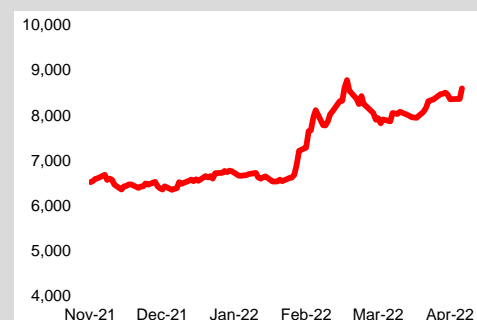


PLANTATIONS
Overweight
KL PLANTATION INDEX

SECTOR PERFORMANCE

	1M	3M	6M
Absolute Returns	5.8	27.5	21.7

RECOMMENDATION TABLE

	Current (RM)	Target (RM)	Upside (%)	Call
FGV	1.97	1.71	-13.2	N
GENP	9.08	9.02	-0.7	N
IOI	4.43	4.67	5.4	N
KLK	28.00	31.05	10.9	O
SPB	2.94	4.27	45.2	O
SIMEPLT	5.25	5.09	-3.0	N
Ta Ann	6.16	5.96	-3.2	O
TSH	1.81	1.81	0.0	O

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Indonesia Bans Palm Oil Exports

Indonesia, the world top producer and exporter of palm oil, announced that it will impose an export ban on the commodity to tackle rising domestic cooking oil prices. The surprising move comes amid the heightened concerns over the tightening global vegetable oil supplies. In response to the unexpected measure, soybean oil prices soared to a record high of USD1,795/mt and palm oil futures rose RM36 to RM6,349/mt. We maintain our **Overweight** call on plantation sector.

§ **Zero palm oil export policy.** Indonesia, which accounts for more than half of global palm oil supply, will effectively ban palm oil exports from 28 April, until further notice, after President Jokowi announced a halting of shipments of cooking oil and its raw material to control soaring domestic prices. Indonesian government has set a cap of 14,000 rupiah/litre for bulk cooking oil but Trade Ministry data showed that it was sold at more than 18,000 rupiah this month, indicating that there is a significant shortage of CPO supplies for domestic cooking oil processing as local refiners need to source for CPO at higher price.

§ **Strict measure causing jittery to global vegetable oil markets.** The unexpected move is a negative news for vegetable oil consumers in many countries, which currently depend on palm oil in view of shortages in sunflower oil, rapeseed oil and soybean oil. Indonesian palm oil exports made up about 57% of global palm oil exports and 32% of global vegetable oil exports. With the palm oil export ban, global vegetable oil prices are likely to rise in the near-term. Malaysia, being the second largest global palm oil producing country, is set to benefit as most of the palm oil importers will shift their demand from Indonesia to Malaysia.

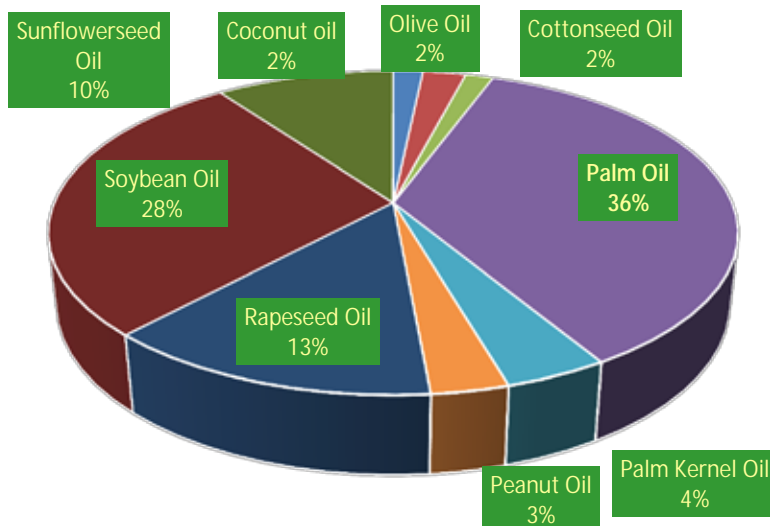
§ **A costly move for Indonesian plantation players.** With the export ban, there is little room for upstream plantation players to bargain for higher prices with the refiners. Based on the latest combined CPO export tax and CPO excise levy of USD575/mt (RM2,415/mt) coupled with the CPO export tax of RM474/mt in Malaysia, we think Indonesian is currently trading at a steeper discounted CPO price RM4,800/mt compared to Malaysia's RM6,773/mt. Malaysian plantation players such as Genting Plantation, KLK, Sime Darby Plantation and TSH that have strong exposure to Indonesian market, would not be able to fully capture on the current strong CPO price performance due to the hefty export duties and zero export policy in place.

FINANCIAL SUMMARY

Company	Price (RM) @22 Apr	Mkt Cap	EPS (sen)		EPS Growth (%)		P/E (x)		P/B (x)		ROE (%)		Dividend Yield (%)	
		(RMm)	2022F	2023F	2022F	2023F	2022F	2023F	2022F	2023F	2022F	2023F	2022F	2023F
FGV	1.97	7,187.0	13.3	12.4	10.0	-6.7	14.8	15.9	1.5	1.4	24.4	13.1	3.4	3.1
Genting Plantations	9.08	8,144.8	50.6	46.5	4.1	-8.1	17.9	19.5	1.6	1.5	8.6	7.0	3.5	3.2
IOI Corp	4.43	27,838.1	30.1	24.5	35.0	-18.8	14.7	18.1	3.4	3.2	14.2	12.7	3.4	2.8
KL Kepong	28.00	29,820.0	209.8	172.2	33.8	-17.9	13.3	16.3	2.3	2.2	11.6	10.2	3.6	3.6
Sarawak Plantation	2.94	820.3	35.7	28.4	8.8	-20.0	8.2	10.4	1.1	1.1	14.4	10.6	3.4	3.4
Sime Darby Plantations	5.25	36,141.0	29.6	25.5	10.0	-13.8	17.7	20.6	1.9	1.9	12.8	8.9	2.9	2.5
Ta Ann	6.16	2,738.7	56.8	42.0	8.2	-26.0	10.8	14.7	1.5	1.4	14.3	9.2	1.6	1.6
TSH Resources	1.81	2,499.6	14.0	12.0	14.0	-14.3	12.9	15.1	1.4	1.3	11.8	7.9	0.6	0.6

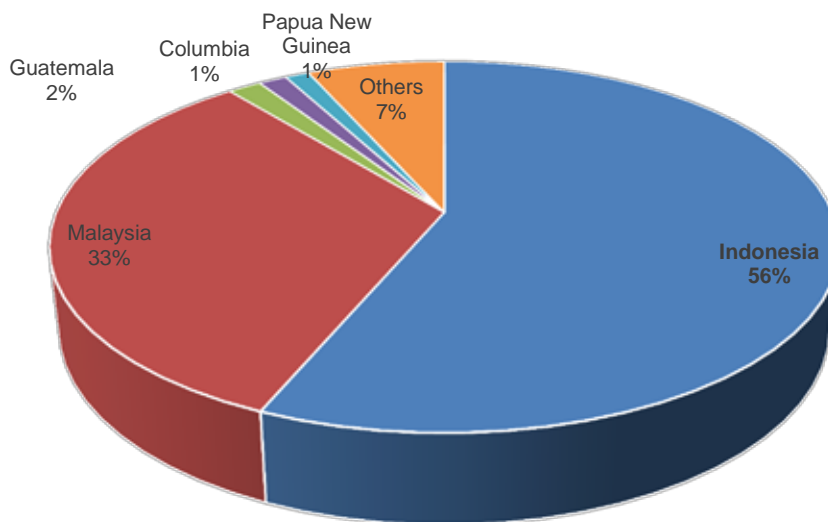
Source: Public Invest Research estimates

Figure 1: Global Vegetable Oil Supplies



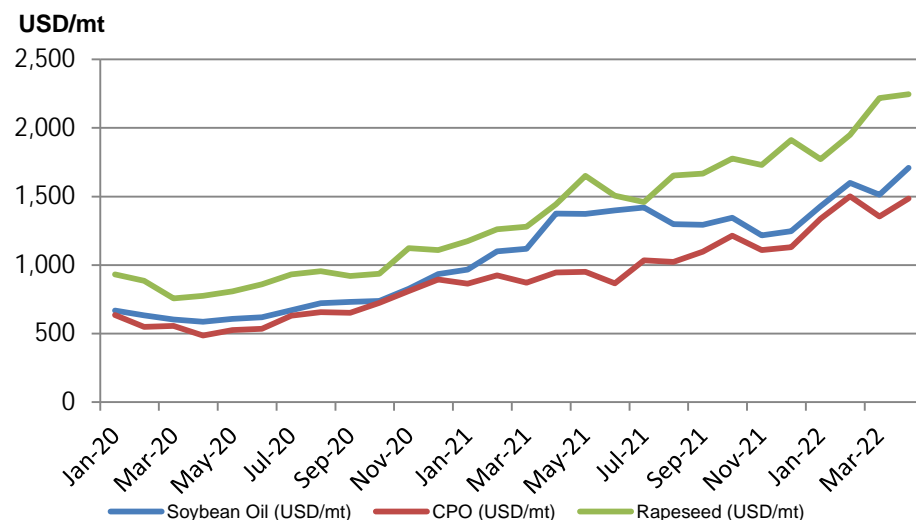
Source: USDA, Public Invest Research

Figure 2: Global Palm Oil Exporting Countries



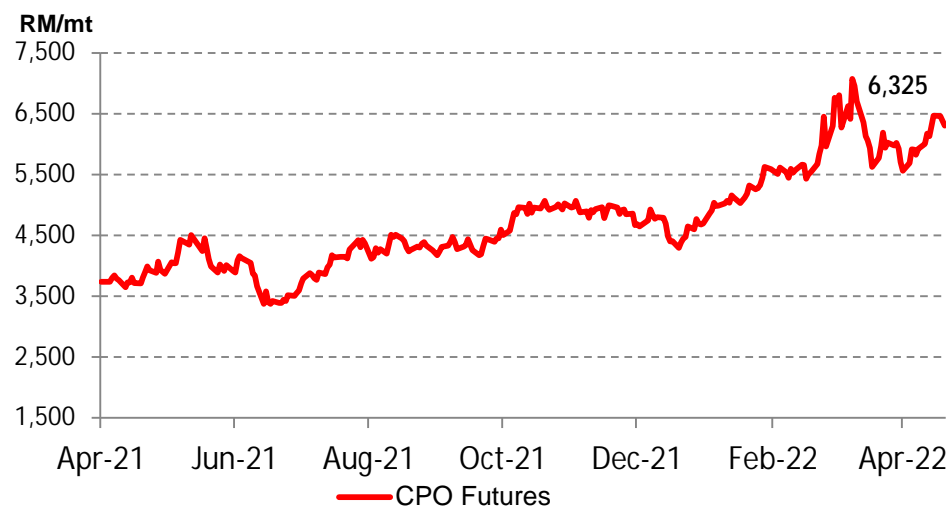
Source: USDA, Public Invest Research

Figure 3: Global Vegetable Oil Prices



Source: Bloomberg, Public Invest Research

Figure 4: CPO Futures



Source: Bloomberg, Public Invest Research

RATING CLASSIFICATION

STOCKS

OUTPERFORM	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
NEUTRAL	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
UNDERPERFORM	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
TRADING BUY	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
TRADING SELL	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
NOT RATED	The stock is not within regular research coverage.

SECTOR

OVERWEIGHT	The sector is expected to outperform a relevant benchmark over the next 12 months.
NEUTRAL	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform a relevant benchmark over the next 12 months.

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