

Malaysia Plantations

POSITIVE

[Unchanged]

1Q21 results round-up

SOP, BPLANT, and TAH are prime beneficiaries

SOP, BPLANT, and TAH have the least forward sales as shown in their high CPO ASP achieved in 1Q21. They are poised to benefit from even better CPO ASP thus far in 2Q21, in addition to better QoQ output. Compared to 2Q20's CPO ASP of MYR2,281/t, MY based pure upstream planters will continue to show strong YoY EPS growth compared to integrated players and those with higher exposure in Indonesia. Stay POSITIVE on the sector. Our top MY BUYS are KLK, SOP, and BPLANT.

Upstream with least forward sales outperformed

Core PATMI of 67% of the stocks under coverage exceeded our expectations while just 11% missed. Cumulative revenue rose 23% YoY while cumulative core PATMI rose +52% YoY (Figs.6-7), its 5th consecutive quarters of YoY growth. 1Q21 core PATMI YoY growth for the sector would have been even higher if not for the high base effect of 1Q20 which was lifted by the collective FV gains on derivative financial instruments of MYR321m. As for headline PATMI in 1Q21, selected companies benefitted from land sales of plantation land - namely SDPL (MYR124m) and KLK (+MYR155m), while IOI enjoyed a one-off bumper associate contribution following the sale of a refinery in Rotterdam. Meanwhile FX impacts were relatively muted in 1Q21 with IOI (-MYR38m), SDPL (-MYR24m), and TSH (-MYR9m) posted unrealised FX losses while KLK (+MYR4m) and GENP (+MYR3m) recorded some FX gains.

In general, companies under coverage generally benefited from higher CPO ASPs in 1Q21 but the bottom line impacts were asymmetrical as we pre-empted in our earlier report titled "[Asymmetry benefits of present high CPO price](#)". SOP (MYR3,885/t), BPLANT (MYR3,751/t), and TAH (MYR3,749/t) recorded the highest CPO ASP achieved which broadly mirrored MPOB CPO spot price of MYR3,926/t. Some were impacted by forward sales locked in much earlier, namely THP (MYR3,283/t), IOI (MYR3,211/t), SDPL (MYR3,185/t), and GENP (MYR2,916/t). The rest (namely TSH (MYR3,010/t), and KLK (MYR2,997/t)) were impacted by Indonesia's (ID) revised [progressive tax structure](#) (w.e.f. 10 Dec 2020) that capped the CPO price net proceeds for those operating upstream in ID at Rp9,900/kg or MYR2,869/t in 1Q21 (Figs.4-5).

Oleo had it better than refineries in 1Q21

Refineries' performances in 1Q21 were a mixed bag. Those that ran at low utilization rates (such as GENP) suffered losses while others broke even or made a small profit. Oleo players (such as IOI and KLK) still enjoyed decent margins.

2Q21: Upstream will continue to perform better

QTD (8 June), CPO spot price has averaged MYR4,361/t which was much higher than 2Q20's CPO ASP of MYR2,281/t. The better CPO price should more than offset a potential 5-6% YoY decline in 2Q21 MY output, resulting in another quarter of higher YoY core PATMI growth. Nonetheless, we noted increasing warnings of challenging outlook by MY refiners and oleo players due to ID's export tax structure that has made MY downstream players very uncompetitive.

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Regional CPO price forecast

	2021F	2022F
	MYR/t	MYR/t
Full year average (FOB)	3,100	2,600
MDEX / MPOB prices:		
3M CPO price (8 June)	4,041	
YTD (8 June) 3M CPO ASP	3,788	
YTD (8 June) spot CPO ASP	4,114	

Plantation stocks mentioned on cover page

Company	BBG ticker	Rec	Shr px	Tgt px
			MYR	MYR
KL Kepong	KLK	Buy	21.76	29.60
Swk Oil Palm	SOP	Buy	3.90	5.67
Bous.Plant	BPlant	Buy	0.585	0.79
IOI Corp	IOI	Buy	4.05	4.71
SD Plantation	SDPL	Hold	4.38	4.71
Genting Plant	GENP	Hold	7.85	8.96
Ta Ann	TAH	Buy	2.91	3.45
TSH Resources	TSH	Buy	1.12	1.40

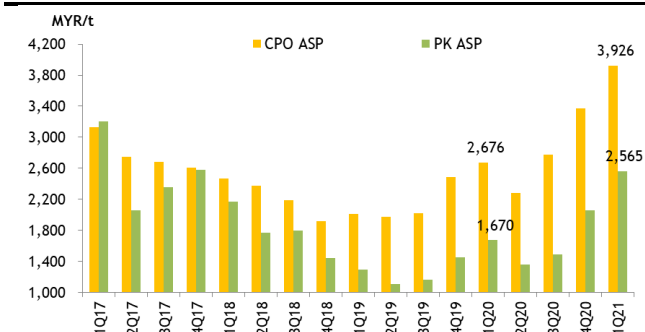
Source: Maybank KE

Terms used in this note:

ASP - average selling price
CPO - crude palm oil
FI - Financial instrument
FV - Fair valuation
FX - Foreign exchange
ID - Indonesia
MPOB - Malaysia Palm Oil Board
MoM - month-on-month
mt - million tonne
MY - Malaysia
PATMI - Profit After Tax & Minority Interest
t - tonne
w.ef. - with effect from
YoY - Year-on-year

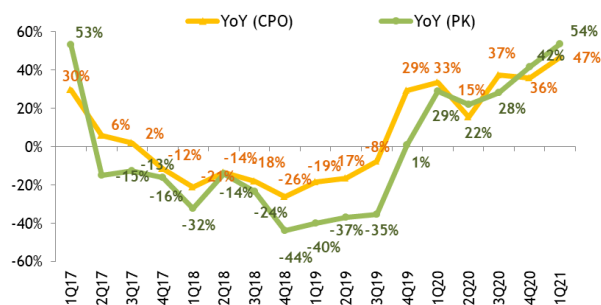
Stock	Bloomberg code	Mkt cap (USD'm)	Rating	Price (LC)	TP (LC)	Upside (%)	P/E (x)		P/B (x)		Div yld (%)	
							21E	22E	21E	22E	21E	22E
Sime Darby Plant	SDPL MK	7,305	Hold	4.38	4.71	9	23.1	32.2	2.1	2.0	2.4	1.6
IOI Corp	IOI MK	6,166	Buy	4.05	4.71	18	21.7	25.8	2.6	2.5	3.2	2.3
KL Kepong	KLK MK	5,698	Buy	21.76	29.60	38	20.2	22.8	2.1	2.0	3.0	2.6
Genting Plant	GENP MK	1,706	Hold	7.85	8.96	16	26.3	26.3	1.4	1.4	2.3	2.3
Swk Oil Palms	SOP MK	540	Buy	3.90	5.67	49	8.8	9.6	0.9	0.8	3.4	3.1
TSH Resources	TSH MK	375	Buy	1.12	1.40	26	14.3	17.2	1.0	1.0	2.1	1.7
Boustead Plant	BPLANT MK	317	Buy	0.59	0.79	38	21.7	26.7	0.5	0.5	2.8	2.2
Ta Ann	TAH MK	314	Buy	2.91	3.45	23	10.5	12.6	0.9	0.8	4.7	4.0
TH Plantations	THP MK	107	Sell	0.50	0.44	(12)	12.6	17.3	0.7	0.7	0.0	0.0

Fig 1: Quarterly CPO and PK prices (in MYR/t)



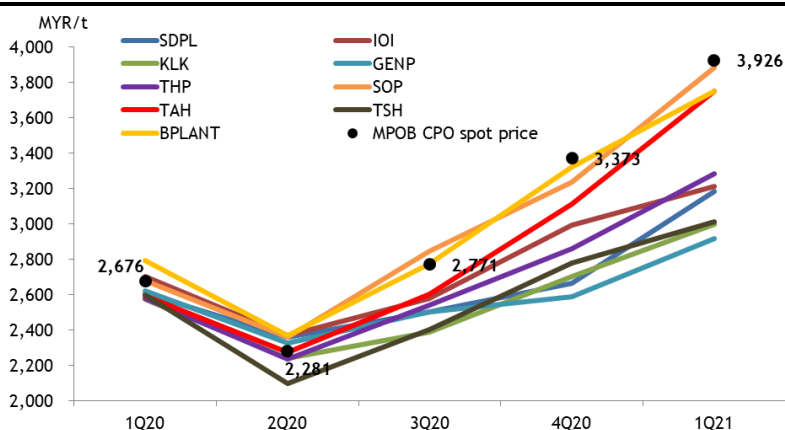
Source: Bloomberg

Fig 2: Quarterly CPO and PK prices (YoY change in %)



Source: Bloomberg

Fig 3: MPOB's quarterly CPO spot ASP vs CPO ASP achieved of respective companies under coverage (MYR/t)



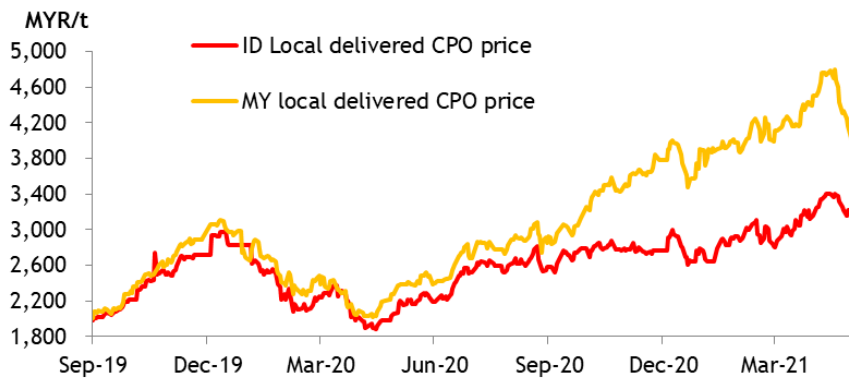
Sources: Company, MPOB

Fig 4a: Quarterly FFB production, and CPO and PK ASP trend

Company	1Q20 (tonnes)	2Q20 (tonnes)	3Q20 (tonnes)	4Q20 (tonnes)	1Q21 (tonnes)	QoQ %	YoY %	FYE
FFB output								
SDPL - Sime Darby Plantation	2,117,688	2,470,348	2,393,666	2,295,924	2,207,333	(3.9)	4.2	Dec
IOI - IOI Corp	631,954	865,502	878,701	760,743	550,524	(27.6)	(12.9)	June
KLK - KL Kepong	890,733	1,014,300	1,046,535	973,744	900,153	(7.6)	1.1	Sept
FGV - Felda Global	711,745	1,188,296	1,345,584	1,042,001	742,426	(28.7)	4.3	Dec
GENP - Gent Plant	449,209	500,281	537,669	598,227	440,800	(26.3)	(1.9)	Dec
THP - TH Plant	164,678	218,063	259,413	194,586	139,221	(28.5)	(15.5)	Dec
SOP - Swk Oil Palms	293,667	344,644	394,198	325,944	293,781	(9.9)	0.0	Dec
TAH - Ta Ann	137,063	173,049	227,856	171,521	136,709	(20.3)	(0.3)	Dec
TSH - TSH Resources	207,727	219,082	224,357	225,008	228,187	1.4	9.8	Dec
BPlant - Bous Plant	209,856	270,383	273,625	247,693	180,164	(27.3)	(14.1)	Dec
CPO production								
Sabah	959,500	1,300,139	1,234,254	1,153,950	793,732	(31.2)	(17.3)	
Sarawak	831,519	1,002,717	1,213,023	1,007,108	833,807	(17.2)	0.3	
Peninsular Malaysia	2,066,343	2,886,994	3,092,768	2,388,689	2,030,508	(15.0)	(1.7)	
Malaysia	3,857,362	5,189,850	5,540,045	4,549,747	3,658,047	(19.6)	(5.2)	
MPOB (MY) - CPO ASP (MYR/t)	2,676	2,281	2,771	3,373	3,926	16.4	46.7	(see Fig.4b)
MPOB (MY) - PK ASP (MYR/t)	1,670	1,353	1,486	2,059	2,565	24.6	53.6	
GAPKI (ID) - CPO ASP (Rp/kg)	8,240	7,395	8,900	9,636	9,990	3.7	21.2	
Equivalent - CPO ASP (MYR/t)	2,419	2,144	2,549	2,758	2,869	4.0	18.6	(see Fig.4b)

Source: Bursa, Company data, MPOB, GAPKI

Fig 4b: CPO spot price (Indonesia and Malaysia Delivered)



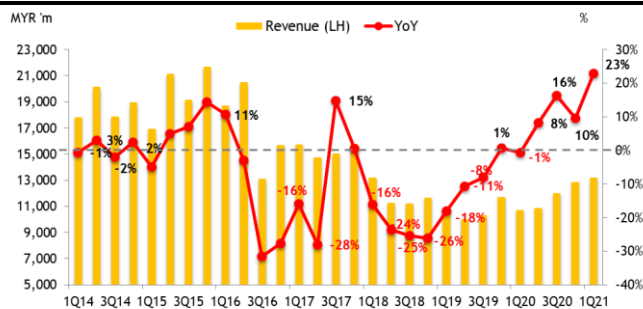
Sources: Bloomberg, GAPKI

Fig 5: Geographical exposure of companies (by oil palm planted area)

Company	Total planted (hectare)	Malaysia (%)	Indonesia (%)	Others (%)
SDPL - Sime Darby Plantation	583,339	51	33	16
IOI - IOI Corp	176,909	88	12	-
KLK - KL Kepong	213,411	43	54	3
FGV - Felda Global	335,404	100	-	-
GENP - Gent Plant	139,225	42	58	-
THP - TH Plant	56,763	97	3	-
SOP - Swk Oil Palms	87,964	100	-	-
TAH - Ta Ann	49,817	100	-	-
TSH - TSH Resources	42,471	15	85	-
BPlant - Bous Plant	73,494	100	-	-

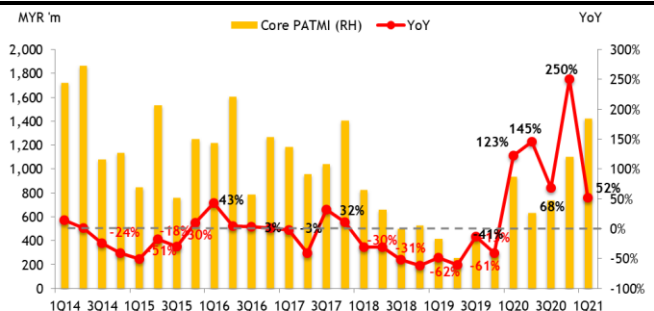
Source: Company (based on annual reports)

Fig 6: Quarterly combined revenue under MKE coverage

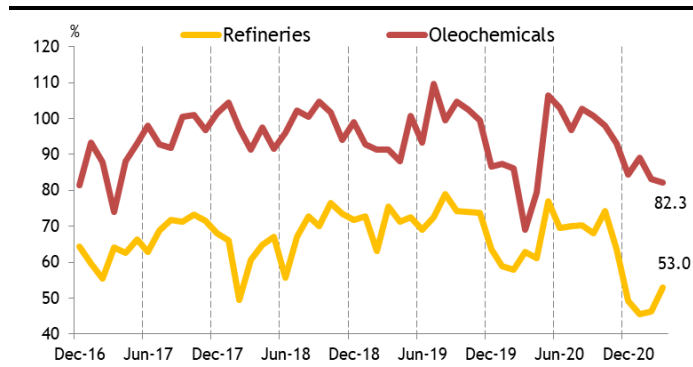


Sources: Companies, Maybank KE

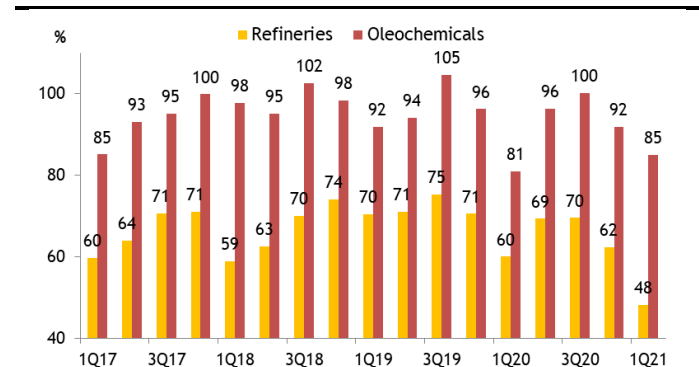
Fig 7: Quarterly combined core PATMI under MKE coverage



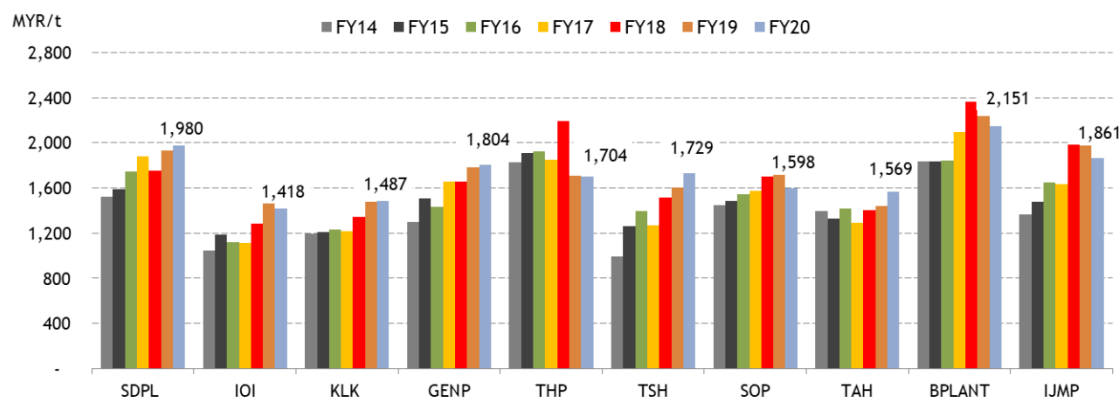
Sources: Companies, Maybank KE

Fig 8: Malaysia's monthly utilization rate of refineries and oleochemicals

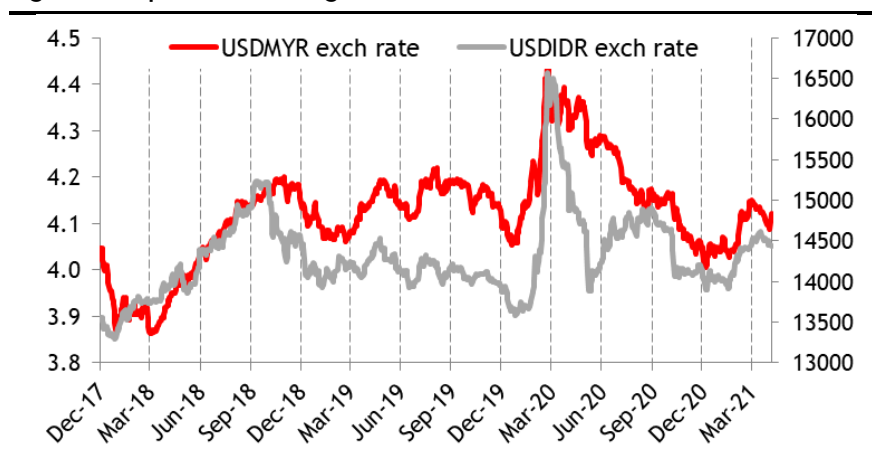
Source: MPOB

Fig 9: Malaysia's quarterly utilization rate of refineries and oleochemicals

Source: MPOB

Fig 10: Estimated all-in operating cost of production (to customer) per CPO tonne (including PK credit)

Note: IOI has a June FYE, KLK - Sept FYE, and IJMP - Mar FYE; Source: Maybank-KE estimates

Fig 11: MYR per USD exchange rate

Source: Bloomberg

Risk statement

There are several risk factors that may affect our sector view, earnings estimates, price targets, and ratings of stocks under coverage. Key risks to the sector and companies are: (i) weather anomalies resulting in lower-than-expected output growth; (ii) lower-than-expected CPO price achieved; (iii) negative policies imposed by import countries; (iv) unfriendly government policies at producing countries; (v) sharply lower crude oil prices, which make palm biodiesel demand not viable; and (vi) weaker competing oil prices (like soybean and rapeseed).

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