58	5.86	5.60	5.69	5.46
<b>Key drivers</b>						
CPO price movement and FFB production output						
	<b>Income statement (IDRb)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
<b>Key risks</b>	Total turnover	15,443	16,732	19,003	19,364	20,362
i. CPO price movements;	Gross profit	4,719	4,357	4,798	4,733	4,906
ii. Weather;	EBITDA	4,608	4,394	4,668	4,642	4,814
iii. Demand and supply dynamics of the global vegetable oil industry.	Depreciation and amortisation	(844)	(917)	(1,010)	(1,070)	(1,131)
	Operating profit	3,764	3,478	3,658	3,572	3,684
	Net interest	46	(7)	(89)	(129)	(177)
	Pre-tax profit	3,862	3,649	3,569	3,443	3,507
	Taxation	(931)	(914)	(892)	(861)	(877)
	Reported net profit	2,449	2,287	2,205	2,127	2,167
	Recurring net profit	2,417	2,137	2,205	2,127	2,167
	<b>Cash flow (IDRb)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Change in working capital	704	886	1,164	1,175	1,234
	Cash flow from operations	3,277	3,265	3,556	3,737	3,840
	Capex	(1,627)	(1,419)	(1,610)	(1,610)	(1,610)
	Cash flow from investing activities	(1,178)	(504)	(1,488)	(1,444)	(1,409)
	Dividends paid	(1,794)	(1,701)	(1,434)	(1,327)	(1,327)
	Cash flow from financing activities	(2,539)	(1,431)	(182)	(159)	(243)
	Cash at beginning of period	826	374	1,705	3,592	5,726
	Net change in cash	(441)	1,329	1,886	2,134	2,189
	Ending balance cash	374	1,705	3,592	5,726	7,915
	<b>Balance sheet (IDRb)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Total cash and equivalents	374	1,705	3,592	5,726	7,915
	Tangible fixed assets	15,218	15,709	16,362	16,954	17,486
	Total assets	19,233	20,973	23,791	26,574	29,418
	Short-term debt	1,270	0	1,813	3,626	5,439
	Total long-term debt	1,336	3,197	2,897	2,597	2,297
	Total liabilities	3,795	4,488	6,063	7,591	9,132
	Total equity	15,437	16,485	17,728	18,983	20,286
	Total liabilities & equity	19,233	20,973	23,791	26,574	29,418
	<b>Key metrics</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Revenue growth (%)	(2.4)	8.3	13.6	1.9	5.2
	Recurrent EPS growth (%)	(24.7)	(11.6)	3.2	(3.5)	1.9
	Gross margin (%)	30.6	26.0	25.2	24.4	24.1
	Operating EBITDA margin (%)	29.8	26.3	24.6	24.0	23.6
	Net profit margin (%)	15.9	13.7	11.6	11.0	10.6
	Dividend payout ratio (%)	55.1	60.1	65.0	62.4	61.2
	Capex/sales (%)	10.5	8.5	8.5	8.3	7.9
	Interest cover (x)	29.2	19.6	14.0	10.4	8.6

Source: Company data, RHB

Figure 1: BAL's progress on ESG factors

		2022	2023	2024
<b>ENVIRONMENT</b>				
GHG emissions	Emissions (tCO2e)	1,866,372	1,693,466	1,692,035
GHG emissions	Intensity (tCO2e per tonne of palm product)	1.29	1.14	1.22
Waste treatment	Recycling/ Repurposing of waste	Yes	Yes	Yes
Energy efficiency (water)	Water usage (m3) and intensity (m3/tonne of palm product)	6,520,282 Intensity: 1.22 m3/MT FFB	6,938,493 Intensity: 1.29 m3/MT FFB	6,257,379 Intensity: 1.21 m3/MT FFB
Energy efficiency	Energy consumption and intensity	13,927,696	11,955,392	11,701,032
Certifications	RSPO / MSPO / ISPO certified (%)	RSPO: 48% MSPO: N/A ISPO: 4 certificates	RSPO: 57% MSPO: N/A ISPO: 4 certificates	RSPO: 58.8% MSPO: N/A ISPO: 6 certificates
Use of peat land	Peat land (%)	4.3%	4.3%	4.3%
Fire accidents	Number of accidents	35	151	89
Usage of renewable energy	% of renewable energy used	96.0%	95.6%	95.6%
Traceability	Traceable to mills (%)	Not disclosed	Not disclosed	100.00%
Traceability	Traceable to plantation (%)	99.60%	99.40%	92.50%
<b>SOCIAL</b>				
Channels for workers to raise concerns	Existence of grievance channels to raise concerns	Yes	Yes	Yes
Whistleblowing policy	Policies to protect whistleblowers	Yes	Yes	Yes
Employees' professional/personal development	Provision of training and education	Yes	Yes	Yes
Policy for smallholders	Policy in place for training, yield improvement and RSPO certification	Yes	Yes	Yes
Employees' welfare	Accommodation and amenities provided	Yes	Yes	Yes
<b>GOVERNANCE</b>				
Board composition	At least half of the board being independent directors	4/7 are independent	3/9 are independent	4/7 are independent
Limiting to nine years (for independent directors)	Limitation of tenure to nine years (for independent directors)	Not applicable	Not applicable	Not applicable
Gender inclusivity	Female representation in the board	14.3%	22.2%	28.6%
Emphasis of sustainability at board level	Formation of a sustainability group	No	No	No
Remuneration transparency	Full disclosure of fees and benefits on named basis	Yes	Yes	Yes

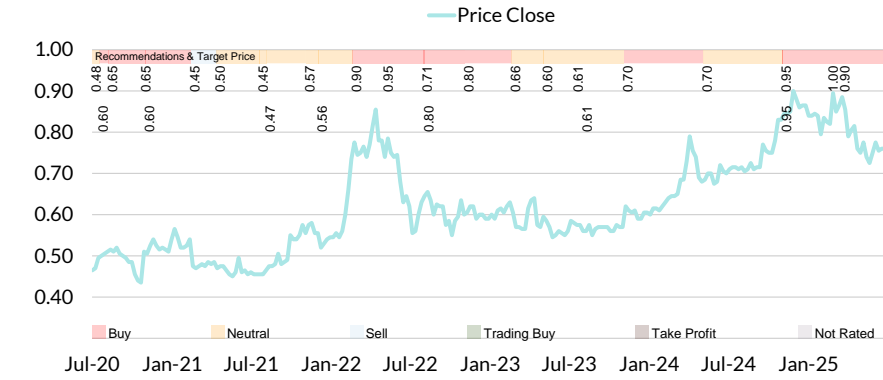
Source: Company data, RHB

Figure 2: Key assumptions for BAL

	FY22	FY23	FY24	FY25F	FY26F	FY27F
Nucleus FFB production (tonnes)	2,676,926	2,597,097	2,197,116	2,238,300	2,362,183	2,491,293
% change	14.6%	-3.0%	-15.4%	1.9%	5.5%	5.5%
CPO price assumptions (IDR/kg)	12,519	11,283	12,661	12,655	12,085	12,085
% change	27.1%	-9.9%	12.2%	-0.1%	-4.5%	0.0%
PK price assumptions (IDR/kg)	8,285	5,332	7,565	12,003	12,568	12,568
% change	17.3%	-35.6%	41.9%	58.7%	4.7%	0.0%

Source: Company data, RHB

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-05-15	Buy	0.90	0.77
2025-02-27	Buy	1.00	0.81
2024-11-13	Buy	0.95	0.83
2024-11-11	Buy	0.95	0.84
2024-08-14	Neutral	0.70	0.72
2024-08-12	Neutral	0.70	0.71
2024-05-14	Neutral	0.70	0.69
2024-02-27	Buy	0.70	0.65
2023-11-14	Buy	0.70	0.61
2023-08-13	Neutral	0.61	0.56
2023-07-23	Neutral	0.61	0.58
2023-05-14	Neutral	0.60	0.60
2023-03-02	Neutral	0.66	0.61
2022-11-15	Buy	0.80	0.64
2022-08-15	Buy	0.80	0.64

Source: RHB, Bloomberg

9 July 2025

Agriculture | Plantation

## First Resources (FR SP)

**Buy** (Maintained)

### Improving ESG Amid Growth Impetus From Acquisition

Target Price (Return): SGD1.70 (+13%)  
 Price (Market Cap): SGD1.50 (USD1,817m)  
 ESG score: 2.8 (out of 4)  
 Avg Daily Turnover (SGD/USD) 2.61m/2.00m

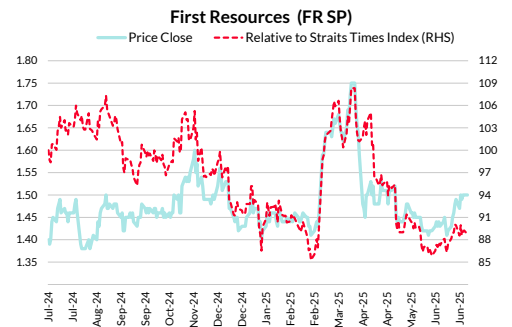
- **Keep BUY, with new SGD1.70 TP from SDG1.85, 13% upside and c.6% FY26F yield.** We expect 2026 to be a more balanced year fundamentally, with lower YoY CPO prices, but geopolitical risks will translate to more volatility. We lower our CPO, but raise our PK price assumptions for FY25-27. We expect the full impact of the consolidation of Austindo Nusantara Jaya (ANJ) to come in from 2H25, providing a growth impetus for the group. The stock is currently trading at 8x FY26F P/E, at the mid-end of its peer range of 6-11x.
- **Spot CPO prices have moderated** from MYR4,600-4,800/tonne in 1Q25 to a low of MYR3,780 in May, only to bounce back to MYR3,900-MYR4,100 currently. The decline was mainly driven by geopolitics in the light of US trade tariffs, wars, and crude oil prices falling as a result, all of which pushed CPO prices in the same direction. We highlight that the correlation between CPO prices and crude oil prices surged to 0.47 in Apr 2025 from -0.6 in 1Q25, and subsequently rose further to the current levels of 0.68, due to more geopolitical risks.
- **What's next for CPO prices?** We expect CPO prices to remain volatile given the ever-changing geopolitical situation. Fundamentally however, global supply and demand will likely be more balanced in 2026F, as supply improves, while demand should pick up given the more attractive relative prices.
- **Supply of 17 oils and fats complex is expected to improve YoY in 2026F,** coming from a partial recovery of palm, sunflower and rapeseed supplies, as well as continued growth from soybeans. Still, the stock/usage ratio of the 17 oils and fats complex is still expected to remain below the historical average of 13.6%, at 12.9% for Oct 2025F/Sep 2026F, albeit up from 12.7% in 2025F. This leaves very little cushion in case of any short-term bullish supply or demand surprises, hence raising the risk of price volatility going forward.
- **What does this mean for relative prices of vegetable oils and demand?** Ignoring the noises from geopolitics, we expect 2026F to see: i) Muted soybean prices, due to continued strong supply in 2026F; ii) SBO prices remain supported at higher levels, due to the higher demand from increased US biofuel blending; iii) CPO prices to continue trading at a discount to SBO in the medium term (currently at USD217/tonne discount); and iv) demand from price sensitive countries like India, Pakistan, Bangladesh come back.
- **We trim our CPO price** to MYR4,100/tonne (from MYR4,300) for 2025F and to MYR4,000 (from MYR4,100) for 2026F and 2027F; but raise PK prices to MYR3,300/tonne for 2025F (from MYR2,800) and to MYR3,200 for 2026F and 2027F (from MYR2,600). We also update for our latest in-house forex assumptions and adjust forecasts by 3.2%, -1.2% and -1.3% for FY25-27F
- **We raise FR's ESG score to 2.8 from 2.7,** driven by its improvement from "E" pillar, and roll forward our valuation target to 2026F. With this, our TP is lowered to SGD1.70 (from SGD1.85), based on an unchanged 10x 2026F P/E.

#### Analyst

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#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	0.7	5.6	1.4	4.9	7.9
Relative	(5.7)	3.1	(12.5)	(0.4)	(10.3)
52-wk Price low/high (SGD)	1.38 - 1.75				



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (USDm)	981	1,039	908	869	892
Recurring net profit (USDm)	165	228	244	219	224
Recurring net profit growth (%)	(48.7)	37.8	7.0	(10.2)	2.5
Recurring P/E (x)	11.19	8.12	7.58	8.45	8.24
P/B (x)	1.4	1.3	1.2	1.1	1.1
P/CF (x)	5.93	9.53	4.58	5.49	5.33
Dividend Yield (%)	4.0	6.4	6.6	5.9	6.1
EV/EBITDA (x)	7.22	6.61	4.46	4.53	4.18
Return on average equity (%)	11.1	12.0	16.9	14.1	13.4
Net debt to equity (%)	5.3	7.6	1.4	net cash	net cash

Source: Company data, RHB

**Overall ESG Score: 2.8 (out of 4)**

**E Score: 3.0 (GOOD)**

**S Score: 2.0 (MODERATE)**

**G Score: 3.3 (EXCELLENT)**

Please refer to the ESG analysis on the next page

## Emissions And ESG

Trend analysis	Emissions (tCO2e)	Dec-22	Dec-23	Dec-24	Dec-25
In FY24, GHG emissions amounted to 937k tonnes of CO2 equivalent, vs FY23 of 1.3m tonnes of CO2 equivalent.	Scope 1	1,530,528	1,339,252	937,205	na
	Scope 2	25,286	19,347	26,801	na
	Scope 3	1,528,659	1,388,095	1,208,269	na
	Total emissions	3,084,473	2,746,694	2,172,275	na

Source: Company data, RHB

## Latest ESG-Related Developments

**Sustainability certification:** In FY24, 45% of FR' plantation area was RSPO certified while 80% of the area was ISPO certified.

**Traceability:** In FY24, First Resources managed to achieve 100% traceability to mills and plantation.

**GHG emissions:** FR has expanded the boundaries of GHG emissions by including all our operating units, in accordance with GHG protocol.

## ESG Unbundled

Overall ESG Score: 2.8 (out of 4)

Last Updated: 2 July 2025

E Score: 3.0 (GOOD)

FR discloses its greenhouse gas (GHG) emission reduction every year, with the main method of reduction being methane capture facilities. With the help of 10 methane capture facilities, FR was able to avoid 368,982tCO2e in 2024. FR has RSPO certification for 45% of its plantation area as at end-2024.

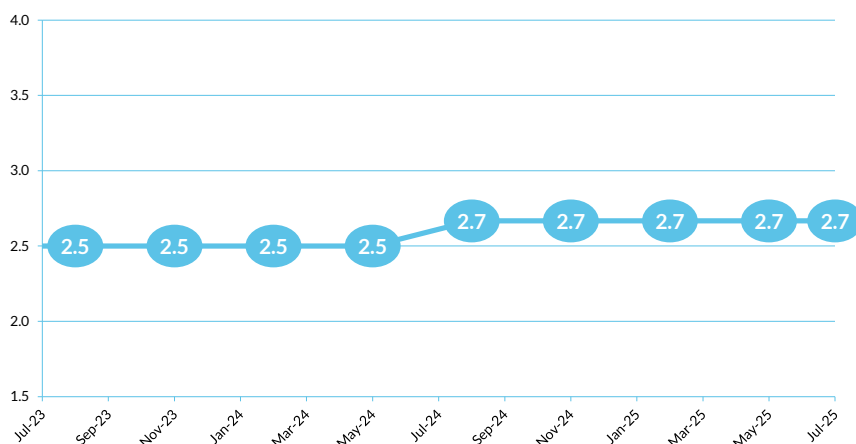
S Score: 2.0 (MODERATE)

In accordance with national labour laws and regulations, FR does not tolerate forced or bonded labour, or the employment of under-aged workers, while employees are not subjected to the unlawful withholding of wages, identification cards, passports or other travel documents without their consent. FR has a grievance procedure in place, which is open for whistleblowing and grievance considerations.

G Score: 3.3 (EXCELLENT)

63% of FR's board members are independent, with full disclosure on director remuneration including salaries and bonuses on a named basis. Note that women comprised 38% of the board in 2023. FR has an in-house investor relations team and holds investor meetings regularly, embodying good transparency and disclosure practices.

## ESG Rating History



Source: RHB



Figure 1: FR's progress on ESG factors

		2022	2023	2024
<b>ENVIRONMENT</b>				
GHG emissions	Emissions (tCO <sub>2</sub> e)	3,084,473	2,746,694	2,172,275
GHG emissions	Intensity (tCO <sub>2</sub> e per tonne of palm product)	1.77	1.43	0.96
Waste treatment	Recycling/Repurposing of waste	Yes	Yes	Yes
Energy efficiency (water)	Water usage (m <sup>3</sup> ) and intensity (m <sup>3</sup> /tonne of palm product)	3,699,302 Intensity: 0.92	3,999,543 Intensity: 0.94	4,321,703 Intensity: 0.94
Energy efficiency	Energy consumption and intensity	11,350,382	12,066,142	9,849,956
Certifications	RSPO/MSPO/ISPO certified (%)	RSPO: 34% MSPO: N/A ISPO: 72%	RSPO: 36% MSPO: N/A ISPO: 76%	RSPO: 45% MSPO: N/A ISPO: 80%
Use of peat land	Peat land (%)	Not disclosed	Not disclosed	Not disclosed
Fire accidents	Number of accidents	67	142	137
Usage of renewable energy	Percentage of renewable energy used	95.2%	94.7%	91.5%
Traceability	Traceable to mills (%)	100.00%	100.00%	100.00%
Traceability	Traceable to plantation (%)	94.00%	100.00%	100.00%
<b>SOCIAL</b>				
Channels for workers to raise concerns	Existence of grievance channels to raise concerns	Yes	Yes	Yes
Whistleblowing policy	Policies to protect whistleblowers	Yes	Yes	Yes
Employees' professional/personal development	Provision of training and education	Yes	Yes	Yes
Policy for smallholders	Policy in place for training, yield improvement and RSPO certification	Yes	Yes	Yes
Employees' welfare	Accommodation and amenities provided	Yes	Yes	Yes
<b>GOVERNANCE</b>				
Board composition	At least half of the board being independent directors	4/7 are independent	5/8 are independent	5/8 are independent
Limiting to nine years (for independent directors)	Limitation of tenure to nine years (for independent directors)	Not applicable	Not applicable	Not applicable
Gender inclusivity	Female representation in the board	14.3%	37.5%	37.5%
Emphasis of sustainability at board level	Formation of a sustainability group	No	No	No
Remuneration transparency	Full disclosure of fees and benefits on named basis	Yes	Yes	Yes

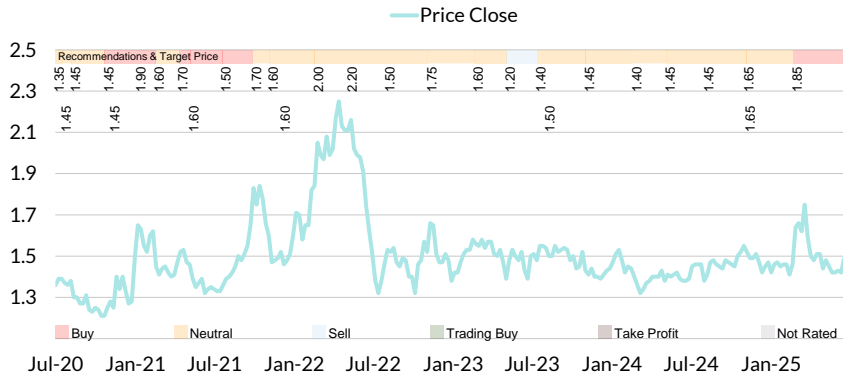
Source: Company data, RHB

Figure 2: Key assumptions for FR

	FY23	FY24	FY25F	FY26F	FY27F
Nucleus FFB production, tonnes	3,070,683	3,266,856	3,392,843	3,506,695	3,592,102
% change	0.5%	6.4%	3.9%	3.4%	2.4%
CPO price assumption, USD/tonne	764	816	760	719	719
% change	-9.1%	6.9%	-6.9%	-5.4%	0.0%

Source: RHB

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-03-18	Buy	1.85	1.66
2025-03-02	Buy	1.85	1.46
2024-11-14	Neutral	1.65	1.57
2024-11-11	Neutral	1.65	1.58
2024-08-12	Neutral	1.45	1.40
2024-05-15	Neutral	1.45	1.42
2024-02-29	Neutral	1.40	1.42
2023-11-13	Neutral	1.45	1.43
2023-08-13	Neutral	1.50	1.54
2023-07-23	Neutral	1.40	1.48
2023-05-14	Sell	1.20	1.39
2023-03-01	Neutral	1.60	1.63
2022-11-15	Neutral	1.75	1.64
2022-08-12	Neutral	1.50	1.53
2022-08-10	Neutral	1.50	1.45

Source: RHB, Bloomberg

9 July 2025

Agriculture | Plantation

## Golden Agri-Resources (GGR SP)

## Neutral (Maintained)

### More Balanced Year Ahead

Target Price (Return):	SGD0.25 (0%)
Price (Market Cap):	SGD0.25 (USD2,488m)
ESG score:	2.6 (out of 4)
Avg Daily Turnover (SGD/USD)	1.16m/0.89m

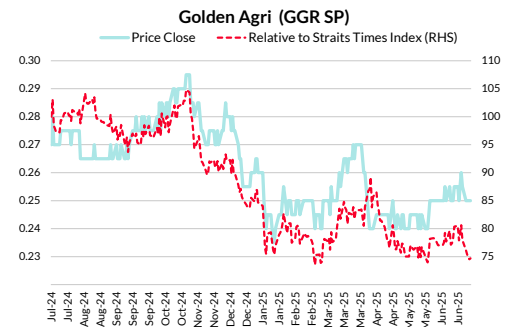
- **Maintain NEUTRAL, with new SGD0.25 from SGD0.26 TP, 0% downside.** We expect 2026 to be a more balanced year fundamentally, with lower YoY CPO prices, but geopolitical risks will translate to more volatility. We lower our CPO, but raise our PK price assumptions for FY25-27. Golden Agri-Resources is fairly valued, trading at 9x FY26x, at the high end of its peer range of 6-11x 2026F P/E.
- **Spot CPO prices have moderated** from MYR4,600-4,800/tonne in 1Q25 to a low of MYR3,780 in May, only to bounce back to MYR3,900-MYR4,100 currently. The decline was mainly driven by geopolitics in the light of US trade tariffs, wars, and crude oil prices falling as a result, all of which pushed CPO prices in the same direction. We highlight that the correlation between CPO prices and crude oil prices surged to 0.47 in Apr 2025 from -0.6 in 1Q25, and subsequently rose further to the current levels of 0.68, due to more geopolitical risks.
- **What's next for CPO prices?** We expect CPO prices to remain volatile given the ever-changing geopolitical situation. Fundamentally however, global supply and demand will likely be more balanced in 2026F, as supply improves, while demand should pick up given the more attractive relative prices.
- **Supply of 17 oils and fats complex is expected to improve YoY in 2026F,** coming from a partial recovery of palm, sunflower and rapeseed supplies, as well as continued growth from soybeans. Still, the stock/usage ratio of the 17 oils and fats complex is still expected to remain below the historical average of 13.6%, at 12.9% for Oct 2025F/Sep 2026F, albeit up from 12.7% in 2025F. This leaves very little cushion in case of any short-term bullish supply or demand surprises, hence raising the risk of price volatility going forward.
- **What does this mean for relative prices of vegetable oils and demand?** Ignoring the noises from geopolitics, we expect 2026F to see: i) Muted soybean prices, due to continued strong supply in 2026F; ii) SBO prices remain supported at higher levels, due to the higher demand from increased US biofuel blending; iii) CPO prices to continue trading at a discount to SBO in the medium term (currently at USD217/tonne discount); and iv) demand from price sensitive countries like India, Pakistan, Bangladesh come back.
- **We trim our CPO price** to MYR4,100/tonne (from MYR4,300) for 2025F and to MYR4,000 (from MYR4,100) for 2026F and 2027F; but raise PK prices to MYR3,300/tonne for 2025F (from MYR2,800) and to MYR3,200 for 2026F and 2027F (from MYR2,600). We also update for our latest in-house forex assumptions and adjust forecasts by -3.9%, -4.8% and -6.1% for FY25-27.
- **Maintain NEUTRAL.** We maintain GGR's ESG score at 2.6, roll forward our valuation target to 2026F and update its downstream book value and plantation EV/ha. With this, our SOP-based TP is lowered to SGD0.25 (from SGD0.26).

### Analyst

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### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(5.7)	0.0	(3.9)	(3.9)	(9.1)
Relative	(11.7)	(2.8)	(8.8)	(9.5)	(25.8)
52-wk Price low/high (SGD)	0.24 - 0.30				



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (USDm)	9,756	10,910	10,375	9,985	10,035
Recurring net profit (USDm)	284	276	274	282	281
Recurring net profit growth (%)	(71.8)	(2.8)	(1.0)	3.0	(0.3)
Recurring P/E (x)	8.75	9.00	9.10	8.83	8.86
P/B (x)	0.5	0.5	0.5	0.4	0.4
P/CF (x)	4.46	na	2.27	3.17	3.61
Dividend Yield (%)	2.3	3.1	2.2	2.3	2.3
EV/EBITDA (x)	2.76	3.18	2.03	1.84	1.75
Return on average equity (%)	11.5	14.4	19.7	-	-
Net debt to equity (%)	27.0	42.9	27.9	19.4	13.2

Source: Company data, RHB

**Overall ESG Score: 2.6 (out of 4)**

**E Score: 2.0 (MODERATE)**

**S Score: 3.0 (GOOD)**

**G Score: 3.3 (EXCELLENT)**

Please refer to the ESG analysis on the next page

## Emissions And ESG

### Trend analysis

For FY24, Scope 1 emissions decreased by 3% to 7.0m tonnes of CO2 equivalent (FY23: 7.3m tonnes of CO2 equivalent). For both Scope 2 and Scope 3 emissions, the numbers increased to 0.73m tonnes of CO2 equivalent (FY23:0.34m tonnes of CO2 equivalent) and 27.6m tonnes of CO2 equivalent (FY23:25.1m tonnes of CO2 equivalent) respectively.

Emissions (tCO2e)	Dec-22	Dec-23	Dec-24	Dec-25
Scope 1	7,812,543	7,270,140	7,027,638	na
Scope 2	333,725	335,173	725,652	na
Scope 3	21,369,486	25,102,024	27,626,694	na
Total emissions	29,515,754	32,707,337	35,379,984	na

Source: Company data, RHB

## Latest ESG-Related Developments

**Sustainable Development:** In 2023, GGR commissioned Accenture to develop a decarbonisation strategy and roadmap for it and is aiming to reach net zero by 2025. The group is also converting one coal power plant in Tarjun refinery to use PKM biomass and is expected to be commissioning in 2025. Additionally, the group is installing methane capture facilities at three more mills (by 2025).

**Helping the community:** GGR has been developing more strategic partnerships with local communities, and currently, there are over 160 Bright Future Initiative (BFI) projects in 103 villages across its operations.

## ESG Unbundled

Overall ESG Score: 2.6 (out of 4)

Last Updated: 2 July 2025

E Score: 2.0 (MODERATE)

GGR has managed to map out its GHG Scope 3 emissions in 2022. GGR has continuously rolled-out conservation planning programmes and in 2024, it was managing and supporting more than 200,000ha of conservation areas. Additionally, GGR has partnered with other major palm oil producers and buyers in the development of a new radar-based forest monitoring system which allows it easier for stakeholders monitor deforestation happening in near-real-time.

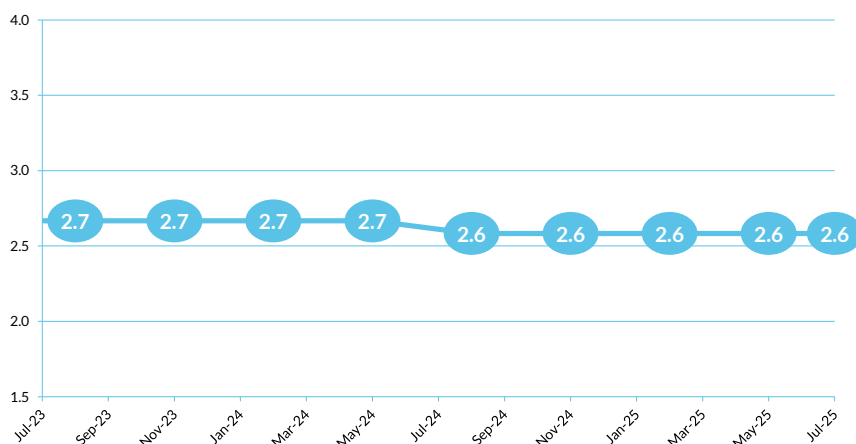
S Score: 3.0 (GOOD)

GGR has been mapping its villages to ensure Free, Prior, and Informed Consent (FPIC) is implemented and to enable them to gain access to government development funds for the first time. Additionally, it has been working with a range of partners to provide education, scholarship, medical access to improve the quality of life of local communities.

G Score: 3.3 (EXCELLENT)

63% of its Board members are independent with full disclosure on director remuneration, which includes salaries and bonuses and on named basis. GGR has an in-house investor relations team and holds investor briefings regularly, embodying good transparency and disclosure practices.

## ESG Rating History



Source: RHB

## Financial Exhibits

Asia	Financial summary (USD)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Singapore	Recurring EPS	0.02	0.02	0.02	0.02	0.02
Agriculture	DPS	0.00	0.01	0.00	0.00	0.00
<b>Golden Agri-Resources</b>	BVPS	0.39	0.40	0.42	0.44	0.46
GGR SP	Return on average equity (%)	11.5	14.4	19.7	-	-
Neutral						
	<b>Valuation metrics</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Recurring P/E (x)	8.75	9.00	9.10	8.83	8.86
	P/B (x)	0.5	0.5	0.5	0.4	0.4
	FCF Yield (%)	9.8	(16.9)	31.5	-	-
	Dividend Yield (%)	2.3	3.1	2.2	2.3	2.3
	EV/EBITDA (x)	2.76	3.18	2.03	1.84	1.75
	EV/EBIT (x)	3.97	4.36	2.59	2.34	2.24
	<b>Income statement (USDm)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Total turnover	9,756	10,910	10,375	9,985	10,035
	Gross profit	2,224	2,409	2,873	2,807	2,775
	EBITDA	1,221	1,324	1,758	1,757	1,703
	Depreciation and amortisation	(373)	(356)	(376)	(374)	(367)
	Operating profit	849	968	1,382	1,383	1,336
	Net interest	(153)	(173)	(211)		
	Pre-tax profit	752	914	1,201		
	Taxation	(167)	(145)	(121)	(125)	(124)
	Reported net profit	570	721	1,027		
	Recurring net profit	284	276	274	282	281
	<b>Cash flow (USDm)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Change in working capital	181	(649)	392	73	(14)
	Cash flow from operations	558	(93)	1,096	784	690
	Capex	(315)	(327)	(311)	(299)	(301)
	Cash flow from investing activities	(605)	(626)	(311)	(299)	(301)
	Dividends paid	(108)	(78)	(55)	(56)	(56)
	Cash flow from financing activities	(176)	680	(155)	(156)	(256)
	Cash at beginning of period	691	545	405	1,035	1,363
	Net change in cash	(222)	(39)	630	328	133
	Ending balance cash	696	632	1,161	1,489	1,622
	<b>Balance sheet (USDm)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Total cash and equivalents	1,135	1,000	1,630	1,958	2,091
	Tangible fixed assets	3,817	3,834	3,768	3,694	3,628
	Total investments	1,521	1,759	1,759	1,759	1,759
	Total assets	9,716	10,693	10,799	10,957	11,043
	Short-term debt	1,520	1,838	1,838	1,838	1,838
	Total long-term debt	1,013	1,471	1,371	1,271	1,071
	Total liabilities	4,537	5,315	5,148	5,026	4,831
	Total equity	5,180	5,378	5,651	5,932	6,212
	Total liabilities & equity	9,716	10,693	10,799	10,957	11,043
	<b>Key metrics</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Revenue growth (%)	(14.7)	11.8	(4.9)	(3.8)	0.5
	Recurrent EPS growth (%)	(71.8)	(2.8)	(1.0)	3.0	(0.3)
	Gross margin (%)	22.8	22.1	27.7	28.1	27.7
	Operating EBITDA margin (%)	12.5	12.1	16.9	17.6	17.0
	Net profit margin (%)	5.8	6.6	9.9	0.0	0.0
	Dividend payout ratio (%)	10.1	10.8	5.3	0.0	0.0
	Capex/sales (%)	3.2	3.0	3.0	3.0	3.0
	Interest cover (x)	3.79	3.98	4.88	4.85	4.89

Source: Company data, RHB

Figure 1: GGR's progress on ESG factors

		2022	2023	2024
<b>ENVIRONMENT</b>				
GHG emissions	Emissions (tCO <sub>2</sub> e)	29,515,754	32,707,337	35,379,984
GHG emissions	Intensity (tCO <sub>2</sub> e per tonne of palm product)	2.72	2.69	2.77
Waste treatment	Recycling/ Repurposing of waste	Yes	Yes	Yes
Energy efficiency (water)	Water usage (m <sup>3</sup> ) and intensity (m <sup>3</sup> /tonne of palm product)	18,115,865	21,671,252	21,788,401
Energy efficiency	Energy consumption and intensity	44,020,000	44,130,000	41,660,000
Certifications	RSPO/ MSPO/ISPO certified (%)	RSPO: 30% MSPO: N/A ISPO: 56%	RSPO: 51% MSPO: N/A ISPO: 50%	RSPO: 53% MSPO: N/A ISPO: 50%
Use of peat land	Peat land (%)	6.1%	5.8%	5.8%
Fire accidents	Number of accidents	0.030%	Not disclosed	Not disclosed
Usage of renewable energy	% of renewable energy used	55.4%	52.7%	54.0%
Traceability	Traceable to mills (%)	100.00%	100.00%	100.00%
Traceability	Traceable to plantation (%)	98.00%	99.00%	99.50%
<b>SOCIAL</b>				
Channels for workers to raise concerns	Existence of grievance channels to raise concerns	Yes	Yes	Yes
Whistleblowing policy	Policies to protect whistleblowers	Yes	Yes	Yes
Employees' professional/personal development	Provision of training and education	Yes	Yes	Yes
Policy for smallholders	Policy in place for training, yield improvement and RSPO certification	Yes	Yes	Yes
Employees' welfare	Accommodation and amenities provided	Yes	Yes	Yes
<b>GOVERNANCE</b>				
Board composition	At least half of the board being independent directors	5/8 are independent	5/8 are independent	5/8 are independent
Limiting to nine years (for independent directors)	Limitation of tenure to nine years (for independent directors)	Not applicable	Not applicable	Not applicable
Gender inclusivity	Female representation in the board	12.5%	25.0%	25.0%
Emphasis of sustainability at board level	Formation of a sustainability group	Yes	Yes	Yes
Remuneration transparency	Full disclosure of fees and benefits on named basis	Yes	Yes	Yes

Source: Company data, RHB

9 July 2025

Agriculture | Plantation

Figure 2: Key assumptions

	FY22	FY23	FY24	FY25F	FY26F	FY27F
Nucleus FFB production, tonnes	7,812,000	7,464,000	7,073,000	7,355,920	7,576,598	7,803,896
% change	4.1%	-4.5%	-5.2%	4.0%	3.0%	3.0%
CPO price assumption, USD/tonne	1,200	876	926	926	937	937
% change	2.7%	-27.0%	5.7%	-0.8%	1.1%	0.0%

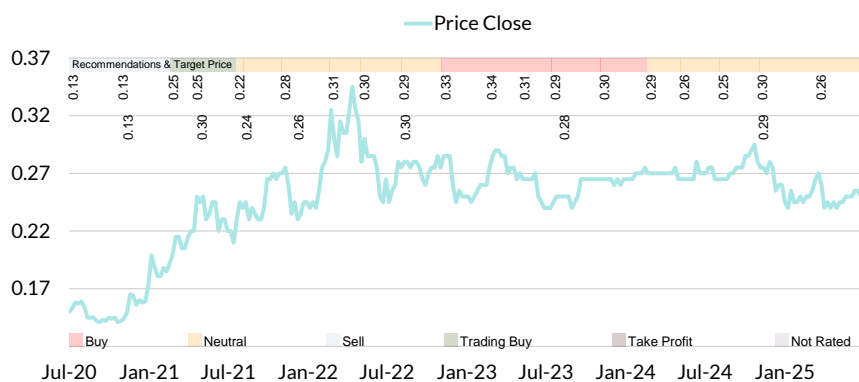
Source: Company data, RHB

Figure 3: SOP valuation

	Valuation method	Target	USDm
Plantation	EV/ha (USD)	3,000	1257.63
Downstream	P/BV(x)	0.7	1439.20
			<b>2696.83</b>
Share base			12,682
TP (USD)			<b>0.21</b>
ESG premium/(discount)			-10.0%
TP (USD) - post ESG discount			0.19
TP (SGD)			<b>0.25</b>

Source: Company data, RHB

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-06-02	Neutral	0.26	0.25
2024-11-14	Neutral	0.29	0.28
2024-11-11	Neutral	0.30	0.29
2024-08-13	Neutral	0.25	0.27
2024-08-12	Neutral	0.26	0.27
2024-05-15	Neutral	0.26	0.27
2024-02-29	Neutral	0.29	0.27
2023-11-14	Buy	0.30	0.27
2023-08-14	Buy	0.28	0.25
2023-07-23	Buy	0.29	0.24
2023-05-14	Buy	0.31	0.27
2023-02-28	Buy	0.34	0.26
2022-11-15	Buy	0.33	0.29
2022-08-14	Neutral	0.30	0.28
2022-08-10	Neutral	0.29	0.28

Source: RHB, Bloomberg

9 July 2025

Agriculture | Plantation

## IOI Corp (IOI MK)

**Buy** (Maintained)

**Undervalued Big Cap; Keep BUY**

Target Price (Return): MYR4.30 (+15%)  
 Price (Market Cap): MYR3.74 (USD5,495m)  
 ESG score: 3.1 (out of 4)  
 Avg Daily Turnover (MYR/USD) 6.03m/1.40m

- **Maintain BUY, with new MYR4.30 from MYR4.60 TP, 15% upside and c.3% FY26F (Jun).** We expect 2026 to be a more balanced year fundamentally, with lower YoY CPO prices, but geopolitical risks will translate to more volatility. We lower our CPO, but raise our PK price assumptions for FY25-27. IOI Corp remains undervalued, trading at 17x FY26F, at the low end of its peer range of 17-22x.
- **Spot CPO prices have moderated** from MYR4,600-4,800/tonne in 1Q25 to a low of MYR3,780 in May, only to bounce back to MYR3,900-MYR4,100 currently. The decline was mainly driven by geopolitics in the light of US trade tariffs, wars, and crude oil prices falling as a result, all of which pushed CPO prices in the same direction. We highlight that the correlation between CPO prices and crude oil prices surged to 0.47 in Apr 2025 from -0.6 in 1Q25, and subsequently rose further to the current levels of 0.68, due to more geopolitical risks.
- **What's next for CPO prices?** We expect CPO prices to remain volatile given the ever-changing geopolitical situation. Fundamentally however, global supply and demand will likely be more balanced in 2026F, as supply improves, while demand should pick up given the more attractive relative prices.
- **Supply of 17 oils and fats complex is expected to improve YoY in 2026F,** coming from a partial recovery of palm, sunflower and rapeseed supplies, as well as continued growth from soybeans. Still, the stock/usage ratio of the 17 oils and fats complex is still expected to remain below the historical average of 13.6%, at 12.9% for Oct 2025F/Sep 2026F, albeit up from 12.7% in 2025F. This leaves very little cushion in case of any short-term bullish supply or demand surprises, hence raising the risk of price volatility going forward.
- **What does this mean for relative prices of vegetable oils and demand?** Ignoring the noises from geopolitics, we expect 2026F to see: i) Muted soybean prices, due to continued strong supply in 2026F; ii) SBO prices remain supported at higher levels, due to the higher demand from increased US biofuel blending; iii) CPO prices to continue trading at a discount to SBO in the medium term (currently at USD217/tonne discount); and iv) demand from price sensitive countries like India, Pakistan, Bangladesh come back.
- **We trim our CPO price** to MYR4,100/tonne (from MYR4,300) for 2025F and to MYR4,000 (from MYR4,100) for 2026F and 2027F; but raise PK prices to MYR3,300/tonne for 2025F (from MYR2,800) and to MYR3,200 for 2026F and 2027F (from MYR2,600). We also update for our latest in-house forex assumptions and adjust forecasts by 1.5%, -2.3% and -0.1% for FY25-27.
- **Maintain BUY.** We have raised IOI's ESG score to 3.1 (from 3.0), rolled forward our valuation target to 2026 and brought down its plantation division P/E target to 18x 2026F (from 20x 2025F), after updating its current historical average. With this, our TP is lowered to MYR4.30.

### Analysts

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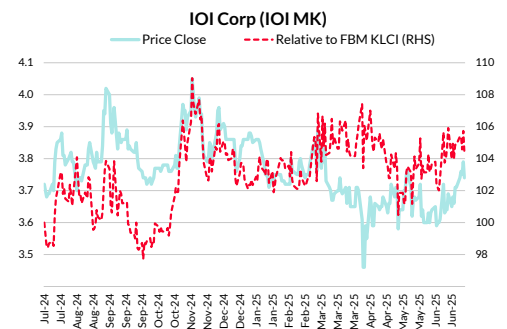


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### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(3.6)	3.9	1.1	(2.9)	1.1
Relative	2.0	1.1	(2.0)	2.0	5.2
52-wk Price low/high (MYR)				3.46	-4.05



Source: Bloomberg

Forecasts and Valuation	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
Total turnover (MYRm)	11,584	9,604	13,112	13,071	12,994
Recurring net profit (MYRm)	1,498	1,253	1,262	1,335	1,368
Recurring net profit growth (%)	(24.3)	(16.3)	0.7	5.8	2.5
Recurring P/E (x)	15.50	18.53	18.41	17.39	16.97
P/B (x)	2.0	2.0	1.9	1.8	1.7
P/CF (x)	13.75	17.02	23.24	13.11	12.72
Dividend Yield (%)	4.0	2.6	2.7	2.8	2.8
EV/EBITDA (x)	10.89	11.34	10.71	10.40	10.12
Return on average equity (%)	10.0	10.8	10.5	10.5	10.2
Net debt to equity (%)	13.5	13.1	14.2	9.5	5.0

Source: Company data, RHB

**Overall ESG Score: 3.1 (out of 4)**

**E Score: 3.3 (EXCELLENT)**

**S Score: 2.7 (GOOD)**

**G Score: 3.0 (GOOD)**

Please refer to the ESG analysis on the next page

## Emissions And ESG

Trend analysis	Emissions (tCO2e)	Jun-22	Jun-23	Jun-24	Jun-25
In 2024, Scope 1 emissions decreased to 0.7m tonnes of CO2 equivalents (2023: 1.1m tonnes of CO2 equivalents) while Scope 3 emissions decreased to 4.4m tonnes of CO2 equivalents (2023: 6.7m tonnes of CO2 equivalents)	Scope 1	1,244,966	1,061,676	745,129	na
	Scope 2	39,772	39,771	32,423	na
	Scope 3	6,709,998	6,709,998	4,385,920	na
	Total emissions	7,994,736	7,811,445	5,163,472	na

Source: Company data, RHB

## Latest ESG-Related Developments

**Sustainability certification:** As of end FY24, 100% of IOI's mills and 96% of its estates are RSPO certified.

**Traceability:** as of end-FY24, IOI managed to achieve 100% traceability to plantation and mills.

**Reducing GHG emissions:** IOI plans to reduce its Scope 1 and 2 emissions by 40% by 2025 against its 2015 carbon intensity emissions and to achieve net-zero for Scope 1,2 and 3 by 2040.

## ESG Unbundled

Overall ESG Score: 3.1 (out of 4)

Last Updated: 2 July 2025

E Score: 3.3 (EXCELLENT)

IOI discloses its greenhouse gas (GHG) emissions from each operating segment, and is forecasted to reduce its GHG emissions intensity by 19% in 2020 (from 2015) and 41% by 2025. This is likely to surpass Malaysia's national commitment to reduce carbon emission intensity by 45% from its 2005 baseline, by 2030.

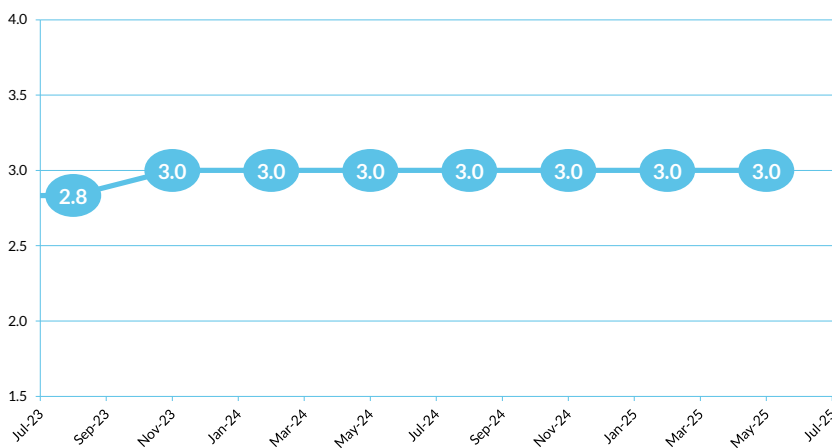
S Score: 2.7 (GOOD)

In 2017, IOI published its Foreign Workers Recruitment Guideline, which was developed with various stakeholders including NGOs. IOI is committed to ensuring continuous and consistent practices of human rights, while uniform labour laws are adhered to, via internal audits conducted by its sustainability team.

G Score: 3.0 (GOOD)

57% of IOI's board members are independent, with full disclosure on director remuneration including salaries and bonuses on a named basis. IOI has an in-house investor relations team and holds investor meetings regularly, embodying good transparency and disclosure practices.

## ESG Rating History



Source: RHB

## Financial Exhibits

Asia	Financial summary (MYR)	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
Malaysia	Recurring EPS	0.24	0.20	0.20	0.22	0.22
Agriculture	DPS	0.15	0.10	0.10	0.11	0.11
<b>IOI Corp</b>	BVPS	1.82	1.88	1.98	2.09	2.21
IOI MK	Return on average equity (%)	10.0	10.8	10.5	10.5	10.2
Buy						
<b>Valuation basis</b>	<b>Valuation metrics</b>	<b>Jun-23</b>	<b>Jun-24</b>	<b>Jun-25F</b>	<b>Jun-26F</b>	<b>Jun-27F</b>
We use SOP valuation comprising target P/E of 18x 2026F for the plantation division and 18x for the downstream divisions as well as our target price for associate Bumitama Agri. This is backed up by an EV/ha of USD35,000/ha, which is at the higher end of its Malaysian big-cap peers.	Recurring P/E (x)	15.50	18.53	18.41	17.39	16.97
	P/B (x)	2.0	2.0	1.9	1.8	1.7
	FCF Yield (%)	4.7	3.0	1.7	5.0	5.3
	Dividend Yield (%)	4.0	2.6	2.7	2.8	2.8
	EV/EBITDA (x)	10.89	11.34	10.71	10.40	10.12
	EV/EBIT (x)	13.88	14.59	13.60	13.27	13.01
<b>Key drivers</b>	<b>Income statement (MYRm)</b>	<b>Jun-23</b>	<b>Jun-24</b>	<b>Jun-25F</b>	<b>Jun-26F</b>	<b>Jun-27F</b>
i. CPO price movement;	Total turnover	11,584	9,604	13,112	13,071	12,994
ii. FFB production output;	Gross profit	3,341	2,343	2,860	2,877	2,877
iii. Competitiveness of its downstream processing division vs its peers.	EBITDA	1,741	1,672	1,822	1,859	1,883
	Depreciation and amortisation	(374)	(373)	(387)	(403)	(418)
	Operating profit	1,367	1,299	1,435	1,456	1,465
	Net interest	(115)	(118)	(127)	(114)	(93)
	Pre-tax profit	1,526	1,536	1,697	1,776	1,812
	Taxation	(396)	(282)	(415)	(421)	(424)
	Reported net profit	1,114	1,247	1,262	1,335	1,368
	Recurring net profit	1,498	1,253	1,262	1,335	1,368
<b>Key risks</b>	<b>Cash flow (MYRm)</b>	<b>Jun-23</b>	<b>Jun-24</b>	<b>Jun-25F</b>	<b>Jun-26F</b>	<b>Jun-27F</b>
i. CPO price movement;	Change in working capital	673	(31)	(670)	14	19
ii. Weather risks;	Cash flow from operations	1,689	1,364	999	1,772	1,826
iii. The demand and supply dynamics of the global vegetable oil industry.	Capex	(605)	(664)	(600)	(600)	(600)
	Cash flow from investing activities	90	(493)	(600)	(600)	(600)
	Dividends paid	(869)	(589)	(621)	(652)	(652)
	Cash flow from financing activities	(2,503)	(796)	(1,121)	(1,152)	(1,152)
	Cash at beginning of period	2,553	2,235	2,182	1,460	1,480
	Net change in cash	(725)	75	(722)	20	74
	Ending balance cash	1,851	2,314	1,460	1,480	1,554
<b>Company Profile</b>	<b>Balance sheet (MYRm)</b>	<b>Jun-23</b>	<b>Jun-24</b>	<b>Jun-25F</b>	<b>Jun-26F</b>	<b>Jun-27F</b>
IOI Corp is a large integrated palm oil producer, with oil palm plantation land in Malaysia and Indonesia. It also has downstream manufacturing facilities like refineries, oleochemical, and specialty fats manufacturing plants	Total cash and equivalents	2,235	2,182	1,460	1,480	1,554
	Tangible fixed assets	8,995	9,229	9,442	9,639	9,821
	Total investments	3,013	3,103	3,103	3,103	3,103
	Total assets	17,582	17,942	18,391	18,591	18,821
	Short-term debt	862	709	709	709	709
	Total long-term debt	2,951	3,047	2,547	2,047	1,547
	Total liabilities	5,910	5,932	5,720	5,216	4,710
	Total equity	11,672	12,011	12,671	13,375	14,111
	Total liabilities & equity	17,582	17,942	18,391	18,591	18,821
	<b>Key metrics</b>	<b>Jun-23</b>	<b>Jun-24</b>	<b>Jun-25F</b>	<b>Jun-26F</b>	<b>Jun-27F</b>
	Revenue growth (%)	(25.6)	(17.1)	36.5	(0.3)	(0.6)
	Recurrent EPS growth (%)	(24.2)	(16.3)	0.7	5.8	2.5
	Gross margin (%)	28.8	24.4	21.8	22.0	22.1
	Operating EBITDA margin (%)	15.0	17.4	13.9	14.2	14.5
	Net profit margin (%)	9.6	13.0	9.6	10.2	10.5
	Dividend payout ratio (%)	82.4	47.5	49.2	48.8	47.7
	Capex/sales (%)	5.2	6.9	4.6	4.6	4.6
	Interest cover (x)	9.15	8.11	10.05	11.86	14.26

Source: Company data, RHB

Figure 1: IOI's progress on ESG factors

		2021	2022	2023	2024
<b>ENVIRONMENT</b>					
GHG emissions	Emissions (tCO2e)	9,823,259.44	7,994,735.94	7,811,444.72	5,163,472.33
GHG emissions	Intensity (tCO2e per tonne of palm product)	1.76	1.71	1.80	1.30
Waste treatment	Recycling/Repurposing of waste	Yes	Yes	Yes	Yes
Energy efficiency (water)	Water usage (m3) and intensity (m3/tonne of palm product)	19,058,090 Intensity: 3.90	12,778,240 Intensity: 3.70	5,306,974 * Intensity: 3.97	3,871,675 * Intensity: 3.57
Energy efficiency	Energy consumption and intensity	8,061,037	6,879,046	10,490,316	9,668,046
Certifications	RSPO/MSPO/ISPO certified (%)	RSPO: >90% mills MSPO: 100% MY operation ISPO: not disclosed	RSPO: >90% mills MSPO: 100% MY operation ISPO: not disclosed	RSPO: 100% mills and 94% estates MSPO: 100% MY operation ISPO: not disclosed	RSPO: 100% mills and 96% estates MSPO: 100% MY operation ISPO: not disclosed
Use of peat land	Peat land (%)	2.1%	2.1%	3.8%	4.3%
Fire accidents	Number of accidents	3	1	3	3
Usage of renewable energy	% of renewable energy used	45.2%	25.5%	54.4%	53.9%
Traceability	Traceable to mills (%)	100.00%	100.00%	100.00%	100.00%
Traceability	Traceable to plantation (%)	83.00%	83.00%	100.00%	100.00%
<b>SOCIAL</b>					
Channels for workers to raise concerns	Existence of grievance channels to raise concerns	Yes	Yes	Yes	Yes
Whistleblowing policy	Policies to protect whistleblowers	Yes	Yes	Yes	Yes
Employees' professional/personal development	Provision of training and education	Yes	Yes	Yes	Yes
Policy for smallholders	Policy in place for training, yield improvement and RSPO certification	Yes	Yes	Yes	Yes
Employees' welfare	Accommodation and amenities provided	Yes	Yes	Yes	Yes
<b>GOVERNANCE</b>					
Board composition	At least half of the board being independent directors	5/7 are independent	5/8 are independent	6/9 are independent	4/7 are independent
Limiting to nine years (for independent directors)	Limitation of tenure to nine years (for independent directors)	No	No	Yes	Yes
Gender inclusivity	Female representation in the board	28.6%	37.5%	44.4%	42.9%
Emphasis of sustainability at board level	Formation of a sustainability group	Yes	Yes	Yes	Yes
Remuneration transparency	Full disclosure of fees and benefits on named basis	Yes	Yes	Yes	Yes

Note: \* Water efficiency data drastically different YoY likely due to a change in reporting/calculation

Source: Company data, RHB

Figure 2: IOI's forecast assumptions

FYE Jun	FY23	FY24	FY25F	FY26F	FY27F
CPO selling price (MYR/tonne)	4,118	3,856	4,100	4,050	4,000
PK selling price (MYR/tonne)	2,233	2,210	2,900	3,250	3,200
FFB production growth (%)	(1.5)	4.4	1.3	4.0	4.7

Source: RHB

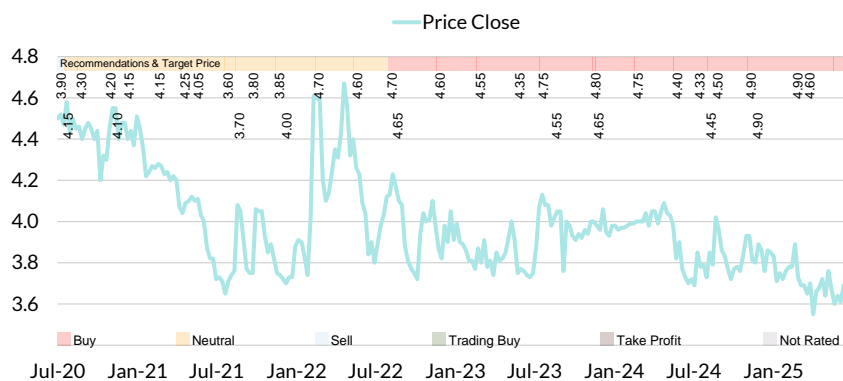
Figure 3: SOP valuation

	Valuation basis	FV (MYRm)
Plantation earnings (excluding net interest)	18x CY26F P/E	24,648.51
Manufacturing earnings	18x CY26F P/E	1,709.61
Add: 32.1% stake in Bumitama Agri	RHB's fair value of SGD0.80/share	1,469.58
Less: Net debt (3QFY25)		(1,564.00)
<b>SOP (MYRm)</b>		<b>26,138.80</b>
No of shares*		6,204
<b>SOP/share (MYR)</b>		<b>4.21</b>
ESG premium/(discount)		0.08
<b>TP (MYR)</b>		<b>4.30</b>

Note: \*Excludes treasury shares

Source: RHB

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-05-27	Buy	4.60	3.72
2025-02-25	Buy	4.90	3.82
2024-11-26	Buy	4.90	3.80
2024-11-11	Buy	4.90	3.95
2024-08-27	Buy	4.50	3.84
2024-08-11	Buy	4.45	3.73
2024-07-16	Buy	4.33	3.70
2024-05-26	Buy	4.40	3.98
2024-02-25	Buy	4.75	3.99
2023-11-28	Buy	4.65	3.99
2023-11-20	Buy	4.80	3.95
2023-08-23	Buy	4.55	3.97
2023-08-22	Buy	4.55	4.05
2023-07-23	Buy	4.75	4.07
2023-05-30	Buy	4.35	3.91

Source: RHB, Bloomberg

9 July 2025

Agriculture | Plantation

## Johor Plantations Group (JPG MK)

**Buy** (Maintained)

**Strong ESG Credentials And Fundamentals; Keep BUY**

Target Price (Return): MYR1.45 (+21%)  
 Price (Market Cap): MYR1.20 (USD708m)  
 ESG score: 3.2 (out of 4)  
 Avg Daily Turnover (MYR/USD) 5.32m/1.23m

- **Maintain BUY, with new MYR1.45 TP from MYR1.55, 21% upside and c.4% FY26F yield.** We expect 2026 to be a more balanced year fundamentally, with lower YoY CPO prices, but geopolitical risks will translate to more volatility. We lower our CPO, but raise our PK price assumptions for FY25-27. Having one of the highest ESG scores for companies under our coverage, coupled with its promising downstream prospects, we believe Johor Plantations Group's valuation is attractive. It is currently trading at 11x FY26F P/E, lower than the peer range of 12 -15x.
- **Spot CPO prices have moderated** from MYR4,600-4,800/tonne in 1Q25 to a low of MYR3,780 in May, only to bounce back to MYR3,900-MYR4,100 currently. The decline was mainly driven by geopolitics in the light of US trade tariffs, wars, and crude oil prices falling as a result, all of which pushed CPO prices in the same direction. We highlight that the correlation between CPO prices and crude oil prices surged to 0.47 in Apr 2025 from -0.6 in 1Q25, and subsequently rose further to the current levels of 0.68, due to more geopolitical risks.
- **What's next for CPO prices?** We expect CPO prices to remain volatile given the ever-changing geopolitical situation. Fundamentally however, global supply and demand will likely be more balanced in 2026F, as supply improves, while demand should pick up given the more attractive relative prices.
- **Supply of 17 oils and fats complex is expected to improve YoY in 2026F,** coming from a partial recovery of palm, sunflower and rapeseed supplies, as well as continued growth from soybeans. Still, the stock/usage ratio of the 17 oils and fats complex is still expected to remain below the historical average of 13.6%, at 12.9% for Oct 2025F/Sep 2026F, albeit up from 12.7% in 2025F. This leaves very little cushion in case of any short-term bullish supply or demand surprises, hence raising the risk of price volatility going forward.
- **What does this mean for relative prices of vegetable oils and demand?** Ignoring the noises from geopolitics, we expect 2026F to see: i) Muted soybean prices, due to continued strong supply in 2026F; ii) SBO prices remain supported at higher levels, due to the higher demand from increased US biofuel blending; iii) CPO prices to continue trading at a discount to SBO in the medium term (currently at USD217/tonne discount); and iv) demand from price sensitive countries like India, Pakistan, Bangladesh come back.
- **We trim our CPO price** to MYR4,100/tonne (from MYR4,300) for 2025F and to MYR4,000 (from MYR4,100) for 2026F and 2027F; but raise PK prices to MYR3,300/tonne for 2025F (from MYR2,800) and to MYR3,200 for 2026F and 2027F (from MYR2,600). We also update for our latest in-house forex assumptions and adjust forecasts up by 3.5%, 7.8% and 9.5% for FY25-27F.
- **Keep BUY, with new MYR1.45 TP,** after rolling forward our valuation to 2026F. The new TP is based on a new 13x FY26F P/E (from 14x 2025 P/E), after benchmarking it against its peers, and an unchanged ESG score of 3.2.

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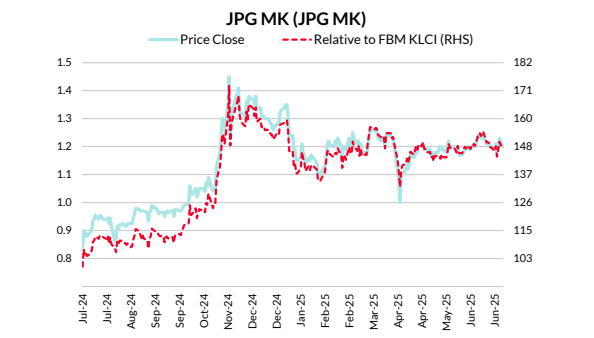


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### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(11.1)	0.0	8.1	0.8	0.0
Relative	(4.7)	(1.4)	1.6	6.5	0.0
52-wk Price low/high (MYR)				0.84	1.45



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (MYRm)	1,253	1,525	1,637	1,702	1,794
Recurring net profit (MYRm)	167	252	277	269	268
Recurring net profit growth (%)	(67.3)	50.5	9.8	(2.9)	(0.3)
Recurring P/E (x)	17.92	11.91	10.84	11.16	11.20
P/B (x)	1.3	1.1	1.0	1.0	0.9
P/CF (x)	7.73	6.07	9.15	5.46	6.68
Dividend Yield (%)	na	4.4	4.6	4.2	4.2
EV/EBITDA (x)	11.70	7.63	7.91	7.87	7.83
Return on average equity (%)	7.9	10.2	9.6	8.7	8.0
Net debt to equity (%)	66.3	37.2	41.1	35.3	32.5

Source: Company data, RHB

**Overall ESG Score: 3.2 (out of 4)**

**E Score: 3.3 (EXCELLENT)**

**S Score: 3.7 (EXCELLENT)**

**G Score: 2.7 (GOOD)**

Please refer to the ESG analysis on the next page

## Emissions And ESG

Trend analysis	Emissions (tCO2e)	Dec-22	Dec-23	Dec-24	Dec-25
In FY24, Scope 1 emissions remained flattish at 247.5k tonnes of CO2 equivalents (FY23:247.0k tonnes of CO2 equivalents). Meanwhile, its Scope 3 emissions reduced to 44.9k tonnes of CO2 equivalents (FY23: 55.1k tonnes of CO2 equivalents), bringing the total emissions to -3% YoY	Scope 1	255,823	247,045	247,515	-
	Scope 2	208	231	181	-
	Scope 3	33,902	55,110	44,899	-
	Total emissions	289,933	302,386	292,595	na

Source: Company data, RHB

## Latest ESG-Related Developments

**Sustainability certification:** As of end 2024, 100% of JPG's oil mills and estates are MSPO and RSPO certified.

**Traceability:** JPG achieved 100% traceability for both mills and plantations, or 93.96% (including external crops).

**Smallholder inclusion:** JPG is committed to help its smallholders to obtain certification from MSPO and RSPO (currently 289 out of 2,148 are certified vs 256 in 2023).

## ESG Unbundled

**Overall ESG Score: 3.2 (out of 4)**

Last Updated: 2 July 2025

**E Score: 3.3 (EXCELLENT)**

JPG has managed to reduce its GHG emissions intensity to 0.89/tonnes of CO2 in 2024 from 2020. The company is fully MSPO- and RSPO-certified for all its palm oil mills and estates. As at FY24, JPG is also targeting to help smallholders obtain SPO and RSPO certification to further bolster the production of sustainable oil palm products.

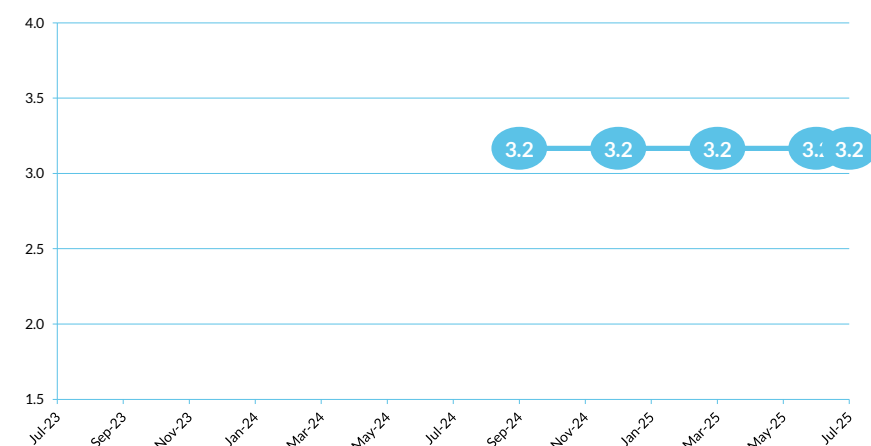
**S Score: 3.7 (EXCELLENT)**

JPG is dedicated to ensuring free, prior, and informed consent for all employees. Its fatality rate remained zero for the last four years, and it also has adopted a "zero recruitment cost" for foreign workers.

**G Score: 2.7 (GOOD)**

56% of JPG's board members are independent, and 22% of its directors are women, with full disclosure on remuneration including salaries and bonuses on a named basis. It has an in-house investor relations team and holds investor meetings regularly, embodying good transparency and disclosure practices.

## ESG Rating History



Source: RHB

## Financial Exhibits

Asia	Financial summary (MYR)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Malaysia	Recurring EPS	0.07	0.10	0.11	0.11	0.11
Agriculture	DPS	-	0.05	0.06	0.05	0.05
<b>Johor Plantations Group</b>	BVPS	0.90	1.13	1.18	1.24	1.30
JPG MK	Return on average equity (%)	7.9	10.2	9.6	8.7	8.0
Buy						
	<b>Valuation metrics</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
<b>Valuation basis</b>	Recurring P/E (x)	17.92	11.91	10.84	11.16	11.20
Target P/E of 13x on Dec-2026F earnings	P/B (x)	1.3	1.1	1.0	1.0	0.9
	FCF Yield (%)	7.2	11.6	0.9	10.0	7.3
<b>Key drivers</b>	Dividend Yield (%)	-	4.4	4.6	4.2	4.2
i. CPO price increase;	EV/EBITDA (x)	11.70	7.63	7.91	7.87	7.83
ii. Higher FFB production output;	EV/EBIT (x)	16.33	9.84	10.04	10.22	10.31
iii. Increased demand for sustainable palm oil.						
	<b>Income statement (MYRm)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
<b>Key risks</b>	Total turnover	1,253	1,525	1,637	1,702	1,794
i. CPO price volatility;	Gross profit	363	553	542	520	526
ii. Weather risks;	EBITDA	383	532	534	521	518
iii. Negative effect of a change in the demand and supply dynamics of the global vegetable oil industry.	Depreciation and amortisation	(109)	(120)	(113)	(120)	(125)
	Operating profit	275	413	420	401	393
	Net interest	(88)	(66)	(55)	(53)	(52)
	Pre-tax profit	187	346	365	348	341
<b>Company Profile</b>	Taxation	(21)	(90)	(91)	(89)	(88)
Johor Plantations Group is an upstream oil palm plantation company operating mainly in Johor, Malaysia, focusing on cultivation of oil palm and FFB production.	Reported net profit	167	257	277	262	255
	Recurring net profit	167	252	277	269	268
	<b>Cash flow (MYRm)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Change in working capital	92	26	(115)	111	7
	Cash flow from operations	388	494	328	550	449
	Capex	(171)	(147)	(300)	(250)	(230)
	Cash flow from investing activities	(168)	(283)	(291)	(243)	(225)
	Dividends paid	0	(63)	(138)	(125)	(125)
	Cash flow from financing activities	(104)	(15)	(252)	(255)	(252)
	Cash at beginning of period	25	141	337	122	174
	Net change in cash	115	196	(215)	52	(28)
	Ending balance cash	141	337	122	174	145
	<b>Balance sheet (MYRm)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Total cash and equivalents	141	337	122	174	145
	Tangible fixed assets	2,540	2,655	2,858	3,005	3,126
	Total assets	4,582	4,960	4,866	5,117	5,200
	Short-term debt	213	56	56	56	56
	Total long-term debt	1,414	1,332	1,282	1,212	1,142
	Total liabilities	2,339	2,133	1,903	2,013	1,957
	Total equity	2,244	2,826	2,962	3,103	3,243
	Total liabilities & equity	4,582	4,960	4,866	5,117	5,200
	<b>Key metrics</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Revenue growth (%)	(28.4)	21.7	7.4	3.9	5.4
	Recurrent EPS growth (%)	(67.3)	50.5	9.8	(2.9)	(0.3)
	Gross margin (%)	29.0	36.2	33.1	30.6	29.3
	Operating EBITDA margin (%)	30.6	34.9	32.6	30.6	28.8
	Net profit margin (%)	13.3	16.9	16.9	15.4	14.2
	Dividend payout ratio (%)	0.0	51.0	49.7	47.7	49.0
	Capex/sales (%)	13.6	9.6	18.3	14.7	12.8
	Interest cover (x)	3.03	5.64	6.51	6.68	6.89

Source: Company data, RHB

Figure 1: JPG's progress on ESG factors

		2022	2023	2024
<b>ENVIRONMENT</b>				
GHG emissions	Emissions (tCO2e)	338,709	314,946	331,859
GHG emissions	Intensity (tCO2e per tonne of palm product)	0.93	0.92	0.89
Waste treatment	Recycling/ Repurposing of waste	Yes	Yes	Yes
Energy efficiency (water)	Water usage (m3) and intensity (m3/tonne of palm product)	1,528,116	1,545,838	1,591,861
Energy efficiency	Energy consumption and intensity	243,433.00	218,824.00	228,932.00
Certifications	RSPO / MSPO / ISPO certified (%)	RSPO: 100% MSPO: 100% ISPO: N/A	RSPO: 100% MSPO: 100% ISPO: N/A	RSPO: 100% MSPO: 100% ISPO: N/A
Use of peat land	Peat land (%)	2.3%	2.3%	2.1%
Fire accidents	Number of accidents	N/A	None	None
Usage of renewable energy	% of renewable energy used	57.0%	62.1%	62.1%
Traceability	Traceable to mills (%)	100.00%	100.00%	100.00%
Traceability	Traceable to plantation (%)	87.52%	85.86%	93.96%
<b>SOCIAL</b>				
Channels for workers to raise concerns	Existence of grievance channels to raise concerns	Yes	Yes	Yes
Whistleblowing policy	Policies to protect whistleblowers	Yes	Yes	Yes
Employees' professional/personal development	Provision of training and education	Yes	Yes	Yes
Policy for smallholders	Policy in place for training, yield improvement and RSPO certification	Yes	Yes	Yes
Employees' welfare	Accommodation and amenities provided	Yes	Yes	Yes
<b>GOVERNANCE</b>				
Board composition	At least half of the board being independent directors	6/10 are independent		5/9 are independent
Limiting to nine years (for independent directors)	Limitation of tenure to nine years (for independent directors)	Not applicable	Not applicable	Not applicable
Gender inclusivity	Female representation in the board	30%		22.2%
Emphasis of sustainability at board level	Formation of a sustainability group	Yes	Yes	Yes
Remuneration transparency	Full disclosure of fees and benefits on named basis	Yes	Yes	Yes

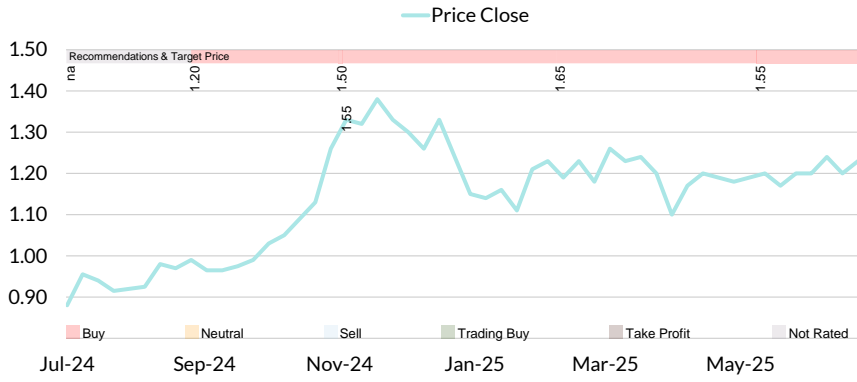
Source: Company data, RHB

Figure 2: Key assumptions for JPG

	FY22	FY23	FY24F	FY25F	FY26F	FY27F
Nucleus FFB production (tonnes)	1,111,496	1,034,153	1,130,253	1,166,689	1,219,317	1,282,415
% change	7.4%	-7.0%	9.3%	3.2%	4.5%	5.2%
CPO price assumptions (MYR/tonne)	5,177	3,989	4,331	4,223	4,120	4,120
% change	17.1%	-22.9%	8.6%	-2.5%	-2.4%	0.0%
PK price assumptions (MYR/tonne)	3,218	2,223	2,875	3,449	3,449	3,449
% change	11.5%	-30.9%	29.3%	19.9%	0.0%	0.0%

Source: Company data, RHB

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-05-19	Buy	1.55	1.18
2025-02-18	Buy	1.65	1.16
2024-11-14	Buy	1.55	1.32
2024-11-11	Buy	1.50	1.35
2024-09-06	Buy	1.20	0.99

Source: RHB, Bloomberg

9 July 2025

Agriculture | Plantation

## Kuala Lumpur Kepong (KLK MK)

## Neutral (from Buy)

Fairly Valued Now; D/G To NEUTRAL

Target Price (Return): MYR20.65 (-1%)  
 Price (Market Cap): MYR20.80 (USD5,492m)  
 ESG score: 3.2 (out of 4)  
 Avg Daily Turnover (MYR/USD) 7.68m/1.79m

- **Downgrade to NEUTRAL from Buy, with new MYR20.65 from MYR24.45 TP, 1% downside.** We expect 2026 to be a more balanced year fundamentally, with lower YoY CPO prices, but geopolitical risks will translate to more volatility. We lower our CPO, but raise PK price assumptions for FY25-27. Valuation for Kuala Lumpur Kepong is now fair at 21x FY26F (Sep), at the high end of its peer range of 17-22x.
- **Spot CPO prices have moderated** from MYR4,600-4,800/tonne in 1Q25 to a low of MYR3,780 in May, only to bounce back to MYR3,900-MYR4,100 currently. The decline was mainly driven by geopolitics in the light of US trade tariffs, wars, and crude oil prices falling as a result, all of which pushed CPO prices in the same direction. We highlight that the correlation between CPO prices and crude oil prices surged to 0.47 in Apr 2025 from -0.6 in 1Q25, and subsequently rose further to the current levels of 0.68, due to more geopolitical risks.
- **What's next for CPO prices?** We expect CPO prices to remain volatile given the ever-changing geopolitical situation. Fundamentally however, global supply and demand will likely be more balanced in 2026F, as supply improves, while demand should pick up given the more attractive relative prices.
- **Supply of 17 oils and fats complex is expected to improve YoY in 2026F,** coming from a partial recovery of palm, sunflower and rapeseed supplies, as well as continued growth from soybeans. Still, the stock/usage ratio of the 17 oils and fats complex is still expected to remain below the historical average of 13.6%, at 12.9% for Oct 2025F/Sep 2026F, albeit up from 12.7% in 2025F. This leaves very little cushion in case of any short-term bullish supply or demand surprises, hence raising the risk of price volatility going forward.
- **What does this mean for relative prices of vegetable oils and demand?** Ignoring the noises from geopolitics, we expect 2026F to see: i) Muted soybean prices, due to continued strong supply in 2026F; ii) SBO prices remain supported at higher levels, due to the higher demand from increased US biofuel blending; iii) CPO prices to continue trading at a discount to SBO in the medium term (currently at USD217/tonne discount); and iv) demand from price sensitive countries like India, Pakistan, Bangladesh come back.
- **We trim our CPO price** to MYR4,100/tonne (from MYR4,300) for 2025F and to MYR4,000 (from MYR4,100) for 2026F and 2027F; but raise PK prices to MYR3,300/tonne for 2025F (from MYR2,800) and to MYR3,200 for 2026F and 2027F (from MYR2,600). We also update for our latest in-house forex assumptions and adjust forecasts by -1.3%, -7.8% and -6.7% for FY25-27.
- **Downgrade to NEUTRAL.** We roll forward our valuation to 2026F and lower its plantation division P/E target to 18x 2026F (from 20x 2025F), after updating its current historical average. With this, our TP falls to MYR20.65 (inclusive of a 4% ESG premium).

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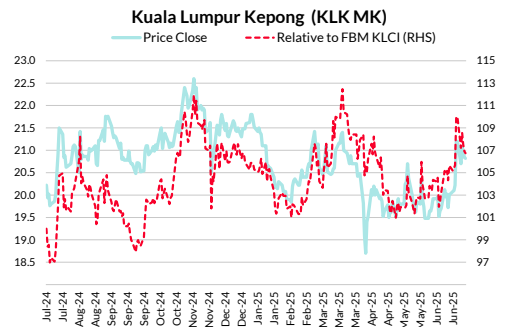


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### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(4.5)	6.0	1.7	(3.3)	2.7
Relative	1.1	3.2	(1.4)	1.6	6.8
52-wk Price low/high (MYR)				18.7	-22.6



Source: Bloomberg

Forecasts and Valuation	Sep-23	Sep-24	Sep-25F	Sep-26F	Sep-27F
Total turnover (MYRm)	23,648	22,274	25,895	27,992	29,255
Recurring net profit (MYRm)	1,421	853	1,164	1,080	1,101
Recurring net profit growth (%)	(39.8)	(39.9)	36.4	(7.3)	2.0
Recurring P/E (x)	15.80	26.75	19.61	21.14	20.73
P/B (x)	2.0	2.6	2.5	2.4	2.3
P/CF (x)	15.48	15.93	9.90	12.02	10.53
Dividend Yield (%)	2.9	1.7	2.4	2.4	2.4
EV/EBITDA (x)	9.83	9.66	7.98	8.39	8.33
Return on average equity (%)	2.1	2.4	8.3	7.4	7.3
Net debt to equity (%)	46.5	58.9	54.4	53.1	50.2

Source: Company data, RHB

Overall ESG Score: 3.2 (out of 4)

E Score: 3.0 (GOOD)

S Score: 3.3 (EXCELLENT)

G Score: 3.3 (EXCELLENT)

Please refer to the ESG analysis on the next page

## Emissions And ESG

Trend analysis	Emissions (tCO2e)	Sep-22	Sep-23	Sep-24	Sep-25
In FY24, GHG emissions slightly decreased to 0.96m tonnes of CO2 equivalents (FY23: 0.98m tonnes of CO2 equivalents).	Scope 1	1,371,732	976,600	962,148	na
	Scope 2	na	226,558	260,434	na
	Scope 3	na	136,942	137,682	na
	Total emissions	1,371,732	1,340,100	1,360,264	na

Source: Company data, RHB

## Latest ESG-Related Developments

**Energy management:** KLK OLEO's manufacturing facility at Bukit Raja undertook POK Solar Project, installing solar PV modules on rooftops with a total capacity of 867kWp. This project is estimated to reduce annual Scope 2 emissions by 550mt and save over MYR500k annually.

**Sustainability certifications:** As of end FY24, 82% of KLK's mills and 78% of its estates are RSPO certified.

**Traceability:** In FY24, KLK managed to achieve 100% traceability to mills and 100% traceability to plantation.

## ESG Unbundled

Overall ESG Score: 3.2 (out of 4)

Last Updated: 2 July 2025

E Score: 3.0 (GOOD)

KLK's GHG emission intensity and water consumption intensity were flattish YoY in FY24, at -1% and -2%.

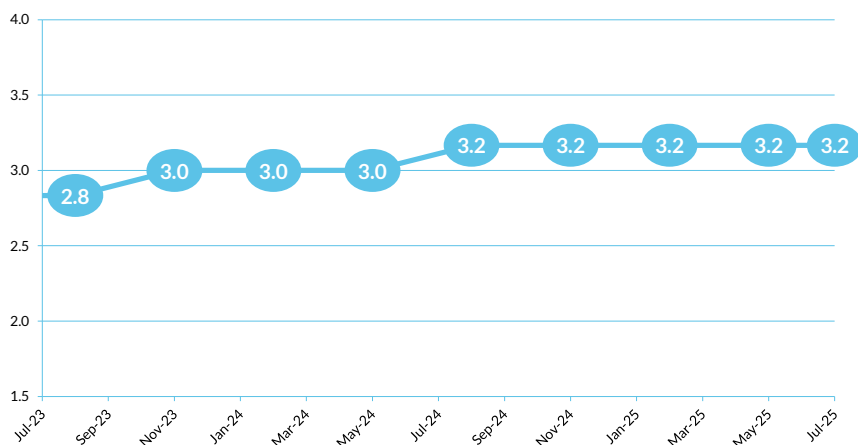
S Score: 3.3 (EXCELLENT)

KLK is committed to applying the appropriate labour standards so that its employees receive fair salaries/wages for fair working hours. KLK has a zero-recruitment fee policy to ensure that the workers are not financially burdened or taken advantage of during the recruitment process. KLK absorbs all employer-related statutory recruitment fees.

G Score: 3.3 (EXCELLENT)

56% of KLK's board members are independent, with full disclosure on director remuneration – which includes salaries and bonuses on a named basis. KLK has an in-house investor relations team and holds investor meetings regularly, embodying good transparency and disclosure practices.

## ESG Rating History



Source: RHB

## Financial Exhibits

Asia	Financial summary (MYR)	Sep-23	Sep-24	Sep-25F	Sep-26F	Sep-27F
Malaysia	Recurring EPS	1.32	0.78	1.06	0.98	1.00
Agriculture	DPS	0.60	0.35	0.50	0.50	0.50
<b>Kuala Lumpur Kepong</b>	BVPS	10.36	7.89	8.24	8.55	8.87
KLK MK	Return on average equity (%)	2.1	2.4	8.3	7.4	7.3
Neutral						
	<b>Valuation metrics</b>	<b>Sep-23</b>	<b>Sep-24</b>	<b>Sep-25F</b>	<b>Sep-26F</b>	<b>Sep-27F</b>
<b>Valuation basis</b>	Recurring P/E (x)	15.80	26.75	19.61	21.14	20.73
SOP-based target price comprising target P/E of 18x 2026F for the plantation division, 18x for the downstream division and RNAV for the property division. This is backed up by an EV/ha of USD20,000-30,000/ha, which is in line with its Malaysian peers.	P/B (x)	2.0	2.6	2.5	2.4	2.3
	FCF Yield (%)	(0.5)	(0.9)	3.5	1.7	2.9
	Dividend Yield (%)	2.9	1.7	2.4	2.4	2.4
	EV/EBITDA (x)	9.83	9.66	7.98	8.39	8.33
	EV/EBIT (x)	15.06	15.36	12.31	13.38	13.36
	<b>Income statement (MYRm)</b>	<b>Sep-23</b>	<b>Sep-24</b>	<b>Sep-25F</b>	<b>Sep-26F</b>	<b>Sep-27F</b>
<b>Key drivers</b>	Total turnover	23,648	22,274	25,895	27,992	29,255
i. CPO price movement;	Gross profit	2,874	3,058	4,073	4,060	4,155
ii. FFB production output;	EBITDA	2,779	2,821	3,406	3,260	3,286
iii. Competitiveness of its downstream processing division vs peers.	Depreciation and amortisation	(966)	(1,048)	(1,197)	(1,215)	(1,237)
	Operating profit	1,813	1,773	2,209	2,045	2,049
<b>Key risks</b>	Net interest	(406)	(453)	(477)	(468)	(460)
i. CPO price movement;	Pre-tax profit	625	932	1,738	1,612	1,644
ii. Weather risks;	Taxation	(162)	(445)	(417)	(387)	(394)
iii. Demand and supply dynamics of the global vegetable oil industry.	Reported net profit	307	339	1,164	1,080	1,101
	Recurring net profit	1,421	853	1,164	1,080	1,101
<b>Company Profile</b>	<b>Cash flow (MYRm)</b>	<b>Sep-23</b>	<b>Sep-24</b>	<b>Sep-25F</b>	<b>Sep-26F</b>	<b>Sep-27F</b>
Kuala Lumpur Kepong is an integrated plantations company with palm oil plantations landbank in Malaysia, Indonesia and Liberia. KLK also operates in the downstream manufacturing segment through its edible oil refineries and oleochemical businesses. In addition, KLK is involved in the property development business.	Change in working capital	400	(214)	(213)	(542)	(318)
	Cash flow from operations	1,451	1,433	2,305	1,898	2,168
	Capex	(1,555)	(1,641)	(1,500)	(1,500)	(1,500)
	Cash flow from investing activities	(1,600)	(1,987)	(1,500)	(1,500)	(1,500)
	Cash flow from financing activities	(713)	519	(748)	(748)	(748)
	Cash at beginning of period	2,785	2,382	2,384	2,441	2,091
	Net change in cash	(863)	(34)	57	(350)	(80)
	Ending balance cash	2,007	2,351	2,441	2,091	2,011
	<b>Balance sheet (MYRm)</b>	<b>Sep-23</b>	<b>Sep-24</b>	<b>Sep-25F</b>	<b>Sep-26F</b>	<b>Sep-27F</b>
	Total cash and equivalents	2,382	2,384	2,441	2,091	2,011
	Tangible fixed assets	14,918	15,202	15,504	15,789	16,052
	Total investments	3,100	3,150	3,150	3,150	3,150
	Total assets	30,126	30,530	31,195	31,909	32,549
	Short-term debt	2,891	4,783	4,583	4,383	4,183
	Total long-term debt	7,003	6,442	6,442	6,442	6,442
	Total liabilities	13,983	15,523	15,416	15,453	15,392
	Total equity	16,144	15,007	15,779	16,456	17,157
	Total liabilities & equity	30,126	30,530	31,195	31,909	32,549
	<b>Key metrics</b>	<b>Sep-23</b>	<b>Sep-24</b>	<b>Sep-25F</b>	<b>Sep-26F</b>	<b>Sep-27F</b>
	Revenue growth (%)	(12.9)	(5.8)	16.3	8.1	4.5
	Recurrent EPS growth (%)	(39.8)	(40.9)	36.4	(7.3)	2.0
	Gross margin (%)	12.2	13.7	15.7	14.5	14.2
	Operating EBITDA margin (%)	11.8	12.7	13.2	11.6	11.2
	Net profit margin (%)	1.3	1.5	4.5	3.9	3.8
	Dividend payout ratio (%)	269.8	179.2	74.6	80.4	78.9
	Capex/sales (%)	6.6	7.4	5.8	5.4	5.1
	Interest cover (x)	4.47	3.92	4.63	4.37	4.46

Source: Company data, RHB

Figure 1: KLK's progress on ESG factors

		2022	2023	2024
<b>ENVIRONMENT</b>				
GHG emissions	Emissions (tCO2e)	1,371,732	1,340,100	1,360,264
GHG emissions	Intensity (tCO2e per tonne of palm product)	0.83	0.665	0.66
Waste treatment	Recycling/Repurposing of waste	Yes	Yes	Yes
Energy efficiency (water)	Water usage (m3) and intensity (m3/tonne of palm product)	7,585,405	7,570,246	7,619,702
Energy efficiency	Energy consumption and intensity	25,246,924	26,631,237	26,703,310
Certifications	RSPO/MSPO/ISPO certified (%)	RSPO: 75% mills and 69% estates MSPO: 100% ISPO: 88% mills and 83% estates	RSPO: 78% mills (100%) and 76% (95%) MSPO: 100% ISPO: 100% mills and 96% estates  *Numbers in brackets exclude KLK Sawit Nusantara	RSPO: 82% mills and 78% estates MSPO: 100% ISPO: 100% mills and 97% estates
Use of peat land	Peat land (%)	Not disclosed	6.0%	5.9%
Fire accidents	Number of accidents	Not disclosed	198	214
Usage of renewable energy	% of renewable energy used	70.2%	69.2%	68.2%
Traceability	Traceable to mills (%)	100.00%	100.00%	100.00%
Traceability	Traceable to plantation (%)	80%	100%	100%
<b>SOCIAL</b>				
Channels for workers to raise concerns	Existence of grievance channels to raise concerns	Yes	Yes	Yes
Whistleblowing policy	Policies to protect whistleblowers	Yes	Yes	Yes
Employees' professional/personal development	Provision of training and education	Yes	Yes	Yes
Policy for smallholders	Policy in place for training, yield improvement and RSPO certification	Yes	Yes	Yes
Employees' welfare	Accommodation and amenities provided	Yes	Yes	Yes
<b>GOVERNANCE</b>				
Board composition	At least half of the board being independent directors	6/9 are independent	4/9 are independent	5/9 are independent
Limiting to nine years (for independent directors)	Limitation of tenure to nine years (for independent directors)	Yes	Yes	Yes
Gender inclusivity	Female representation in the board	22.2%	22.2%	22.2%
Emphasis of sustainability at board level	Formation of a sustainability group	Yes	Yes	Yes
Remuneration transparency	Full disclosure of fees and benefits on named basis	Yes	Yes	Yes

Source: Company data, RHB

Figure 2: KLK's forecast assumptions

	2023	2024	2025F	2026F	2027F
FFB Produced ('000 tonnes)	5,254	5,473	5,717	5,960	6,364
CPO Production ('000 tonnes)	1,255	1,331	1,411	1,463	1,549
PK Production ('000 tonnes)	247	239	264	274	290
Average Malaysian CPO price (MYR/tonne)	3,639	3,653	4,100	4,025	4,000
Average Malaysian PK price (MYR/tonne)	1,841	2,115	3,100	3,225	3,200

Source: RHB

Figure 3: KLK's SOP valuation

	Valuation basis	MYRm
Plantation earnings	18x CY2026F earnings	21,835.30
Manufacturing earnings	18x CY2026F earnings	5,289.33
Property RNAV	75% discount to RNAV	2,904.74
Synthomer investment	Mkt value	246.08
MP Evans investment	Mkt value	738.64
Net cash/(debt)	As at 2QFY25	(9,630.58)
<b>TOTAL SOP</b>		<b>21,383.51</b>
No Shares* (m)		1,078.16
<b>SOP/share (MYR)</b>		<b>19.83</b>
ESG premium/(discount) (%)	4%	0.79
<b>TP (MYR)</b>		<b>20.63</b>

Note: \* Weighted average

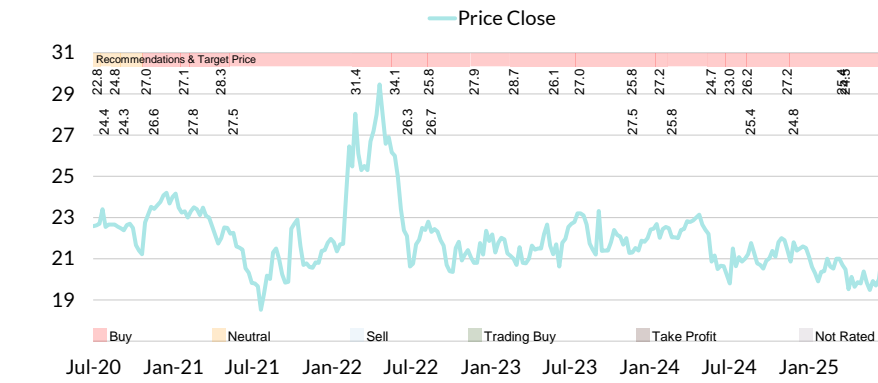
Source: RHB

Figure 4: RNAV of KLK's property landbank

	Acres	BV (MYRm)	MV (MYRm)	Effective stake	Net surplus (MYRm)
Ijok, Selangor	1,947	32	848	100%	572
Colville, Ng Sembilan	1,040	10	453	100%	310
Gombak, Selangor	996	142	3,904	100%	2,633
Bagan Samak, Kedah	867	13	189	100%	123
Tanjung Kupang, Johor	502	884	1,092	60%	88
Tj Malim, Selangor	425	8	185	100%	124
Paloh, Johor	64	0	7	100%	5
KLK Complex, Sg Buloh	20	3	43	100%	28
Ladang Tuan Mee, Sg Buloh	3,677	17	8,008	100%	5,593
Ladang Fraser, Kulai	2,500	12	1,089	100%	754
Subtotal					10,230
Shareholders' funds					1,389
<b>Total RNAV</b>					<b>11,619</b>
Discount to RNAV					75%
<b>Discounted RNAV</b>					<b>2,905</b>

Source: RHB

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-05-23	Buy	24.5	19.8
2025-03-17	Buy	25.4	21.2
2024-11-27	Buy	24.8	20.5
2024-11-11	Buy	27.2	22.3
2024-08-19	Buy	25.4	21.1
2024-08-11	Buy	26.2	20.9
2024-07-02	Buy	23.0	20.4
2024-05-20	Buy	24.7	22.4
2024-02-20	Buy	25.8	22.6
2024-01-23	Buy	27.2	22.5
2023-11-23	Buy	27.5	21.4
2023-11-20	Buy	25.8	22.0
2023-07-23	Buy	27.0	22.8
2023-05-24	Buy	26.1	22.5
2023-02-22	Buy	28.7	21.3

Source: RHB, Bloomberg

9 July 2025

Agriculture | Plantation

## PP London Sumatra Indonesia (LSIP IJ)

**Buy** (Maintained)

### Undervalued Pure Indonesian Planter; Keep BUY

Target Price (Return): IDR1,500 (+15%)  
 Price (Market Cap): IDR1,310 (USD552m)  
 ESG score: 2.3 (out of 4)  
 Avg Daily Turnover (IDR/USD) 10,522m/0.64m

- **Maintain BUY, with new IDR1,500 from IDR1,530 TP, 15% upside and c.6% FY26F yield.** We expect 2026 to be a more balanced year fundamentally, with lower YoY CPO prices, but geopolitical risks will translate to more volatility. We lower our CPO, but raise our PK price assumptions for FY25-27. London Sumatra Indonesia remains undervalued, trading at 6x FY26F P/E, at the low end of its peer range of 6-11x 2026F.
- **Spot CPO prices have moderated** from MYR4,600-4,800/tonne in 1Q25 to a low of MYR3,780 in May, only to bounce back to MYR3,900-MYR4,100 currently. The decline was mainly driven by geopolitics in the light of US trade tariffs, wars, and crude oil prices falling as a result, all of which pushed CPO prices in the same direction. We highlight that the correlation between CPO prices and crude oil prices surged to 0.47 in Apr 2025 from -0.6 in 1Q25, and subsequently rose further to the current levels of 0.68, due to more geopolitical risks.
- **What's next for CPO prices?** We expect CPO prices to remain volatile given the ever-changing geopolitical situation. Fundamentally however, global supply and demand will likely be more balanced in 2026F, as supply improves, while demand should pick up given the more attractive relative prices.
- **Supply of 17 oils and fats complex is expected to improve YoY in 2026F,** coming from a partial recovery of palm, sunflower and rapeseed supplies, as well as continued growth from soybeans. Still, the stock/usage ratio of the 17 oils and fats complex is still expected to remain below the historical average of 13.6%, at 12.9% for Oct 2025F/Sep 2026F, albeit up from 12.7% in 2025F. This leaves very little cushion in case of any short-term bullish supply or demand surprises, hence raising the risk of price volatility going forward.
- **What does this mean for relative prices of vegetable oils and demand?** Ignoring the noises from geopolitics, we expect 2026F to see: i) Muted soybean prices, due to continued strong supply in 2026F; ii) SBO prices remain supported at higher levels, due to the higher demand from increased US biofuel blending; iii) CPO prices to continue trading at a discount to SBO in the medium term (currently at USD217/tonne discount); and iv) demand from price sensitive countries like India, Pakistan, Bangladesh come back.
- **We trim our CPO price forecasts** to MYR4,100/tonne (from MYR4,300) for 2025 and to MYR4,000 (from MYR4,100) for 2026 and 2027; but raise PK prices to MYR3,300/tonne for 2025F (from MYR2,800) and to MYR3,200 for 2026F and 2027F (from MYR2,600). We also update for our latest in-house forex assumptions and adjust forecasts up by 5.1%, 2.8% and 3.9% for FY25-27.
- **Maintain BUY.** We maintain LSIP's ESG score at 2.3 and roll forward our valuation target to 2026F. With this, our TP is lowered to IDR1,500 (from IDR1,530), based on unchanged 8x 2026F P/E.

#### Analysts

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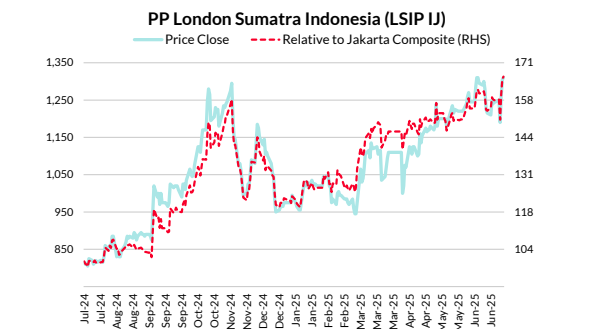


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#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	34.4	3.1	18.0	31.7	56.9
Relative	37.4	6.0	12.6	35.9	61.8
52-wk Price low/high (IDR)				805	-1,310



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (IDRb)	4,190	4,563	4,900	4,899	5,029
Recurring net profit (IDRb)	909	1,702	1,596	1,482	1,480
Recurring net profit growth (%)	(17.0)	87.3	(6.2)	(7.1)	(0.1)
Recurring P/E (x)	9.83	5.25	5.60	6.03	6.04
P/B (x)	0.8	0.7	0.6	0.6	0.5
P/CF (x)	6.33	5.71	4.73	4.72	4.80
Dividend Yield (%)	4.0	3.0	5.8	6.2	5.8
EV/EBITDA (x)	2.74	1.14	(0.27)	(0.87)	(1.47)
Return on average equity (%)	6.9	12.5	11.5	9.4	8.9
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

**Overall ESG Score: 2.3 (out of 4)**

**E Score: 2.3 (GOOD)**

**S Score: 2.3 (GOOD)**

**G Score: 2.0 (MODERATE)**

Please refer to the ESG analysis on the next page

## Emissions And ESG

Trend analysis	Emissions (tCO2e)	Dec-22	Dec-23	Dec-24	Dec-25
In FY24, Scope 1 emissions reduced to 0.43m tonnes of CO2 equivalents (FY23: 0.5m tonnes of CO2 equivalents), bringing total emissions to decrease by 16% YoY in FY24	Scope 1	503,000	497,000	434,000	na
	Scope 2	1,000	2,000	1,000	na
	Scope 3	21,000	22,000	2,163	na
	Total emissions	525,000	521,000	437,163	na

Source: Company data, RHB

## Latest ESG-Related Developments

**Sustainability certification:** In FY24, 94% of LSIP's estates' hectareage is ISPO certifies while 9 out of its 12 mills are ISPO certified.

**Traceability:** In FY24, all FFB and PK processed in LSIP's mills are traceable to their source estate, and 100% of CPO processed can be traced to the respective mills.

**Energy management:** The energy consumption per tonne of FFB processed at LSIP's mills rose 5% YoY to 2.32GJ/tonne.

## ESG Unbundled

**Overall ESG Score: 2.3 (out of 4)**

Last Updated: 2 July 2025

**E Score: 2.3 (GOOD)**

LSIP recorded a decrease in GHG emission per tonne of palm product from 1.35 in 2023 to 1.24 in 2024. Water intensity meanwhile, remained flattish at 1.1 in 2024. Progress on Indonesian Sustainable Palm Oil (ISPO) certification has been stagnant at 94% of estates since 2017.

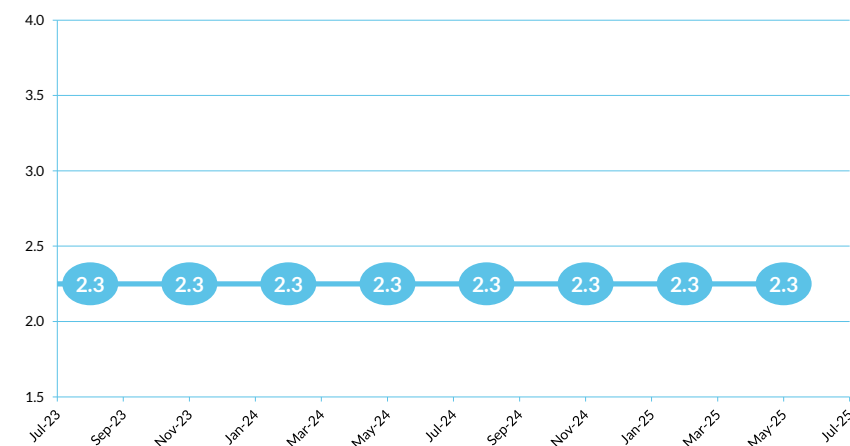
**S Score: 2.3 (GOOD)**

LSIP conducts capacity building and training programmes on HCV management and better farming techniques to oil palm smallholders. Human rights assessments are also put in place, which are based on its Sustainable Agriculture Policy, the ISPO certification, and the Indonesian Government regulations and their ratified ILO conventions.

**G Score: 2.0 (MODERATE)**

Only two out of five of its commissioners are independent and all of their directors and commissioners are males. LSIP has an in-house investor relations division to communicate financial performance and any relevant information to analysts and investors.

## ESG Rating History



Source: RHB

## Financial Exhibits

Asia	Financial summary (IDR)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Indonesia	Recurring EPS	133.29	249.61	234.04	217.37	217.06
Agriculture	DPS	53.00	39.00	75.59	81.69	75.88
<b>PP London Sumatra Indonesia</b>	BVPS	1,647.62	1,823.92	2,233.08	2,367.89	2,508.52
LSIP IJ	Return on average equity (%)	6.9	12.5	11.5	9.4	8.9
Buy						
	<b>Valuation metrics</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
<b>Valuation basis</b>	Recurring P/E (x)	9.83	5.25	5.60	6.03	6.04
8x FY26F P/E	P/B (x)	0.8	0.7	0.6	0.6	0.5
	FCF Yield (%)	11.7	13.3	17.8	17.8	17.5
	Dividend Yield (%)	4.0	3.0	5.8	6.2	5.8
<b>Key drivers</b>	EV/EBITDA (x)	2.74	1.14	(0.27)	(0.87)	(1.47)
i. Increase in palm product prices;	EV/EBIT (x)	4.16	1.43	(0.34)	(1.13)	(1.93)
ii. Increase in palm product sales volume;						
iii. A drop in Indonesia's and Malaysia's inventories.						
	<b>Income statement (IDRb)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
<b>Key risks</b>	Total turnover	4,190	4,563	4,900	4,899	5,029
i. Higher inventory;	Gross profit	1,151	1,992	2,244	2,276	2,351
ii. Decrease in palm product prices;	EBITDA	1,152	1,944	2,081	1,828	1,790
iii. Decrease in competing vegetable oil prices.	Depreciation and amortisation	(393)	(394)	(404)	(414)	(424)
	Operating profit	759	1,551	1,676	1,414	1,365
	Net interest	155	216	245	370	416
<b>Company Profile</b>	Pre-tax profit	911	1,773	1,923	1,786	1,784
London Sumatra Indonesia cultivates, harvests, and processes palm oil, rubber, coconut, cocoa, coffee and tea.	Taxation	(151)	(297)	(327)	(304)	(303)
	Reported net profit	759	1,474	1,596	1,482	1,480
	Recurring net profit	909	1,702	1,596	1,482	1,480
	<b>Cash flow (IDRb)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Cash flow from operations	1,411	1,565	1,888	1,891	1,862
	Capex	(369)	(376)	(300)	(300)	(300)
	Cash flow from investing activities	(364)	(420)	(300)	(300)	(300)
	Dividends paid	(361)	(266)	0	0	0
	Cash flow from financing activities	(367)	(270)	1,194	(563)	(521)
	Cash at beginning of period	3,847	4,511	5,454	8,236	9,263
	Net change in cash	681	875	2,782	1,028	1,041
	Ending balance cash	4,511	5,454	8,236	9,263	10,304
	<b>Balance sheet (IDRb)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Total cash and equivalents	4,511	5,454	8,236	9,263	10,304
	Tangible fixed assets	5,493	5,050	4,958	4,856	4,744
	Total investments	1,259	1,265	1,265	1,265	1,265
	Total assets	12,514	13,842	16,613	17,529	18,495
	Total liabilities	1,167	1,285	1,266	1,262	1,269
	Total equity	11,347	12,557	15,347	16,267	17,226
	Total liabilities & equity	12,514	13,842	16,613	17,529	18,495
	<b>Key metrics</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Revenue growth (%)	(8.6)	8.9	7.4	(0.0)	2.7
	Recurrent EPS growth (%)	(17.0)	87.3	(6.2)	(7.1)	(0.1)
	Gross margin (%)	27.5	43.7	45.8	46.5	46.7
	Operating EBITDA margin (%)	27.5	42.6	42.5	37.3	35.6
	Net profit margin (%)	18.1	32.3	32.6	30.3	29.4
	Dividend payout ratio (%)	47.6	18.0	32.3	37.6	35.0
	Capex/sales (%)	8.8	8.2	6.1	6.1	6.0
	Interest cover (x)	1,342	2,375	2,567	2,166	2,091

Source: Company data, RHB

Figure 1: LSIP's progress on ESG factors

		2022	2023	2024
<b>ENVIRONMENT</b>				
GHG emissions	Emissions (tCO <sub>2</sub> e)	526,000	513,000	457,000
GHG emissions	Intensity (tCO <sub>2</sub> e per tonne of palm product)	1.34	1.35	1.24
Waste treatment	Recycling/Repurposing of waste	Yes	Yes	Yes
Energy efficiency (water)	Water usage (m <sup>3</sup> ) and intensity (m <sup>3</sup> /tonne of palm product)	1,566,000	1,484,000	1,455,000
Energy efficiency	Energy consumption and intensity	3,247,000	3,158,000	3,064,000
Certifications	RSPO/MSPO/ISPO certified (%)	RSPO: N/A MSPO: N/A ISPO: 94% of estates	RSPO: N/A MSPO: N/A ISPO: 94% of estates	RSPO: N/A MSPO: N/A ISPO: 94% of estates
Use of peat land	Peat land (%)	Not disclosed	Not disclosed	Not disclosed
Fire accidents	Number of accidents	Not disclosed	0	
Usage of renewable energy	% of renewable energy used	98.5%	98.9%	98.9%
Traceability	Traceable to mills (%)	100.00%	100.00%	100.00%
Traceability	Traceable to plantation (%)	100.00%	100.00%	100.00%
<b>SOCIAL</b>				
Channels for workers to raise concerns	Existence of grievance channels to raise concerns	Yes	Yes	Yes
Whistleblowing policy	Policies to protect whistleblowers	Yes	Yes	Yes
Employees' professional/personal development	Provision of training and education	Yes	Yes	Yes
Policy for smallholders	Policy in place for training, yield improvement and RSPO certification	Yes	Yes	Yes
Employees' welfare	Accommodation and amenities provided	Yes	Yes	Yes
<b>GOVERNANCE</b>				
Board composition	At least half of the board being independent commissioners	2/5 are independent	2/5 are independent	2/5 are independent
Limiting to nine years (for independent directors)	Limitation of tenure to nine years (for independent directors)	Not applicable	Not applicable	Not applicable
Gender inclusivity	Female representation in the board	0.0%	0.0%	0.0%
Emphasis of sustainability at board level	Formation of a sustainability group	Yes	Yes	Yes
Remuneration transparency	Full disclosure of fees and benefits on named basis	No	No	No

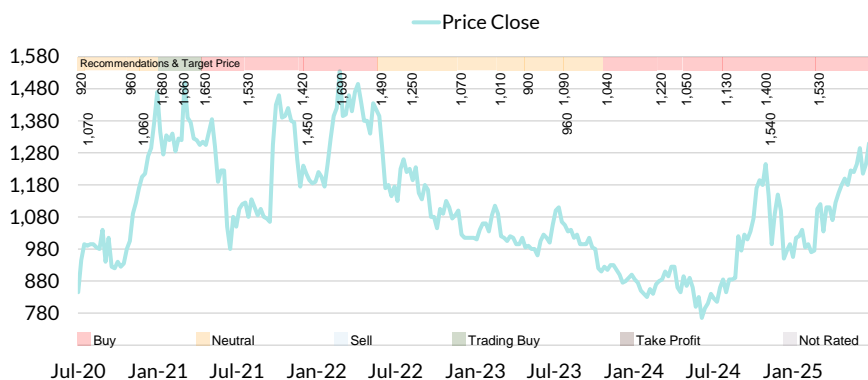
Source: Company data, RHB

Figure 2: Key assumptions

	2022	2023	2024	2025F	2026F	2027F
CPO production	306,000	294,000	287,000	293,980	301,701	309,653
PK production	88,000	87,000	82,000	84,145	86,355	88,631
FFB production	1,174,000	1,177,000	1,173,000	1,208,190	1,244,436	1,281,769
CPO price (IDR/kg)	12,285	11,017	13,024	12,838	12,356	12,356
PK price (IDR/kg)	8,208	5,360	7,880	11,083	11,261	11,261

Source: Company data, RHB

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-03-03	Buy	1,530	1,065
2024-11-11	Buy	1,540	1,275
2024-11-01	Buy	1,400	1,180
2024-08-11	Buy	1,130	845
2024-08-01	Buy	1,130	885
2024-05-01	Buy	1,050	865
2024-03-04	Buy	1,220	865
2023-11-01	Buy	1,040	915
2023-08-01	Neutral	960	1,015
2023-07-23	Neutral	1,090	1,110
2023-05-03	Neutral	900	985
2023-03-01	Neutral	1,010	1,070
2022-11-30	Neutral	1,070	1,085
2022-08-14	Neutral	1,250	1,230
2022-08-10	Neutral	1,250	1,210

Source: RHB, Bloomberg

9 July 2025

Agriculture | Plantation

## Sarawak Oil Palms (SOP MK)

**Buy** (Maintained)

**Solid Fundamentals, Appealing Valuation; Keep BUY**

Target Price (Return):	MYR3.80 (+22%)
Price (Market Cap):	MYR3.12 (USD661m)
ESG score:	2.3 (out of 4)
Avg Daily Turnover (MYR/USD)	0.39m/0.09m

- **Keep BUY, with new MYR3.80 from MYR4.80 TP, 22% upside and c.4% FY26F yield.** We expect 2026 to be a more balanced year fundamentally, with lower YoY CPO prices, but geopolitical risks will translate to more volatility. We lower our CPO, but raise our PK price assumptions for FY25-27. We continue to like Sarawak Oil Palms for its pure play strategy, coupled with attractive valuation. The counter currently trades at 6x FY26F P/E, at the low end of its peer average of 6-11x.
- **Spot CPO prices have moderated** from MYR4,600-4,800/tonne in 1Q25 to a low of MYR3,780 in May, only to bounce back to MYR3,900-MYR4,100 currently. The decline was mainly driven by geopolitics in the light of US trade tariffs, wars, and crude oil prices falling as a result, all of which pushed CPO prices in the same direction. We highlight that the correlation between CPO prices and crude oil prices surged to 0.47 in Apr 2025 from -0.6 in 1Q25, and subsequently rose further to the current levels of 0.68, due to more geopolitical risks.
- **What's next for CPO prices?** We expect CPO prices to remain volatile given the ever-changing geopolitical situation. Fundamentally however, global supply and demand will likely be more balanced in 2026F, as supply improves, while demand should pick up given the more attractive relative prices.
- **Supply of 17 oils and fats complex is expected to improve YoY in 2026F,** coming from a partial recovery of palm, sunflower and rapeseed supplies, as well as continued growth from soybeans. Still, the stock/usage ratio of the 17 oils and fats complex is still expected to remain below the historical average of 13.6%, at 12.9% for Oct 2025F/Sep 2026F, albeit up from 12.7% in 2025F. This leaves very little cushion in case of any short-term bullish supply or demand surprises, hence raising the risk of price volatility going forward.
- **What does this mean for relative prices of vegetable oils and demand?** Ignoring the noises from geopolitics, we expect 2026F to see: i) Muted soybean prices, due to continued strong supply in 2026F; ii) SBO prices remain supported at higher levels, due to the higher demand from increased US biofuel blending; iii) CPO prices to continue trading at a discount to SBO in the medium term (currently at USD217/tonne discount); and iv) demand from price sensitive countries like India, Pakistan, Bangladesh come back.
- **We trim our CPO price** to MYR4,100/tonne (from MYR4,300) for 2025F and to MYR4,000 (from MYR4,100) for 2026F and 2027F; but raise PK prices to MYR3,300/tonne for 2025F (from MYR2,800) and to MYR3,200 for 2026F and 2027F (from MYR2,600). We also update for our latest in-house forex assumptions and adjust forecasts up by 4.3%, 7.3% and 7.8% for FY25-27.
- **Maintain BUY.** We keep SOP's ESG score at 2.3 and roll forward our valuation target to 2026F. With this, our TP is lowered to MYR3.80 (from MYR4.80), based on a new 8x FY26F P/E (from 10x FY26F P/E), in line with its updated historical average.

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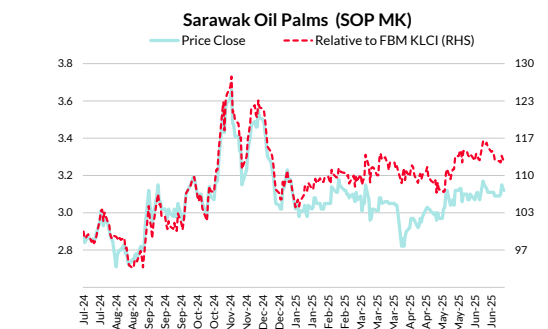


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### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(1.9)	1.6	4.3	0.0	10.2
Relative	3.7	(1.2)	1.2	4.9	14.3
52-wk Price low/high (MYR)				2.71	-3.66



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (MYRm)	5,124	5,314	5,241	5,185	5,135
Recurring net profit (MYRm)	302	447	520	488	478
Recurring net profit growth (%)	(39.8)	48.1	16.5	(6.2)	(2.2)
Recurring P/E (x)	9.21	6.22	5.34	5.69	5.82
P/B (x)	0.8	0.7	0.7	0.6	0.6
P/CF (x)	7.54	4.30	3.67	3.99	3.99
Dividend Yield (%)	1.5	7.0	4.2	3.8	3.8
EV/EBITDA (x)	5.15	3.78	2.93	2.67	2.33
Return on average equity (%)	8.8	12.2	13.0	11.1	10.0
Net debt to equity (%)	1.8	net cash	net cash	net cash	net cash

Source: Company data, RHB

**Overall ESG Score: 2.3 (out of 4)**

**E Score: 2.3 (GOOD)**

**S Score: 2.0 (MODERATE)**

**G Score: 2.7 (GOOD)**

Please refer to the ESG analysis on the next page

## Emissions And ESG

### Trend analysis

In 2024, Scope 1 emissions decreased to 189k tonnes of CO2 equivalents (2023: 269k tonnes of CO2 equivalents) but Scope 2 emissions also increased to 44k tonnes of CO2 equivalents (2023: 25k tonnes of CO2 equivalents). Additionally, SOP disclosed Scope 3 emissions for the first time.

Emissions (tCO2e)	Dec-22	Dec-23	Dec-24	Dec-25
Scope 1	281,756	269,481	189,744	na
Scope 2	38,742	24,956	44,017	na
Scope 3	-	-	810	na
Total emissions	320,498	294,437	234,571	na

Source: Company data, RHB

## Latest ESG-Related Developments

**Sustainability certification:** As of end 2024, 100% of SOP's operations are MSPO certified.

**Traceability:** as of end-2024, SOP managed to maintain 100% traceability to mills and achieved 94% traceability to plantation for its mills.

**Reducing GHG emissions:** SOP commits to reduce GHG emissions with the installation of methane capture systems at all seven POMs. (4 have been completed as at FY24) to reduce emissions at all mills.

## ESG Unbundled

Overall ESG Score: 2.3 (out of 4)

Last Updated: 2 July 2025

E Score: 2.3 (GOOD)

While Sarawak Oil Palms is committed to no further development on peat areas, 45% of its landbank is still planted on peat. The company has reported a reduction in greenhouse gas (GHG) emission intensity since 2017 for its estates. The company is fully Malaysian Sustainable Palm Oil-certified for its mills and estates.

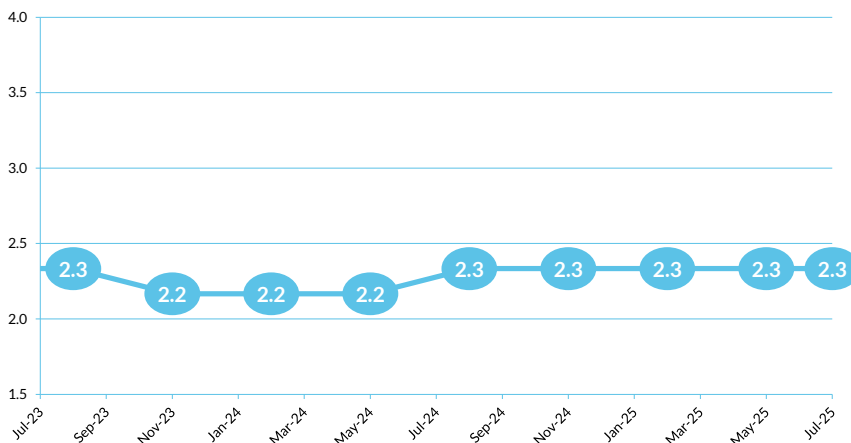
S Score: 2.0 (MODERATE)

Sarawak Oil Palms is committed to free, prior and informed consent for all its employees. Its fatality accident rate has remained low, while the lost time injury frequency rate continues to trend lower. The company has not had any major labour issues in the last two years.

G Score: 2.7 (GOOD)

30% of SOP's board members are independent, and 40% of its members are women. Additionally, it provides full disclosure on director remuneration, which includes salaries and bonuses and on a named basis. The company has an in-house investor relations team and holds briefings regularly, embodying good transparency and disclosure practices.

## ESG Rating History



Source: RHB



Figure 1: SOP's progress on ESG factors

		2022	2023	2024
<b>ENVIRONMENT</b>				
GHG emissions	Emissions (tCO2e)	255,266	212,236	234,571
GHG emissions	Intensity (tCO2e per tonne of palm product)	0.3	0.24	0.25
Waste treatment	Recycling/ Repurposing of waste	Yes	Yes	Yes
Energy efficiency (water)	Water usage (m3) and intensity (m3/tonne of palm product)	3,960,000	3,241,699	2,777,597
Energy efficiency	Energy consumption and intensity	1,323,629	1,489,872	2,397,643
Certifications	RSPO/MSPO/ISPO certified (%)	RSPO: Nil MSPO: 100% ISPO: N/A	RSPO: Nil MSPO: 100% ISPO: N/A	RSPO: Nil MSPO: 100% ISPO: N/A
Use of peat land	Peat land (%)	45.0%	45.0%	45.0%
Fire accidents	Number of accidents	None	None	None
Usage of renewable energy	% of renewable energy used	59.8%	63.2%	77.6%
Traceability	Traceable to mills (%)	100.00%	100.00%	100.00%
Traceability	Traceable to plantation (%)	47.20%	45.00%	93.70%*
<b>SOCIAL</b>				
Channels for workers to raise concerns	Existence of grievance channels to raise concerns	Yes	Yes	Yes
Whistleblowing policy	Policies to protect whistleblowers	Yes	Yes	Yes
Employees' professional/personal development	Provision of training and education	Yes	Yes	Yes
Policy for smallholders*	Policy in place for training, yield improvement and RSPO certification	Yes	Yes	Yes
Employees' welfare	Accommodation and amenities provided	Yes	Yes	Yes
<b>GOVERNANCE</b>				
Board composition	At least half of the board being independent directors	3/10 are independent	3/9 are independent	3/10 are independent
Limiting to nine years (for independent directors)	Limitation of tenure to nine years (for independent directors)	Yes	Yes	Yes
Gender inclusivity	Female representation in the board	50.0%	44.4%	40.0%
Emphasis of sustainability at board level	Formation of a sustainability group	3/10 are independent	3/9 are independent	3/10 are independent
Remuneration transparency	Full disclosure of fees and benefits on named basis	Yes	Yes	Yes

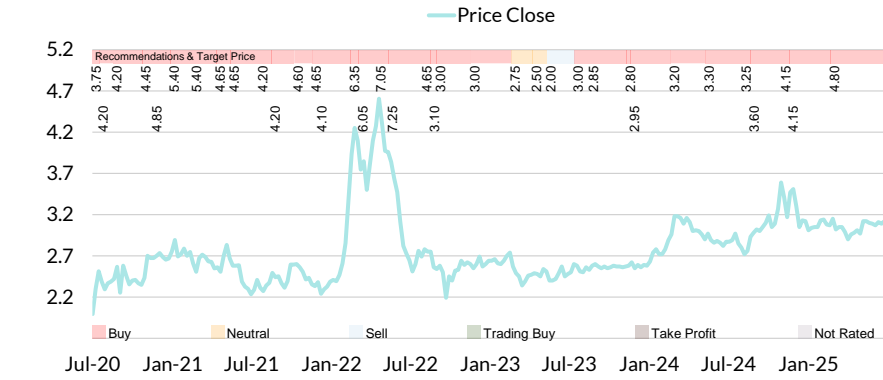
Note: \*Referring to TTP at SOP mills  
Source: Company data, RHB

Figure 2: Key assumptions

	FY23	FY24	FY25F	FY26F	FY27F
FFB production, tonnes	1,226,566	1,250,346	1,326,931	1,388,115	1,424,204
% change	2.7%	1.9%	6.1%	4.6%	2.6%
Effective CPO price (MYR)	3,832	4,230	4,100	4,000	4,000

Source: Company data, RHB

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-03-03	Buy	4.80	3.09
2024-11-28	Buy	4.15	3.40
2024-11-11	Buy	4.15	3.61
2024-10-07	Buy	na	3.14
2024-08-30	Buy	3.60	2.93
2024-08-12	Buy	3.25	2.83
2024-05-19	Buy	3.30	2.90
2024-02-29	Buy	3.20	2.84
2023-11-29	Buy	2.95	2.58
2023-11-20	Buy	2.80	2.59
2023-08-28	Buy	2.85	2.55
2023-07-23	Buy	3.00	2.60
2023-05-22	Sell	2.00	2.46
2023-04-18	Neutral	2.50	2.46
2023-03-01	Neutral	2.75	2.55

Source: RHB, Bloomberg

9 July 2025

Agriculture | Agriculture

## SD Guthrie (SDG MK)

**Buy** (Maintained)

### Value Unlocking Justifies Premium Valuation; Still BUY

Target Price (Return): MYR5.45 (+13%)  
 Price (Market Cap): MYR4.81 (USD7,879m)  
 ESG score: 3.2 (out of 4)  
 Avg Daily Turnover (MYR/USD) 12.2m/2.84m

- **Maintain BUY, with new MYR5.45 from MYR5.65 TP, 13% upside and c.3% FY26F yield.** We expect 2026 to be a more balanced year fundamentally, with lower YoY CPO prices, but geopolitical risks will translate to more volatility. We lower our CPO, but raise our PK price assumptions for FY25-27. We like SD Guthrie for its value-unlocking strategy, which we believe deserves a premium valuation, as earnings contribution from its new verticals has yet to be priced in.
- **Spot CPO prices have moderated** from MYR4,600-4,800/tonne in 1Q25 to a low of MYR3,780 in May, only to bounce back to MYR3,900-MYR4,100 currently. The decline was mainly driven by geopolitics in the light of US trade tariffs, wars, and crude oil prices falling as a result, all of which pushed CPO prices in the same direction. We highlight that the correlation between CPO prices and crude oil prices surged to 0.47 in Apr 2025 from -0.6 in 1Q25, and subsequently rose further to the current levels of 0.68, due to more geopolitical risks.
- **What's next for CPO prices?** We expect CPO prices to remain volatile given the ever-changing geopolitical situation. Fundamentally however, global supply and demand will likely be more balanced in 2026F, as supply improves, while demand should pick up given the more attractive relative prices.
- **Supply of 17 oils and fats complex is expected to improve YoY in 2026F,** coming from a partial recovery of palm, sunflower and rapeseed supplies, as well as continued growth from soybeans. Still, the stock/usage ratio of the 17 oils and fats complex is still expected to remain below the historical average of 13.6%, at 12.9% for Oct 2025F/Sep 2026F, albeit up from 12.7% in 2025F. This leaves very little cushion in case of any short-term bullish supply or demand surprises, hence raising the risk of price volatility going forward.
- **What does this mean for relative prices of vegetable oils and demand?** Ignoring the noises from geopolitics, we expect 2026F to see: i) Muted soybean prices, due to continued strong supply in 2026F; ii) SBO prices remain supported at higher levels, due to the higher demand from increased US biofuel blending; iii) CPO prices to continue trading at a discount to SBO in the medium term (currently at USD217/tonne discount); and iv) demand from price sensitive countries like India, Pakistan, Bangladesh come back.
- **We trim our CPO price to MYR4,100/tonne** (from MYR4,300) for 2025F and to MYR4,000 (from MYR4,100) for 2026F and 2027F; but raise PK prices to MYR3,300/tonne for 2025F (from MYR2,800) and to MYR3,200 for 2026F and 2027F (from MYR2,600). We also update for our latest in-house forex assumptions and adjust forecasts by -7.4%, -6.5% and -4.6% for FY25-27.
- **Maintain BUY.** We have raised SDG's ESG score to 3.2 (from 3.0) and rolled forward our valuation target to 2026F. With this, our TP is lowered to MYR5.45 (from MYR5.65).

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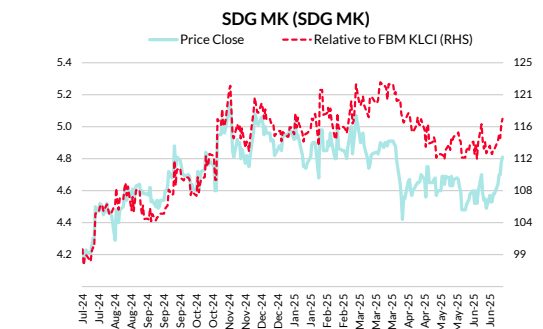


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#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(2.8)	6.2	0.4	(3.2)	13.2
Relative	2.8	3.4	(2.7)	1.7	17.3
52-wk Price low/high (MYR)				4.15	-5.15



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (MYRm)	18,428	19,831	16,026	16,796	18,196
Recurring net profit (MYRm)	995	2,201	1,491	1,462	1,505
Recurring net profit growth (%)	(53.5)	121.2	(32.3)	(1.9)	2.9
Recurring P/E (x)	33.43	15.11	22.32	22.75	22.10
P/B (x)	1.9	1.8	1.7	1.7	1.6
P/CF (x)	10.82	12.07	8.71	10.52	10.46
Dividend Yield (%)	3.1	3.4	2.3	2.5	2.5
EV/EBITDA (x)	11.33	8.06	9.51	9.50	9.24
Return on average equity (%)	10.9	12.0	7.9	7.5	7.5
Net debt to equity (%)	24.5	23.7	19.9	20.0	20.1

Source: Company data, RHB

Overall ESG Score: 3.2 (out of 4)

E Score: 3.3 (EXCELLENT)

S Score: 3.0 (GOOD)

G Score: 3.0 (GOOD)

Please refer to the ESG analysis on the next page

## Emissions And ESG

Trend analysis	Emissions (tCO2e)	Dec-22	Dec-23	Dec-24	Dec-25
In FY24, Scope 1 emissions decreased to 9.4m tonnes of CO2 equivalents (-8% YoY) (FY23: 10.25m tonnes of CO2 equivalents) while Scope 2 increased to 187.7k tonnes of CO2 equivalents (FY23: 167.7k tonnes of CO2 equivalents). Scope 3 on the other hand, marginally decreased by 1% to 9.03m tonnes of CO2 equivalents (FY23: 9.13m tonnes of CO2 equivalents)	Scope 1	9,742,966	10,245,293	9,398,397	na
	Scope 2	164,201	167,688	187,678	na
	Scope 3	8,961,121	9,128,227	9,031,799	na
	Total emissions	18,868,288	19,541,208	18,617,874	na

Source: Company data, RHB

## Latest ESG-Related Developments

**Achieving net zero:** SDPL has developed a three-pronged approach achieve net zero emission target by 2050 ie i) accelerating renewables programme; ii) land use transformation; iii) enhancing supplier engagements.

**Traceability:** In 2024, SDG managed to achieve 84.9% traceability to plantation.

**Sustainability certifications:** In 2024, 100% of SDG's upstream operations are RSPO certified.

## ESG Unbundled

Overall ESG Score: 3.2 (out of 4)

Last Updated: 2 July 2025

E Score: 3.3 (EXCELLENT)

SDG has recorded a 21% decrease in GHG emissions intensity in 2024 as compared to 2023. It maintains its target to reduce its GHG emission by 50% by 2030 against 2020 baseline.

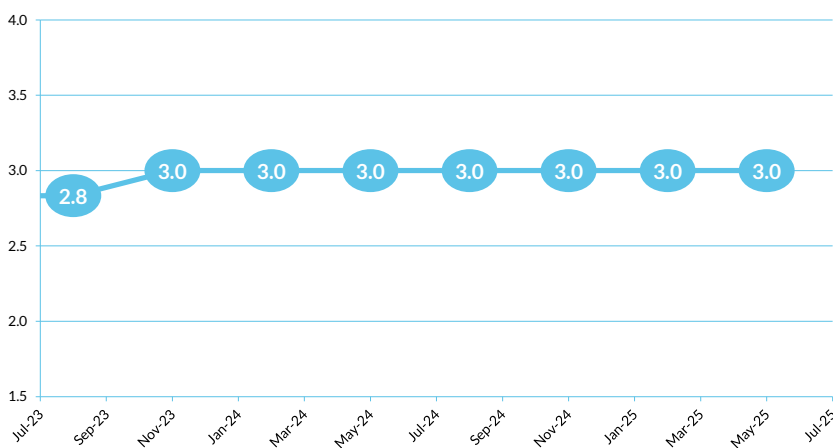
S Score: 3.0 (GOOD)

U.S. CBP has lifted the two-year ban on palm oil products for SDG on forced labour allegations. SDG continues to adhere to the International Labour Organisations Conventions and Free and Fair Labour Principles for all its employees.

G Score: 3.0 (GOOD)

50% of SDG's board members are independent. Additionally, SDG provides full disclosure on director remuneration, which includes salaries and bonuses and on named basis. SDG has an in-house investor relations team and holds investor briefings regularly, embodying good transparency and disclosure practices.

## ESG Rating History



Source: RHB

## Financial Exhibits

Asia	Financial summary (MYR)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Malaysia	Recurring EPS	0.14	0.32	0.22	0.21	0.22
Agriculture	DPS	0.15	0.16	0.11	0.12	0.12
<b>SD Guthrie</b>	BVPS	2.57	2.67	2.78	2.87	2.97
SDG MK	Return on average equity (%)	10.9	12.0	7.9	7.5	7.5
Buy						
	<b>Valuation metrics</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
<b>Valuation basis</b>	Recurring P/E (x)	33.43	15.11	22.32	22.75	22.10
SOP, applying 20x 2026F P/E to its plantation earnings, 18x P/E for its downstream division and RNAV for its property landbank.	P/B (x)	1.9	1.8	1.7	1.7	1.6
	FCF Yield (%)	2.9	2.4	4.0	2.0	2.0
	Dividend Yield (%)	3.1	3.4	2.3	2.5	2.5
	EV/EBITDA (x)	11.33	8.06	9.51	9.50	9.24
	EV/EBIT (x)	19.73	11.62	15.90	16.29	15.87
<b>Key drivers</b>	<b>Income statement (MYRm)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
i. CPO price movement;	Total turnover	18,428	19,831	16,026	16,796	18,196
ii. FFB production output;	Gross profit	9,030	9,717	7,853	8,230	8,916
iii. Competitiveness of its downstream processing division vs peers.	EBITDA	3,362	4,733	3,956	3,979	4,113
	Depreciation and amortisation	(1,432)	(1,453)	(1,591)	(1,657)	(1,718)
	Operating profit	1,930	3,280	2,365	2,322	2,395
	Net interest	(175)	(119)	(114)	(102)	(108)
	Pre-tax profit	2,752	3,150	2,179	2,140	2,198
	Taxation	(719)	(796)	(523)	(514)	(528)
	Reported net profit	1,860	2,175	1,491	1,462	1,505
	Recurring net profit	995	2,201	1,491	1,462	1,505
<b>Key risks</b>	<b>Cash flow (MYRm)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
i. CPO price movement;	Change in working capital	723	(645)	574	(120)	(209)
ii. Weather risks;	Cash flow from operations	3,075	2,757	3,820	3,163	3,180
iii. Demand and supply dynamics of the global vegetable oil industry.	Capex	(2,096)	(1,968)	(2,500)	(2,500)	(2,500)
	Cash flow from investing activities	(630)	(1,280)	(2,500)	(2,500)	(2,500)
	Dividends paid	(642)	(1,134)	0	0	0
	Cash flow from financing activities	(2,244)	(1,685)	(1,161)	(830)	(830)
	Cash at beginning of period	635	830	625	785	618
	Net change in cash	201	(208)	160	(167)	(150)
	Ending balance cash	830	625	788	621	472
<b>Company Profile</b>	<b>Balance sheet (MYRm)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
SD Guthrie is the largest listed plantations company on Bursa Malaysia, with more than 600,000ha of oil palm landbank	Total cash and equivalents	830	625	785	618	469
	Tangible fixed assets	19,145	19,365	20,274	21,117	21,899
	Total investments	60	60	60	60	60
	Total assets	31,886	32,047	31,960	32,895	33,937
	Short-term debt	1,701	1,742	1,742	1,742	1,742
	Total long-term debt	3,582	3,360	2,960	2,960	2,960
	Total liabilities	13,711	13,117	12,259	12,521	12,846
	Total equity	18,175	18,930	19,701	20,374	21,091
	Total liabilities & equity	31,886	32,047	31,960	32,895	33,937
	<b>Key metrics</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Revenue growth (%)	(12.4)	7.6	(19.2)	4.8	8.3
	Recurrent EPS growth (%)	(53.5)	121.2	(32.3)	(1.9)	2.9
	Gross margin (%)	49.0	49.0	49.0	49.0	49.0
	Operating EBITDA margin (%)	18.2	23.9	24.7	23.7	22.6
	Net profit margin (%)	10.1	11.0	9.3	8.7	8.3
	Dividend payout ratio (%)	55.8	52.0	51.0	56.8	55.1
	Capex/sales (%)	11.4	9.9	15.6	14.9	13.7
	Interest cover (x)	9.77	22.63	16.96	17.33	17.88

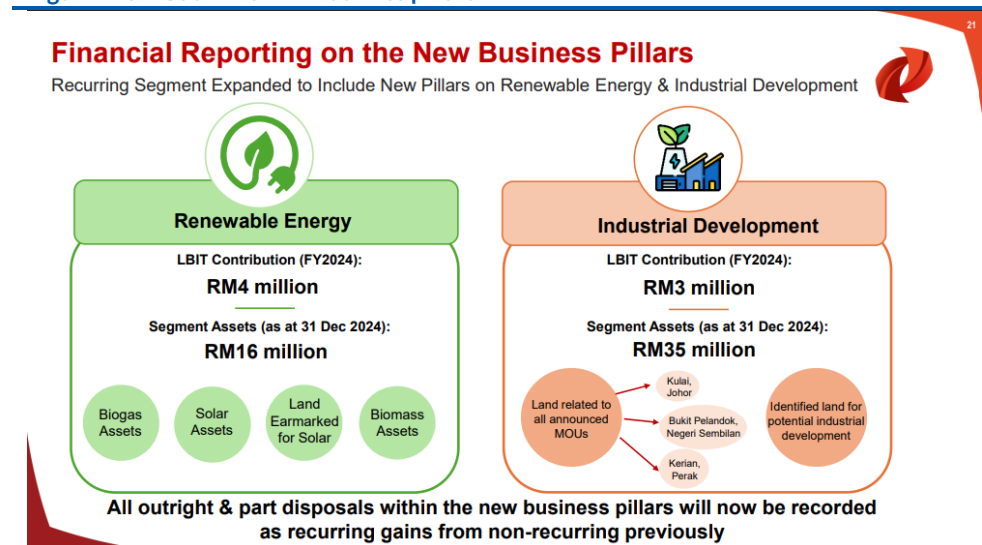
Source: Company data, RHB

Figure 1: SDG's progress on ESG factors

		2022	2023	2024
<b>ENVIRONMENT</b>				
GHG emissions	Emissions (tCO2e)	18,868,288	19,541,208	18,617,874
GHG emissions	Intensity (tCO2e per tonne of palm product)	4.05 (S1&2 only)	2.05 (S1 &2 only)	1.61 (S1 &2 only)
Waste treatment	Recycling/Repurposing of waste	Yes	Yes	Yes
Energy efficiency (water)	Water usage (m3) and intensity (m3/tonne of palm product)	28,353,614	23,649,124	19,481,038
Energy efficiency	Energy consumption and intensity	40,261,471	41,135,641	41,254,412
Certifications	RSPO/MSPO/ISPO certified (%)	RSPO: 100% upstream MSPO: 100% ISPO: 100% Upstream	RSPO: 100% upstream MSPO: 100% ISPO: 100% Upstream	RSPO: 100% upstream MSPO: 100% ISPO: 100% Upstream
Use of peat land	Peat land (%)	5.7%	Not provided	Not provided
Fire accidents	Number of accidents	198	812	320
Usage of renewable energy	% of renewable energy used	Not provided	88%	87%
Traceability	Traceable to mills (%)	94.80%	93.00%	96.90%
Traceability	Traceable to plantation (%)	72.70%	70.90%	84.90%
<b>SOCIAL</b>				
Channels for workers to raise concerns	Existence of grievance channels to raise concerns	Yes	Yes	Yes
Whistleblowing policy	Policies to protect whistleblowers	Yes	Yes	Yes
Employees' professional/personal development	Provision of training and education	Yes	Yes	Yes
Policy for smallholders	Policy in place for training, yield improvement and RSPO certification	Yes	Yes	Yes
Employees' welfare	Accommodation and amenities provided	Yes	Yes	Yes
<b>GOVERNANCE</b>				
Board composition	At least half of the board being independent directors	6/10 are independent	5/10 are independent	5/10 are independent
Limiting to nine years (for independent directors)	Limitation of tenure to nine years (for independent directors)	Yes	Yes	Yes
Gender inclusivity	Female representation in the board	30.0%	40.0%	30.0%
Emphasis of sustainability at board level	Formation of a sustainability group	Yes	Yes	Yes
Remuneration transparency	Full disclosure of fees and benefits on named basis	Yes	Yes	Yes

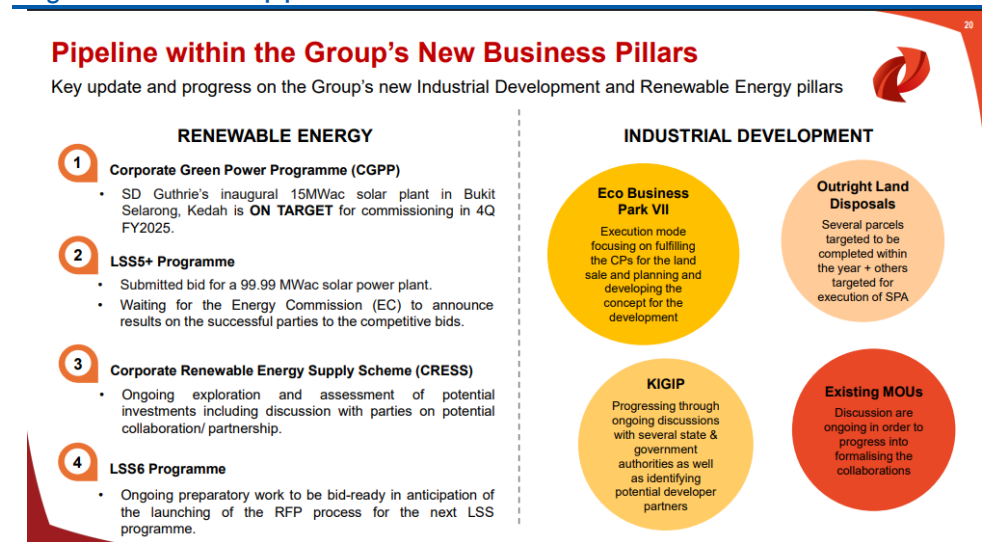
Source: Company data, RHB

Figure 2: SD Guthrie's new business pillars



Source: Company data

Figure 3: SD Guthrie's pipeline



Source: Company data

Figure 4: SDG's forecast assumptions

FYE	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
CPO price (MYR/tonne)	3,772	4,101	4,100	4,000	4,000
FFB production (m tonnes)	8.7	8.8	9.2	9.4	9.7
Downstream margin (%)	3.5	3.2	3.5	3.0	3.0

Source: RHB

Figure 5: SOP valuation

	Basis	Valuation (MYRm)
Plantations upstream	2026F P/E Target of 20x	23,267
Plantations downstream	2026F P/E Target of 18x	5,375
Property development	75% Discount to RNAV	7,634
<b>TOTAL</b>		<b>36,275</b>
No. issued shares (m)		6,916
<b>SOP/share (MYR)</b>		<b>5.25</b>
ESG premium/(discount)	4%	0.21
<b>TP (MYR)</b>		<b>5.45</b>

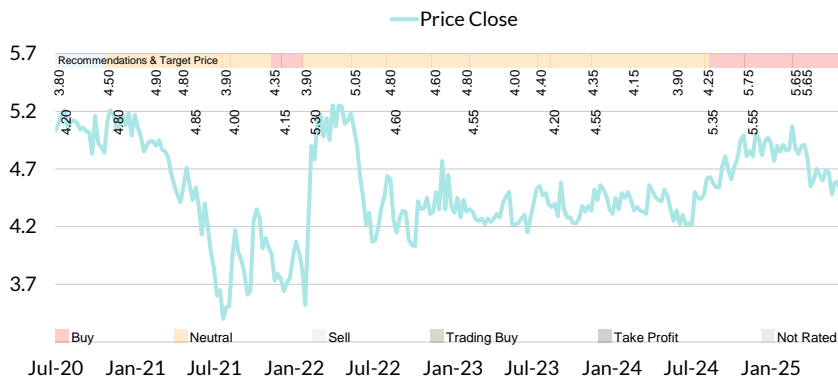
Source: RHB

Figure 6: RNAV of SDG's landbank (freehold land only)

	Acres	BV (MYRm)	MV (MYRm)	Net surplus (MYRm)
Johor	133,891	1,537	11,665	7,053
Perak	90,624	1,168	7,895	4,682
Negeri Sembilan	88,967	804	7,751	4,854
Selangor	86,796	1,297	17,014	10,957
Kedah	46,290	411	2,016	1,094
Malacca	36,368	309	2,376	1,435
Pahang	23,008	325	1,002	461
<b>Total RNAV</b>				<b>30,535</b>
Discount to RNAV				<b>75%</b>
<b>Discounted RNAV</b>				<b>7,634</b>

Source: Company update, RHB

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-05-07	Buy	5.65	4.68
2025-02-28	Buy	5.65	5.07
2024-11-21	Buy	5.55	4.80
2024-11-11	Buy	5.75	5.13
2024-08-22	Buy	5.35	4.58
2024-08-12	Neutral	4.25	4.50
2024-06-02	Neutral	3.90	4.25
2024-02-22	Neutral	4.15	4.50
2023-11-26	Neutral	4.55	4.34
2023-11-19	Neutral	4.35	4.38
2023-08-23	Neutral	4.20	4.32
2023-07-23	Neutral	4.40	4.53
2023-05-24	Neutral	4.00	4.41
2023-02-19	Neutral	4.55	4.35
2023-02-09	Neutral	4.80	4.31

Source: RHB, Bloomberg

9 July 2025

Agriculture | Plantation

## Ta Ann (TAH MK)

**Neutral** (Maintained)

### Timber Yet To Make a Turnaround

- **Maintain NEUTRAL, with new MYR3.60 TP from MYR3.65, 5% downside.** We expect 2026 to be a more balanced year fundamentally, with lower YoY CPO prices, but geopolitical risks will translate to more volatility. We lower our CPO, but raise our PK price assumptions for FY25-27. For the timber segment, we still expect the division to be at a breakeven level in FY25F. Ta Ann is currently trading at 9.6x FY26F P/E, at the higher end of its peer range of 6-11x, while its attractive 8% FY26F yield would provide support.
- **Spot CPO prices have moderated** from MYR4,600-4,800/tonne in 1Q25 to a low of MYR3,780 in May, only to bounce back to MYR3,900-MYR4,100 currently. The decline was mainly driven by geopolitics in the light of US trade tariffs, wars, and crude oil prices falling as a result, all of which pushed CPO prices in the same direction. We highlight that the correlation between CPO prices and crude oil prices surged to 0.47 in Apr 2025 from -0.6 in 1Q25, and subsequently rose further to the current levels of 0.68, due to more geopolitical risks.
- **What's next for CPO prices?** We expect CPO prices to remain volatile given the ever-changing geopolitical situation. Fundamentally however, global supply and demand will likely be more balanced in 2026F, as supply improves, while demand should pick up given the more attractive relative prices.
- **Supply of 17 oils and fats complex is expected to improve YoY in 2026F,** coming from a partial recovery of palm, sunflower and rapeseed supplies, as well as continued growth from soybeans. Still, the stock/usage ratio of the 17 oils and fats complex is still expected to remain below the historical average of 13.6%, at 12.9% for Oct 2025F/Sep 2026F, albeit up from 12.7% in 2025F. This leaves very little cushion in case of any short-term bullish supply or demand surprises, hence raising the risk of price volatility going forward.
- **What does this mean for relative prices of vegetable oils and demand?** Ignoring the noises from geopolitics, we expect 2026F to see: i) Muted soybean prices, due to continued strong supply in 2026F; ii) SBO prices remain supported at higher levels, due to the higher demand from increased US biofuel blending; iii) CPO prices to continue trading at a discount to SBO in the medium term (currently at USD217/tonne discount); and iv) demand from price sensitive countries like India, Pakistan, Bangladesh come back.
- **We trim our CPO price** to MYR4,100/tonne (from MYR4,300) for 2025F and to MYR4,000 (from MYR4,100) for 2026F and 2027F; but raise PK prices to MYR3,300/tonne for 2025F (from MYR2,800) and to MYR3,200 for 2026F and 2027F (from MYR2,600). We also update for our latest in-house forex assumptions and adjust forecasts up by 1.1%, 2.0% and 2.0% for FY25-27.
- **Keep NEUTRAL.** We maintain TAH's ESG score at 2.1 and roll forward our valuation target to 2026F based on an unchanged 11x P/E. With this, our TP is lowered to MYR3.60 (from MYR3.65).

Target Price (Return):	MYR3.60 (-5%)
Price (Market Cap):	MYR3.80 (USD396m)
ESG score:	2.1 (out of 4)
Avg Daily Turnover (MYR/USD)	1.17m/0.27m

#### Analysts

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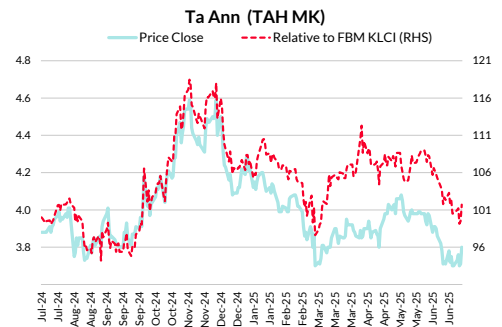


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#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(11.2)	(3.1)	(1.6)	(10.0)	(2.1)
Relative	(5.6)	(5.9)	(4.7)	(5.1)	2.0
52-wk Price low/high (MYR)	3.70 -4.59				



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (MYRm)	1,681	1,650	1,622	1,626	1,684
Recurring net profit (MYRm)	173	162	178	174	179
Recurring net profit growth (%)	(48.8)	(6.4)	10.4	(2.6)	2.9
Recurring P/E (x)	9.69	10.35	9.38	9.63	9.36
P/B (x)	0.9	0.9	0.9	0.9	0.9
P/CF (x)	6.35	5.87	4.50	5.02	5.43
Dividend Yield (%)	6.6	9.2	8.4	7.9	8.4
EV/EBITDA (x)	4.46	4.72	3.80	3.74	3.82
Return on average equity (%)	8.8	10.0	9.6	9.1	9.2
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

**Overall ESG Score: 2.1 (out of 4)**

**E Score: 2.0 (MODERATE)**

**S Score: 2.0 (MODERATE)**

**G Score: 2.3 (GOOD)**

Please refer to the ESG analysis on the next page

#### Note:

Small cap stocks are defined as companies with a market capitalisation of less than USD0.5bn.

## Emissions And ESG

Trend analysis	Emissions (tCO2e)	Dec-22	Dec-23	Dec-24	Dec-25
Ta Ann included its ESG disclosures for the first time in 2024.	Scope 1	na	na	34,000	na
	Scope 2	na	na	9,800	na
	Scope 3	na	na	100	na
	Total emissions	na	na	43,900	na

Source: Company data, RHB

## Latest ESG-Related Developments

**Sustainability certification:** As of end 2024, 100% of TAH's operations are MSPO certified.

**Traceability:** Ta Ann does not disclose its supply chain traceability.

**Forest Management Units (FMU):** Ta Ann's licenses for Kapit FMU, Pasin FMU, and Raplex FMU have been renewed for a period of 30 years, until 2053.

## ESG Unbundled

Overall ESG Score: 2.1 (out of 4)

Last Updated: 16 May 2025

E Score: 2.0 (MODERATE)

While Ta Ann does not have a comprehensive sustainability report, it has disclosed its carbon emissions for the first time in 2024, showcasing its disclosure progress. Additionally, TAH has three Forest Management Units which were certified to be sustainably compliant with the standards of the Malaysian Timber Certification Scheme (MTCS), a scheme endorsed internationally by the programme for the Endorsement of Forest Certification (PEFC).

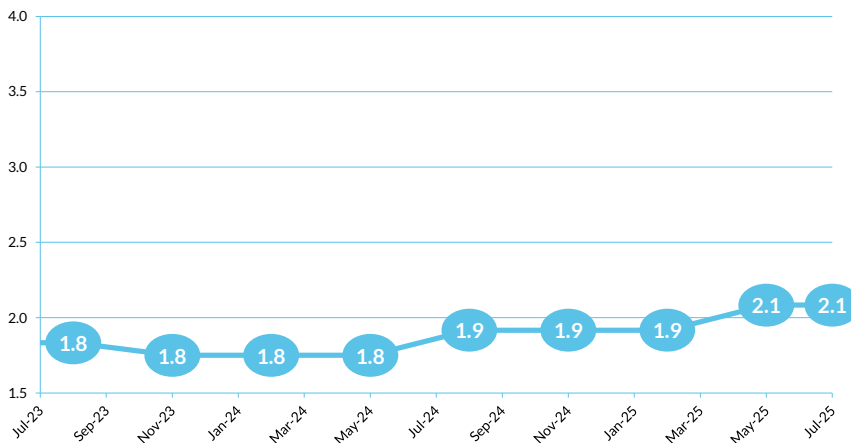
S Score: 2.0 (MODERATE)

While there is a lack of depth in terms of disclosures (ie number of fatalities), TAH has taken an active role in supporting and enriching the communities in which it operates – through sponsorships, donations and community-based activities. Additionally, the company has a whistleblowing policy in place to provide employees access to appropriate channels of communication to raise concerns without fear of reprisal.

G Score: 2.3 (GOOD)

38% of TAH's board members are independent with disclosure on director remuneration, which includes salaries and bonuses as well as on named basis. Ta Ann does not have its own in-house investor relations team, but it does conduct briefings upon request.

## ESG Rating History



Source: RHB

## Financial Exhibits

Asia	Financial summary (MYR)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Malaysia	Recurring EPS	0.39	0.37	0.41	0.39	0.41
Agriculture	DPS	0.25	0.35	0.32	0.30	0.32
<b>Ta Ann</b>	BVPS	4.11	4.18	4.27	4.36	4.45
TAH MK	Return on average equity (%)	8.8	10.0	9.6	9.1	9.2
Neutral						
	<b>Valuation metrics</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Recurring P/E (x)	9.69	10.35	9.38	9.63	9.36
	P/B (x)	0.9	0.9	0.9	0.9	0.9
	FCF Yield (%)	11.2	13.7	18.9	16.6	16.9
	Dividend Yield (%)	6.6	9.2	8.4	7.9	8.4
	EV/EBITDA (x)	4.46	4.72	3.80	3.74	3.82
	EV/EBIT (x)	5.84	6.43	4.91	4.90	4.57
	<b>Income statement (MYRm)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Total turnover	1,681	1,650	1,622	1,626	1,684
	Gross profit	410	402	442	419	429
	EBITDA	348	331	385	371	345
	Depreciation and amortisation	(83)	(88)	(87)	(88)	(57)
	Operating profit	265	243	298	283	288
	Net interest	1	6	7	11	15
	Pre-tax profit	270	302	335	325	334
	Taxation	(68)	(70)	(84)	(81)	(84)
	Reported net profit	157	184	178	174	179
	Recurring net profit	173	162	178	174	179
	<b>Cash flow (MYRm)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Change in working capital	(19)	18	34	2	1
	Cash flow from operations	264	285	372	333	309
	Capex	(75)	(56)	(56)	(56)	(26)
	Cash flow from investing activities	(104)	(101)	(86)	(86)	(26)
	Dividends paid	(129)	(268)	(141)	(132)	(141)
	Cash flow from financing activities	(238)	(334)	(171)	(162)	(171)
	Cash at beginning of period	525	500	435	580	696
	Net change in cash	(79)	(151)	115	85	112
	Ending balance cash	446	349	550	666	807
	<b>Balance sheet (MYRm)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Total cash and equivalents	500	435	580	696	807
	Tangible fixed assets	1,531	1,491	1,460	1,428	1,397
	Total assets	2,730	2,674	2,792	2,878	2,965
	Short-term debt	163	117	117	117	117
	Total long-term debt	19	14	(16)	(46)	(76)
	Total liabilities	723	636	644	618	596
	Total equity	2,007	2,037	2,148	2,259	2,369
	Total liabilities & equity	2,730	2,674	2,792	2,878	2,965
	<b>Key metrics</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Revenue growth (%)	(23.2)	(1.8)	(1.7)	0.3	3.6
	Recurrent EPS growth (%)	(48.8)	(6.4)	10.4	(2.6)	2.9
	Gross margin (%)	24.4	24.3	27.3	25.8	25.5
	Operating EBITDA margin (%)	20.7	20.1	23.7	22.8	20.5
	Net profit margin (%)	9.4	11.1	11.0	10.7	10.6
	Dividend payout ratio (%)	70.0	83.9	79.0	76.1	78.9
	Capex/sales (%)	4.5	3.4	3.4	3.4	1.5
	Interest cover (x)	27.7	43.3	64.3	82.5	129.2

Source: Company data, RHB

Figure 1: TAH's progress on ESG factors

		2022	2023	2024
<b>ENVIRONMENT</b>				
GHG emissions	Emissions (tCO2e)	Not disclosed	Not disclosed	43,900
GHG emissions	Intensity (tCO2e per tonne of palm product)	Not disclosed	Not disclosed	Not disclosed
Waste treatment	Recycling/Repurposing of waste	Not disclosed	Yes	Yes
Energy efficiency (water)	Water usage (m3) and intensity (m3/tonne of palm product)	Not disclosed	11,520	9,000
Energy efficiency	Energy consumption and intensity	Not disclosed	210,607	201,974
Certifications	RSPO/MSPO/ISPO certified (%)	RSPO: Nil MSPO: 100% ISPO: N/A	RSPO: Nil MSPO: 100% ISPO: N/A	RSPO: Nil MSPO: 100% ISPO: N/A
Use of peat land	Peat land (%)	Not disclosed	Not disclosed	Not disclosed
Fire accidents	Number of accidents	Not disclosed / none	Not disclosed / none	Not disclosed / none
Usage of renewable energy	% of renewable energy used	Not disclosed	Not disclosed	Not disclosed
Traceability	Traceable to mills (%)	Not disclosed	Not disclosed	Not disclosed
Traceability	Traceable to plantation (%)	Not disclosed	Not disclosed	Not disclosed *Timber is 87% traceable, according to PEFC certification
<b>SOCIAL</b>				
Channels for workers to raise concerns	Existence of grievance channels to raise concerns	Yes	Yes	Yes
Whistleblowing policy	Policies to protect whistleblowers	Yes	Yes	Yes
Employees' professional/personal development	Provision of training and education	Yes	Yes	Yes
Policy for smallholders	Policy in place for training, yield improvement and RSPO certification	Yes	Yes	Yes
Employees' welfare	Accommodation and amenities provided	Yes	Yes	Yes
<b>GOVERNANCE</b>				
Board composition	At least half of the board being independent directors	4/9 are independent	3/8 are independent	3/8 are independent
Limiting to nine years (for independent directors)	Limitation of tenure to nine years (for independent directors)	No	Yes	Yes
Gender inclusivity	Female representation in the board	22.2%	25.0%	25.0%
Emphasis of sustainability at board level	Formation of a sustainability group	No	No	Yes
Remuneration transparency	Full disclosure of fees and benefits on named basis	Yes	Yes	Yes

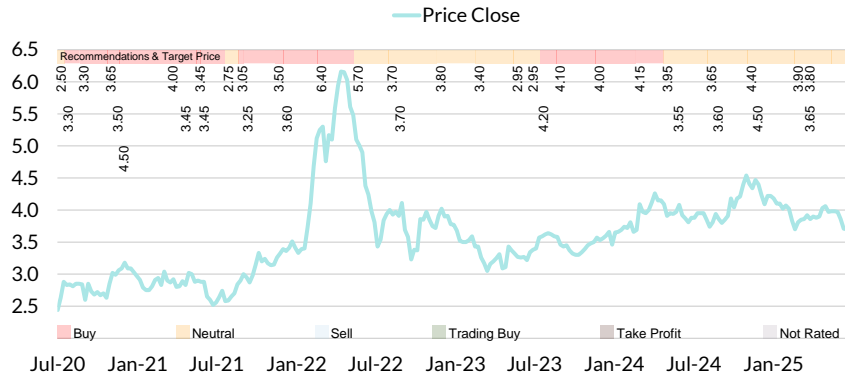
Source: Company data, RHB

Figure 2: TAH's forecast

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
Log production ('000 cu m)	272	183	195	207	213
FFB production ('000 tonnes)	677	666	717	751	787
Plywood price (USD/cu m)	564	496	515	515	515
Export log price (USD/cu m)	243	214	200	210	210
CPO price (MYR/tonne)	3707	4114	4100	4000	4000

Source: RHB

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-05-23	Neutral	3.65	3.98
2025-05-18	Neutral	3.80	3.97
2025-02-26	Neutral	3.90	3.80
2024-11-25	Neutral	4.50	4.31
2024-11-11	Neutral	4.40	4.54
2024-08-27	Neutral	3.60	3.86
2024-08-12	Neutral	3.65	3.85
2024-05-28	Neutral	3.55	3.99
2024-05-03	Neutral	3.95	4.09
2024-02-29	Buy	4.15	3.65
2023-11-28	Buy	4.00	3.51
2023-11-20	Buy	4.10	3.53
2023-08-31	Buy	4.10	3.63
2023-07-23	Buy	4.20	3.57
2023-06-29	Neutral	2.95	3.28

Source: RHB, Bloomberg

9 July 2025

Agriculture | Plantation

## TSH Resources (TSH MK)

**Neutral** (Maintained)

### Limited Growth Visibility

- **Maintain NEUTRAL, with new MYR1.10 TP from MYR1.15, 1% downside.** We expect 2026 to be a more balanced year fundamentally, with lower YoY CPO prices, but geopolitical risks will translate to more volatility. We lower our CPO, but raise our PK price assumptions for FY25-27. Given >90% of TSH Resources' planted area is in Indonesia, we believe the stock is relatively pricey, trading at 10.9x FY26F P/E, or at the higher end of its peer range of 6-11x 2026F.
- **Spot CPO prices have moderated** from MYR4,600-4,800/tonne in 1Q25 to a low of MYR3,780 in May, only to bounce back to MYR3,900-MYR4,100 currently. The decline was mainly driven by geopolitics in the light of US trade tariffs, wars, and crude oil prices falling as a result, all of which pushed CPO prices in the same direction. We highlight that the correlation between CPO prices and crude oil prices surged to 0.47 in Apr 2025 from -0.6 in 1Q25, and subsequently rose further to the current levels of 0.68, due to more geopolitical risks.
- **What's next for CPO prices?** We expect CPO prices to remain volatile given the ever-changing geopolitical situation. Fundamentally however, global supply and demand will likely be more balanced in 2026F, as supply improves, while demand should pick up given the more attractive relative prices.
- **Supply of 17 oils and fats complex is expected to improve YoY in 2026F,** coming from a partial recovery of palm, sunflower and rapeseed supplies, as well as continued growth from soybeans. Still, the stock/usage ratio of the 17 oils and fats complex is still expected to remain below the historical average of 13.6%, at 12.9% for Oct 2025F/Sep 2026F, albeit up from 12.7% in 2025F. This leaves very little cushion in case of any short-term bullish supply or demand surprises, hence raising the risk of price volatility going forward.
- **What does this mean for relative prices of vegetable oils and demand?** Ignoring the noises from geopolitics, we expect 2026F to see: i) Muted soybean prices, due to continued strong supply in 2026F; ii) SBO prices remain supported at higher levels, due to the higher demand from increased US biofuel blending; iii) CPO prices to continue trading at a discount to SBO in the medium term (currently at USD217/tonne discount); and iv) demand from price sensitive countries like India, Pakistan, Bangladesh come back.
- **We trim our CPO price** to MYR4,100/tonne (from MYR4,300) for 2025F and to MYR4,000 (from MYR4,100) for 2026F and 2027F; but raise PK prices to MYR3,300/tonne for 2025F (from MYR2,800) and to MYR3,200 for 2026F and 2027F (from MYR2,600). We also update for our latest in-house forex assumptions and adjust forecasts up by 7.2%, 3.0% and 2.6% for FY25-27.
- **We lower TSH's ESG score to 2.4 from 2.6,** as it withdrew from RSPO membership in FY24, and we roll forward our valuation target to 2026F. With this, our TP falls to MYR1.10 (from MYR1.15) based on an unchanged 12x target P/E.

Target Price (Return): MYR1.10 (-1%)  
 Price (Market Cap): MYR1.12 (USD348m)  
 ESG score: 2.4 (out of 4)  
 Avg Daily Turnover (MYR/USD) 1.00m/0.23m

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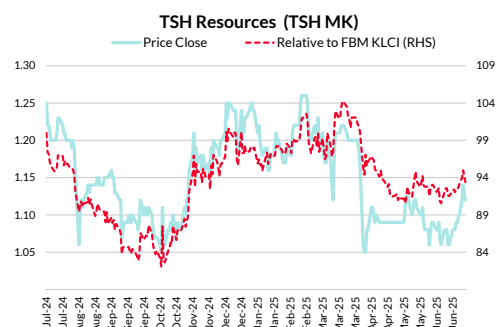


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#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(10.4)	3.7	(4.3)	(9.7)	(10.4)
Relative	(4.8)	0.9	(7.4)	(4.8)	(6.3)
52-wk Price low/high (MYR)				1.05	1.26



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (MYRm)	1,067	1,020	1,055	1,049	1,074
Recurring net profit (MYRm)	86	151	157	142	163
Recurring net profit growth (%)	(54.8)	76.1	4.0	(9.8)	14.8
Recurring P/E (x)	18.02	10.24	9.84	10.91	9.51
P/B (x)	0.8	0.8	0.7	0.7	0.6
P/CF (x)	6.82	6.43	5.67	5.30	4.85
Dividend Yield (%)	2.2	na	1.8	1.8	1.8
EV/EBITDA (x)	5.64	5.46	4.00	3.89	3.11
Return on average equity (%)	5.5	5.0	7.6	6.5	7.0
Net debt to equity (%)	2.3	net cash	net cash	net cash	net cash

Source: Company data, RHB

**Overall ESG Score: 2.4 (out of 4)**

**E Score: 2.7 (GOOD)**  
**S Score: 2.0 (MODERATE)**  
**G Score: 2.4 (GOOD)**

Please refer to the ESG analysis on the next page

#### Note:

Small cap stocks are defined as companies with a market capitalisation of less than USD0.5bn.

## Emissions And ESG

### Trend analysis

In FY24, scope 1 emissions decreased to around 236k tonnes of CO2 equivalent (FY23: 256k tonnes of CO2 equivalent) and scope 2 emissions reduced to 5.1k tonnes of CO2 equivalent (FY23: 10.7k tonnes of CO2 equivalent). This brings to a decrease of around 10% in total emissions YoY

Emissions (tCO2e)	Dec-22	Dec-23	Dec-24	Dec-25
Scope 1	288,181	255,596	235,971	na
Scope 2	6,006	10,722	5,070	na
Scope 3	na	2,693	1,908	na
Total emissions	294,187	269,011	242,949	na

Source: Company data, RHB

## Latest ESG-Related Developments

TSH has achieved 100% MSPO certification for Malaysian estates and mills and has incorporated Scope 3 disclosures in GHG reporting. However, in FY24, TSH has withdrawn its RSPO membership.

## ESG Unbundled

Overall ESG Score: 2.4 (out of 4)

Last Updated: 2 July 2025

E Score: 2.7 (GOOD)

TSH has recorded an 10% reduction in GHG emissions in 2024. Its renewable energy usage however, has dropped to 74% of total energy consumption from 92% in FY23

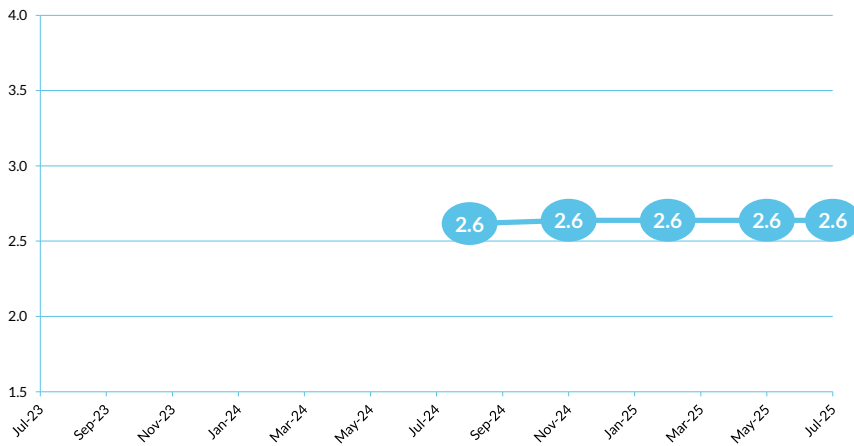
S Score: 2.0 (MODERATE)

TSH commits to respect land tenure rights, in relation to FPIC, and human rights through their policies. In 2024, the company recorded zero fatalities and loss time injury frequency rate of 8.62 (-41% YoY)

G Score: 2.4 (GOOD)

50% of TSH's board members are independent, but only 12.5% of them are female. While disclosure on director remuneration which includes salaries and bonuses are stated, it wasn't on named basis. TSH has an in-house investor relations team and holds investor briefings regularly, embodying good transparency and disclosure practices.

## ESG Rating History



Source: RHB

## Financial Exhibits

Asia	Financial summary (MYR)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Malaysia	Recurring EPS	0.06	0.11	0.11	0.10	0.12
Agriculture	DPS	0.03	-	0.02	0.02	0.02
<b>TSH Resources</b>	BVPS	1.48	1.46	1.55	1.63	1.73
TSH MK	Return on average equity (%)	5.5	5.0	7.6	6.5	7.0
Neutral						
	<b>Valuation metrics</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Recurring P/E (x)	18.02	10.24	9.84	10.91	9.51
	P/B (x)	0.8	0.8	0.7	0.7	0.6
	FCF Yield (%)	8.6	9.1	12.0	13.3	14.9
	Dividend Yield (%)	2.2	-	1.8	1.8	1.8
	EV/EBITDA (x)	5.64	5.46	4.00	3.89	3.11
	EV/EBIT (x)	8.49	9.72	6.57	6.96	5.35
	<b>Income statement (MYRm)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Total turnover	1,067	1,020	1,055	1,049	1,074
	Gross profit	398	403	401	363	374
	EBITDA	301	293	367	335	362
	Depreciation and amortisation	(101)	(128)	(144)	(148)	(152)
	Operating profit	200	165	223	188	210
	Net interest	(7)	0	2	12	22
	Pre-tax profit	211	182	257	230	264
	Taxation	(72)	(57)	(62)	(55)	(63)
	Reported net profit	108	101	157	142	163
	Recurring net profit	86	151	157	142	163
	<b>Cash flow (MYRm)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Change in working capital	24	(33)	(34)	0	(2)
	Cash flow from operations	227	240	273	292	319
	Capex	(93)	(100)	(87)	(86)	(88)
	Cash flow from investing activities	(36)	(67)	(62)	(61)	(63)
	Dividends paid	(35)	(69)	(28)	(28)	(28)
	Cash flow from financing activities	(328)	(149)	(129)	(129)	(129)
	Cash at beginning of period	376	250	263	346	447
	Net change in cash	(138)	25	82	102	127
	Ending balance cash	250	261	346	447	575
	<b>Balance sheet (MYRm)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Total cash and equivalents	250	263	346	447	575
	Tangible fixed assets	1,897	1,953	1,899	1,841	1,780
	Total investments	210	261	268	274	281
	Total assets	2,845	2,748	2,809	2,864	2,941
	Short-term debt	192	201	104	6	(92)
	Total long-term debt	112	59	59	59	59
	Total liabilities	540	482	376	282	187
	Total equity	2,305	2,266	2,434	2,581	2,754
	Total liabilities & equity	2,845	2,748	2,809	2,864	2,941
	<b>Key metrics</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Revenue growth (%)	(18.3)	(4.4)	3.4	(0.6)	2.4
	Recurrent EPS growth (%)	(54.8)	76.1	4.0	(9.8)	14.8
	Gross margin (%)	37.4	39.5	38.0	34.6	34.8
	Operating EBITDA margin (%)	28.2	28.7	34.7	32.0	33.7
	Net profit margin (%)	10.1	9.9	14.9	13.5	15.1
	Dividend payout ratio (%)	31.9	0.0	17.6	19.5	17.0
	Capex/sales (%)	8.8	9.8	8.2	8.2	8.2
	Interest cover (x)	9.93	13.08	19.69	42.63	(83.09)

Source: Company data, RHB

Figure 1: TSH's progress on ESG factors

		2022	2023	2024
<b>ENVIRONMENT</b>				
GHG emissions	Emissions (tCO2e)	294,187	269,011	242,949
GHG emissions	Intensity (tCO2e per tonne of palm product)	1.2	1.16	1.22
Waste treatment	Recycling/Repurposing of waste	Yes	Yes	Yes
Energy efficiency (water)	Water usage (m3) and intensity (m3/tonne of palm product)	1,386,137.00	1,037,856.00	3,012,000.00*
Energy efficiency	Energy consumption and intensity	Not disclosed	156,370	187,649
Certifications	RSPO/MSPO/ISPO certified (%)	RSPO: 44% estates, 67% mills MSPO: 100% ISPO: 36% for Indonesia companies	RSPO: 44% estates, 60% mills MSPO: 100% ISPO: 36% for Indonesia companies	RSPO: N/A** MSPO: 100% ISPO: 55% for Indonesia companies
Use of peat land	Peat land (%)	Not disclosed	Not disclosed	Not disclosed
Fire accidents	Number of accidents	Not disclosed	Not disclosed	Not disclosed
Usage of renewable energy	% of renewable energy used	Not disclosed	91.7%	73.7%
Traceability	Traceable to mills (%)	Not disclosed	Not disclosed	Not disclosed
Traceability	Traceable to plantation (%)	Not disclosed	84.00%	98.00%
<b>SOCIAL</b>				
Channels for workers to raise concerns	Existence of grievance channels to raise concerns	Yes	Yes	Yes
Whistleblowing policy	Policies to protect whistleblowers	Yes	Yes	Yes
Employees' professional/personal development	Provision of training and education	Yes	Yes	Yes
Policy for smallholders	Policy in place for training, yield improvement and RSPO certification	Yes	Yes	Yes
Employees' welfare	Accommodation and amenities provided	Yes	Yes	Yes
<b>GOVERNANCE</b>				
Board composition	At least half of the board being independent directors	6/10 are independent	5/9 are independent	4/8 are independent
Limiting to nine years (for independent directors)	Limitation of tenure to nine years (for independent directors)	Yes	Yes	Yes
Gender inclusivity	Female representation in the board	20.0%	11.1%	12.5%
Emphasis of sustainability at board level	Formation of a sustainability group	Yes	Yes	Yes
Remuneration transparency	Full disclosure of fees and benefits on named basis	No	No	No

Note: \*The sharp increase was due to change in methodology

Note 2: \*\*TSH withdrew from RSPO membership in FY24

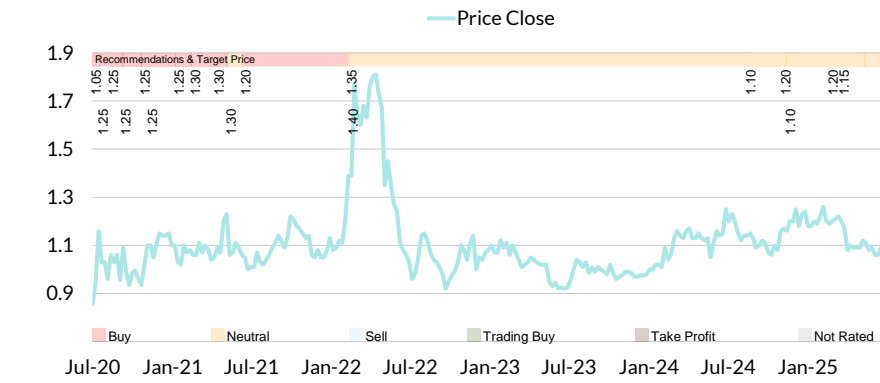
Source: Company data, RHB

Figure 2: Key assumptions

	FY23	FY24	FY25F	FY26F	FY27F
FFB produced, tonnes	905,437	795,002	841,378	882,753	916,377
% change	-2.0%	-12.2%	5.8%	4.9%	3.8%
Percentage of production from Indonesia	93.2%	91.7%	91.9%	91.3%	91.3%
CPO price assumption (Malaysia), MYR/tonne	3,822	4,192	4,100	4,000	4,000

Source: Company data, RHB

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-05-20	Neutral	1.15	1.11
2025-02-28	Neutral	1.20	1.19
2024-11-21	Neutral	1.10	1.17
2024-11-11	Neutral	1.20	1.18
2024-08-23	Neutral	1.10	1.14
2022-02-25	Neutral	1.40	1.39
2022-02-21	Neutral	1.35	1.35
2021-06-22	Buy	1.20	1.06
2021-05-19	Neutral	1.30	1.20
2021-04-21	Buy	1.30	1.06
2021-02-26	Buy	1.30	1.06
2021-02-26	Buy	na	1.06
2021-01-19	Buy	1.25	1.08
2020-11-18	Buy	1.25	1.10
2020-11-01	Buy	1.25	0.94

Source: RHB, Bloomberg

9 July 2025

Agriculture | Plantation

## Wilmar International (WIL SP)

## Neutral (Maintained)

### Legal Overhang Causes Uncertainties

Target Price (Return): SGD2.80 (-5%)  
 Price (Market Cap): SGD2.94 (USD14,403m)  
 ESG score: 3.3 (out of 4)  
 Avg Daily Turnover (SGD/USD) 20.1m/15.5m

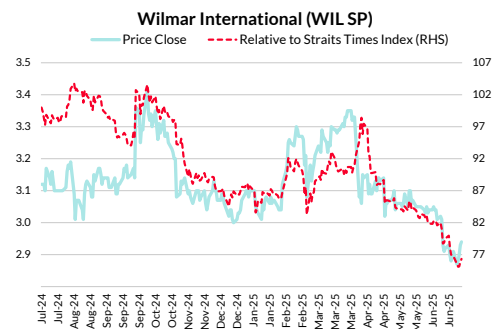
- **Maintain NEUTRAL, with new SGD2.80 from SGD3.00 TP, 5% downside.** We expect 2026 to be a more balanced year fundamentally, with lower YoY CPO prices, but geopolitical risks will translate to more volatility. We lower our CPO, but raise our PK price assumptions for FY25-27. With the corruption case hanging over its head, along with tariff uncertainties, volatile raw material prices and economic uncertainties, Wilmar International's valuation could remain lower than that of its China-listed peers until earnings undergo a significant turnaround.
- **Spot CPO prices have moderated** from MYR4,600-4,800/tonne in 1Q25 to a low of MYR3,780 in May, only to bounce back to MYR3,900-MYR4,100 currently. The decline was mainly driven by geopolitics in the light of US trade tariffs, wars, and crude oil prices falling as a result, all of which pushed CPO prices in the same direction. We highlight that the correlation between CPO prices and crude oil prices surged to 0.47 in Apr 2025 from -0.6 in 1Q25, and subsequently rose further to the current levels of 0.68, due to more geopolitical risks.
- **What's next for CPO prices?** We expect CPO prices to remain volatile given the ever-changing geopolitical situation. Fundamentally however, global supply and demand will likely be more balanced in 2026F, as supply improves, while demand should pick up given the more attractive relative prices.
- **Supply of 17 oils and fats complex is expected to improve YoY in 2026F,** coming from a partial recovery of palm, sunflower and rapeseed supplies, as well as continued growth from soybeans. Still, the stock/usage ratio of the 17 oils and fats complex is still expected to remain below the historical average of 13.6%, at 12.9% for Oct 2025F/Sep 2026F, albeit up from 12.7% in 2025F. This leaves very little cushion in case of any short-term bullish supply or demand surprises, hence raising the risk of price volatility going forward.
- **What does this mean for relative prices of vegetable oils and demand?** Ignoring the noises from geopolitics, we expect 2026F to see: i) Muted soybean prices, due to continued strong supply in 2026F; ii) SBO prices remain supported at higher levels, due to the higher demand from increased US biofuel blending; iii) CPO prices to continue trading at a discount to SBO in the medium term (currently at USD217/tonne discount); and iv) demand from price sensitive countries like India, Pakistan, Bangladesh come back.
- **We trim our CPO price** to MYR4,100/tonne (from MYR4,300) for 2025F and to MYR4,000 (from MYR4,100) for 2026F and 2027F; but raise PK prices to MYR3,300/tonne for 2025F (from MYR2,800) and to MYR3,200 for 2026F and 2027F (from MYR2,600). We also update for our latest in-house forex assumptions and adjust forecasts by -7.6%, -5.9% and -5.8% for FY25-27.
- **Maintain NEUTRAL.** We keep WIL's ESG score at 3.3 and roll forward our valuation target to 2026F. With this, our SOP-based TP is lowered to SGD2.80 (from SGD3.00).

### Analyst

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### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(5.2)	(3.6)	(10.1)	(5.2)	(5.8)
Relative	(11.2)	(6.4)	(15.0)	(10.8)	(22.5)
52-wk Price low/high (SGD)	2.87 - 3.41				



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (USDm)	67,155	67,379	78,197	81,428	83,570
Recurring net profit (USDm)	1,336	1,164	1,180	1,296	1,355
Recurring net profit growth (%)	(44.8)	(12.8)	1.3	9.9	4.6
Recurring P/E (x)	10.78	12.37	12.21	11.11	10.63
P/B (x)	0.7	0.7	0.7	0.7	0.7
P/CF (x)	3.71	10.50	25.72	6.26	5.65
Dividend Yield (%)	5.4	5.2	5.1	5.4	5.8
EV/EBITDA (x)	9.91	9.43	10.69	10.03	9.61
Return on average equity (%)	7.6	5.8	5.9	6.4	6.5
Net debt to equity (%)	99.1	94.8	110.6	110.4	109.3

Source: Company data, RHB

Overall ESG Score: 3.3 (out of 4)

E Score: 3.7 (EXCELLENT)

S Score: 2.7 (GOOD)

G Score: 3.3 (EXCELLENT)

Please refer to the ESG analysis on the next page

## Emissions And ESG

Trend analysis	Emissions (tCO2e)	Dec-22	Dec-23	Dec-24	Dec-25
In FY24, Scope 1 emissions slightly decreased to 8.4m tonnes of CO2 equivalents (FY23: 8.8m tonnes of CO2 equivalents) while Scope 2 also marginally declined to 3.8m tonnes of CO2 equivalents (FY23: 4.0m tonnes of CO2 equivalents)	Scope 1	8,800,000	8,800,000	8,400,000	na
	Scope 2	4,900,000	4,000,000	3,800,000	na
	Scope 3	na	600,000	500,000	na
	Total emissions	13,700,000	13,400,000	12,700,000	na

Source: Company data, RHB

## Latest ESG-Related Developments

**Strengthening climate commitment:** In 2022, WIL has signed up with Science Based Target initiative (SBTi) to set its emission reduction targets as well as to demonstrate progress of its commitment.

**GHG emissions mapped out:** WIL has made successfully completed the mapping of its Scope 1 and Scope 2 GHG emissions for the new baseline year, ie FY22.

**Reduced water intensity:** In FY24, WIL has successfully achieved its target of reducing water intensity in POMs in all of its operations including Malaysia, Nigeria, Ghana and Indonesia, with all meeting the target of below 1.3m3/mt

**Biodiversity and conservation work:** As part of its riparian rehabilitation programme, a total of 681ha of riparian zones were restored and rehabilitated, as of Dec 2024.

## ESG Unbundled

Overall ESG Score: 3.3 (out of 4)

Last Updated: 2 July 2025

E Score: 3.7 (EXCELLENT)

WIL had a GHG emissions intensity of 0.67 CO2e/tonne on its CPO in 2024, as compared to 0.77 CO2e/tonne in 2019. This was achieved as a result of consistent usage of biomass as fuel and operating methane capture plants at maximum efficiency. It also has 83% RSPO certification at its estates and mills, and targets to hit the 100% mark by 2025.

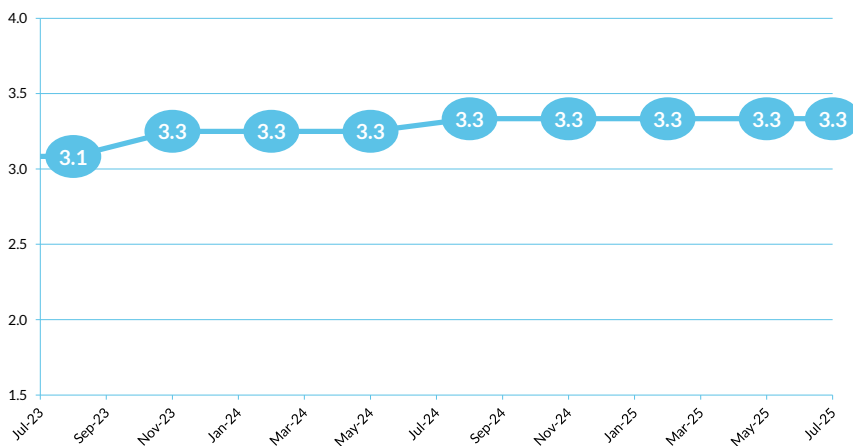
S Score: 2.7 (GOOD)

It has policies guided by international standards as set out in the United Nations (UN) Guiding Principles on Business and Human Rights, UN Global Compact, International Labour Organisation conventions, the UK Modern Slavery Act and the Universal Declaration of Human Rights and its covenants. It is working with other plantation players to find a solution under the Decent Rural Living initiative, convened by Forum for the Future.

G Score: 3.3 (EXCELLENT)

About half of the Board members are independent directors, with full disclosure on director remuneration including salaries and bonuses. Only four out of 14 directors are women. WIL has an in-house investor relations team and holds investor meetings regularly, embodying good transparency and disclosure practices.

## ESG Rating History



Source: RHB

## Financial Exhibits

Asia	Financial summary (USD)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Singapore	Recurring EPS	0.21	0.19	0.19	0.21	0.22
Agriculture	DPS	0.13	0.12	0.12	0.13	0.13
<b>Wilmar International</b>	BVPS	3.15	3.10	3.16	3.24	3.31
WIL SP	Return on average equity (%)	7.6	5.8	5.9	6.4	6.5
Neutral						
	<b>Valuation metrics</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
<b>Valuation basis</b>	Recurring P/E (x)	10.78	12.37	12.21	11.11	10.63
SOP	P/B (x)	0.7	0.7	0.7	0.7	0.7
	FCF Yield (%)	11.2	(1.4)	(8.7)	3.4	5.1
	Dividend Yield (%)	5.4	5.2	5.1	5.4	5.8
<b>Key drivers</b>	EV/EBITDA (x)	9.91	9.43	10.69	10.03	9.61
i. CPO prices and FFB production output;	EV/EBIT (x)	14.66	14.47	16.95	15.96	15.53
ii. Soybean crush margins;						
iii. Improved profitability of rice and flour business;						
iv. Favourable tax regime.						
	<b>Income statement (USDm)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
<b>Key risks</b>	Total turnover	67,155	67,379	78,197	81,428	83,570
i. Volatilities in oilseeds earnings;	Gross profit	5,273	5,211	6,047	6,297	6,463
ii. Slower-than-expected recovery in vegetable oil demand.	EBITDA	3,584	3,603	3,521	3,774	3,941
	Depreciation and amortisation	(1,162)	(1,255)	(1,300)	(1,401)	(1,503)
	Operating profit	2,423	2,348	2,221	2,373	2,439
<b>Company Profile</b>	Net interest	(748)	(807)	(988)	(1,019)	(1,038)
Wilmar International is an agribusiness company. It has over 500 manufacturing plants and an extensive distribution network covering China, India, Indonesia and some 50 other countries. The company is involved in three main commodities which are palm, soybean and sugar.	Pre-tax profit	1,956	1,745	1,460	1,605	1,678
	Taxation	(298)	(517)	(214)	(236)	(247)
	Reported net profit	1,525	1,170	1,185	1,302	1,361
	Recurring net profit	1,336	1,164	1,180	1,296	1,355
	<b>Cash flow (USDm)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Change in working capital	2,194	(1,352)	(1,573)	(200)	(84)
	Cash flow from operations	3,885	1,372	560	2,299	2,547
	Capex	(2,271)	(1,571)	(1,810)	(1,810)	(1,810)
	Cash flow from investing activities	(2,464)	(918)	(2,327)	(2,327)	(2,327)
	Dividends paid	(795)	(796)	(754)	(805)	(855)
	Cash flow from financing activities	42	(1,792)	1,215	181	(881)
	Cash at beginning of period	2,999	4,505	3,206	1,111	1,629
	Net change in cash	1,463	(1,338)	(552)	153	(661)
	Ending balance cash	4,587	3,206	1,111	1,629	1,333
	<b>Balance sheet (USDm)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Total cash and equivalents	8,156	7,120	3,111	2,629	2,333
	Tangible fixed assets	16,558	16,461	18,698	19,225	19,651
	Total investments	3,468	3,699	3,951	4,228	4,532
	Total assets	61,809	59,572	60,622	61,248	61,885
	Short-term debt	22,242	21,723	21,723	21,723	21,723
	Total long-term debt	8,460	6,627	6,627	6,627	6,627
	Total liabilities	39,057	37,181	37,809	37,945	38,081
	Total equity	22,752	22,392	22,813	23,303	23,804
	Total liabilities & equity	61,809	59,572	60,622	61,248	61,885
	<b>Key metrics</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Revenue growth (%)	(8.5)	0.3	16.1	4.1	2.6
	Recurrent EPS growth (%)	(44.8)	(12.8)	1.3	9.9	4.6
	Gross margin (%)	7.9	7.7	7.7	7.7	7.7
	Operating EBITDA margin (%)	5.3	5.3	4.5	4.6	4.7
	Net profit margin (%)	2.3	1.7	1.5	1.6	1.6
	Dividend payout ratio (%)	52.7	65.5	63.7	61.8	62.8
	Capex/sales (%)	3.4	2.3	2.3	2.2	2.2
	Interest cover (x)	1.94	1.95	1.85	1.97	2.03

Source: Company data, RHB

Figure 1: Wilmar's progress on ESG factors

		2022	2023	2024
<b>ENVIRONMENT</b>				
GHG emissions	Emissions (tCO2e)	13,700,000	13,400,000	12,700,000
GHG emissions	Intensity (tCO2e per tonne of palm product)	0.68	0.68	0.67
Waste treatment	Recycling/ Repurposing of waste	Yes	Yes	Yes
Energy efficiency (water)	Water usage (m3) and intensity (m3/tonne of palm product)	84,423,000	87,055,000	90,719,000
Energy efficiency	Energy consumption and intensity	16,073,915.36	16,172,196.83	16,489,057.08
Certifications	RSPO/MSPO/ISPO certified (%)	RSPO: 80.6% mills, 81.1% estates MSPO: 100% ISPO: 44%	RSPO: 80.6% mills, 82.0% estates (251,906ha) MSPO: 100% ISPO: 44.1%	RSPO: 82.9% mills, 82.1% estates (252,487ha) MSPO: 100% ISPO: 73.5%
Use of peat land	Peat land (%)	1.00%	0.74%	0.74%
Fire accidents	Number of accidents	24	60	18
Usage of renewable energy	% of renewable energy used	53.0%	52.2%	51.8%
Traceability	Traceable to mills (%)	98.70%	98.80%	98.50%
Traceability	Traceable to plantation (%)	83.40%	90.60%	91.00%
<b>SOCIAL</b>				
Channels for workers to raise concerns	Existence of grievance channels to raise concerns	Yes	Yes	Yes
Whistleblowing policy	Policies to protect whistleblowers	Yes	Yes	Yes
Employees' professional/personal development	Provision of training and education	Yes	Yes	Yes
Policy for smallholders*	Policy in place for training, yield improvement and RSPO certification	Yes	Yes	Yes
Employees' welfare	Accommodation and amenities provided	Yes	Yes	Yes
<b>GOVERNANCE</b>				
Board composition	At least half of the board being independent directors	7/14 are independent	7/14 are independent	7/13 are independent
Limiting to nine years (for independent directors)	Limitation of tenure to nine years (for independent directors)	Not applicable	Not applicable	N/A
Gender inclusivity	Female representation in the board	21.4%	28.6%	30.8%
Emphasis of sustainability at board level	Formation of a sustainability group	Yes	Yes	Yes
Remuneration transparency	Full disclosure of fees and benefits on named basis	Yes	Yes	Yes

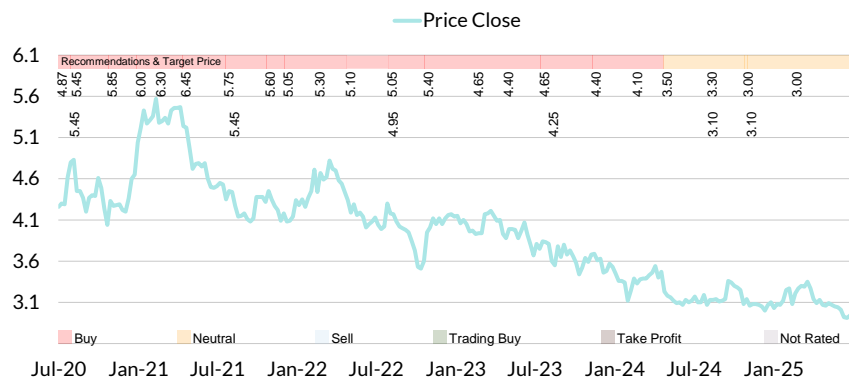
Source: Company data, RHB

Figure 2: SOP valuation

SOP valuation	Value (USDm)	Valuation basis
Plantation and sugar milling	3,406	11x FY26F P/E
Consumer products	4,814	11x blended FY26F P/E
Feed and industrial products	4,972	9x blended FY25F P/E
Others	38	DCF: Ce 7.7%, Rf 4%, Beta 1.0, Rm 7.7%, TG 0%
JV & associates	1,976	0.5x P/BV
<b>SOP value</b>	<b>15,205</b>	
Value per share (USD)	2.44	
Exchange rate	1.32	
Conglomerate discount	-15%	
ESG premium/(discount)	4.00%	
<b>SOP TP</b>	<b>2.83</b>	

Source: RHB

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-02-23	Neutral	3.00	3.08
2024-11-11	Neutral	3.10	3.09
2024-11-03	Neutral	3.00	3.08
2024-08-14	Neutral	3.10	3.09
2024-08-12	Neutral	3.30	3.04
2024-05-01	Neutral	3.50	3.23
2024-02-22	Buy	4.10	3.41
2023-11-19	Buy	4.40	3.68
2023-10-30	Buy	4.25	3.54
2023-08-14	Buy	4.25	3.66
2023-07-23	Buy	4.65	3.75
2023-05-02	Buy	4.40	3.93
2023-02-23	Buy	4.65	3.95
2022-10-31	Buy	5.40	3.88
2022-08-10	Buy	4.95	4.15

Source: RHB, Bloomberg

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