

**HLIB Research**

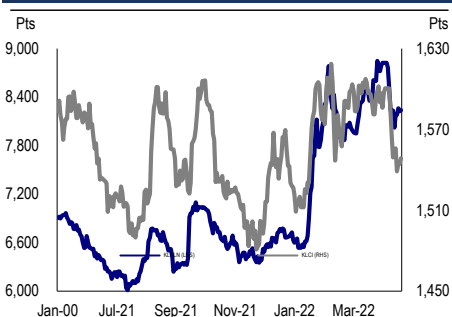
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# OVERWEIGHT

(Maintain)

**KL Plantation Index**

**Stock Rating**

Stock	Rating	Price	Target
CBIP	HOLD	1.53	1.43
FGV	BUY	1.68	2.43
Genting Plts.	BUY	8.60	9.69
HS Plnts.	HOLD	2.99	2.70
IOI Corp	BUY	4.39	5.01
KLK	BUY	26.90	32.43
Sime Plnts.	BUY	5.23	5.95
TSH	HOLD	1.44	1.58

# Plantation

## Indonesia to lift palm oil export ban

Indonesian government will lift the ban on palm oil exports effective from 23 May 2022, following improvements in the supply of bulk cooking oil, and taking into consideration of the welfare of 17m workers in the domestic palm oil industry. The latest move will likely result in a knee jerk correction in palm oil price, as it eases concerns on vegetable oil supply situation (Indonesia's CPO output accounted for >20% of the world's vegetable oil output in 2021). Nevertheless, we believe CPO price will remain at elevated levels despite having anticipated a knee-jerk correction, given the output uncertainties on major oilseeds (such as soybean, corn and sunflower seed). Hence, we are maintaining our 2022-24 CPO price assumptions of RM5,500/4,500/4,500 per tonne and Overweight stance on the sector. For exposure, our top picks are FGV (BUY; TP: RM2.43); IOI Corp (BUY; TP: RM5.09), KLK (BUY; TP: RM32.43) and Sime Darby Plantation (BUY; TP: RM5.95).

**NEWSBREAK**

**Indonesia to lift palm oil export ban from 23 May 2022.** Indonesian government will lift the ban on palm oil exports effective from 23 May 2022, following improvements in the supply of bulk cooking oil (although bulk prices have yet to decline to its targeted 14,000 IDR/litre), and taking into consideration of the welfare of 17m workers in the domestic palm oil industry.

Recall, Indonesia had on 28 Apr 2022 halted shipments of CPO and some derivative products, in an attempt to tame soaring domestic cooking oil prices.

**HLIB's VIEW**

**Knee-jerk correction in palm oil price.** The latest move will likely result in a knee jerk correction in palm oil price, as it eases concerns on vegetable oil supply situation (Indonesia's CPO output accounted for >20% of the world's vegetable oil output in 2021). Nevertheless, we believe CPO price will remain at elevated levels despite having anticipated a knee-jerk correction, given the output uncertainties on major oilseeds (such as soybean, corn and sunflower seed).

**Forecast.** Maintain 2022-24 CPO price assumptions of RM5,500/4,500/4,500 per tonne.

**Stay OVERWEIGHT.** We reiterate our Overweight stance on the sector, underpinned by (i) high near term CPO prices (which will in turn translate to good near term earnings prospects), (ii) easing ESG concerns, and (iii) decent valuations. For exposure, our top picks are FGV (BUY; TP: RM2.43); IOI Corp (BUY; TP: RM5.09), KLK (BUY; TP: RM32.43) and Sime Darby Plantation (BUY; TP: RM5.95).

**Figure #1 Geographical breakdown on planted areas**

	Malaysia	Indonesia	Others
FGV	95%	5%	-
Genting Plantations*	40%	60%	-
Hap Seng Plantations	100%	-	-
IOI Corp**	88%	12%	-
KLK	45%	55%	-
Sime Darby Plantation	51%	16%	33%
TSH Resources	15%	85%	-

\*Based on HLIB estimates

\*\*Excluding Bumitama

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**Figure #2** Peers comparison

	Mkt Cap (RM m)	Price (RM)	Target (RM)	Rating	FYE	P/E (x)		P/B (x)		Yield (%)	
						FY21	FY22	FY21	FY22	FY21	FY22
CBIP	755	1.53	1.43	HOLD	Dec	10.4	8.6	1.0	0.9	2.6	2.6
FGV Holdings	6,129	1.68	2.43	BUY	Dec	16.3	7.4	1.4	1.4	1.8	1.2
Genting Plts.	7,717	8.60	9.69	BUY	Dec	18.5	14.7	1.4	1.4	1.4	1.4
Hap Seng Plts	2,392	2.99	2.70	HOLD	Dec	12.7	13.0	1.4	1.3	4.0	5.7
IOI Corp	27,587	4.39	5.01	BUY	Jun	25.1	16.5	3.0	2.8	2.4	2.6
KLK	28,702	26.90	32.43	BUY	Sep	23.9	33.7	3.4	3.1	2.0	2.0
S. Darby Plt	36,003	5.23	5.95	BUY	Dec	14.7	13.3	2.7	2.4	2.9	2.3
TSH Res	1,989	1.44	1.58	HOLD	Dec	11.3	10.7	1.4	1.2	1.0	1.0

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<b>BUY</b>	Expected absolute return of +10% or more over the next 12 months.
<b>HOLD</b>	Expected absolute return of -10% to +10% over the next 12 months.
<b>SELL</b>	Expected absolute return of -10% or less over the next 12 months.
<b>UNDER REVIEW</b>	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
<b>NOT RATED</b>	Stock is not or no longer within regular coverage.

## Sector rating guide

<b>OVERWEIGHT</b>	Sector expected to outperform the market over the next 12 months.
<b>NEUTRAL</b>	Sector expected to perform in-line with the market over the next 12 months.
<b>UNDERWEIGHT</b>	Sector expected to underperform the market over the next 12 months.

The stock rating guide as stipulated above serves as a guiding principle to stock ratings. However, apart from the abovementioned quantitative definitions, other qualitative measures and situational aspects will also be considered when arriving at the final stock rating. Stock rating may also be affected by the market capitalisation of the individual stock under review.