PLANTATION

***Maintain* NEUTRAL**

Estate Activity Remains Intact

KEY INVESTMENT HIGHLIGHTS

- **Stronger upstream activity in May**
- **Stock level grew by double digit**
- **CPO prices trades lower than expected**
- **Maintain NEUTRAL stance on the sector with CPO target price of RM3,600/mt**

Stronger upstream activity in May. CPO output in May surged significantly to 1.70m tonnes (+13.5%mom; **+12.3%yoy;** +9.4%ytd) versus 1.52m tonne in prior year, riding contribution from most of the states particularly in the Kedah area (+78.6%yoy) and Kelantan (+25.3%yoy) as it benefited from dry weather environment on top of improved foreign labour productivity. Separately, the country's FFB received by mills also jumped to 8.93m tonne (+16.2%yoy) with a higher average yield of 1.43 tonne/ha (+16.3%yoy) recorded, while average OER muted at 19.52% dragged by low crops cyclicity environment in most of the states.

Although the mild-El-Niño peaked in April, it seems the mixed dry-wet weather might be prolonged up to July, thereby improving estate activity ahead, particularly in term of FFB evacuation process and manuring activities. CPO production have maintained its momentum and is expected to continue in the remaining months, reaping the benefits of fertiliser application over the past 2 years.

Stock level remains steady. Ending stockpiles in May-24 inched higher at 1.75m tonne (+0.5%mom, **+3.7%yoy**), in tandem with elevated production levels across CPO, PK, CPKO and PKC lines. The minimal rise in stocks, however, was offset by a higher export volume, which grew to 1.38m tonne, following a notable demand increase for PO (+11.6%mom) due to restocking activity in India ahead of festive season that will start from June-August.

Broadly, the increase in exports was also attributed by the price effects, as weaken in CPO price circa USD859/Mt (April: USD935/Mt), increased its competitiveness against other vege-oils in sensitive major importing countries; as India and Pakistan are taking opportunities to import more due wider premium discount against SBO price amounted USD129/Mt (>100%mom).

CPO prices traded lower than expected. The local CPO price delivery ended the month at RM4,060/Mt (+5.2%mom), and averaged monthly higher at RM3,903/Mt (-8.3%mom, **+2.8%yoy**) as El-Niño premium risks still kicks in. Moving forward, we forecast the average local CPO delivery prices will close **-14.3%mom** lower to approximately RM3,344/Mt in June, as risks of uneven weather begins to normalise ahead of La-Niña

COMPANY IN FOCUS

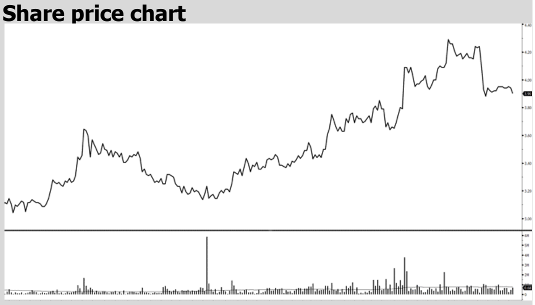
Ta Ann

Maintain BUY | Unchanged target price: **RM4.10**

Price @ 10th June 2024: RM4.11

- High correlation with CPO movement, in which to be benefited from jump in CPO price in 2Q24.
- High Div Yield c. 4.9% over FY24-25F.
- Lowest cost of production among its peers c. RM1,900-2,000 / Mt.
- Decent age profile at 12 years.
- High production growth c. +11% supported by strong FFB yield and OER

Share price chart



MIDF RESEARCH
research@midf.com.my

event in 2HCY24. The premium risk is also expected to scale down with higher FFB & CPO output, as we are entering a high crops period seasonality and the pollination cycle comes to its end. Broadly, with global oilseed and soybean production in 2024/25 projected to increase to 687m tonne (+4.0%yoy) and 422m tonne (+6.0%yoy), this will push other veg-oils and soybean oil prices into downward trend (supply risks deescalating).

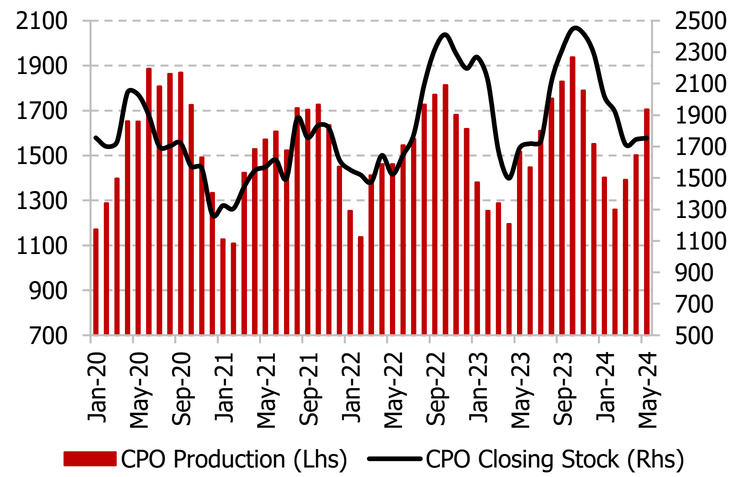
Maintain NEUTRAL. In summary, we opine that companies' top-line to continue uptick in 1Q-2QCY24, in line with elevated average CPO price traded, mostly influenced by low crop seasonality and mild El-Niño event. We deem it is the best time to lock the profits for our top picks such as Ta Ann, and IOI Corp, as we anticipate the increase in share price will gradually decline towards the end of the quarter, prompting shift towards a trading strategy. We keep our **NEUTRAL** call for the sector at this juncture with average CPO target price of RM3,600/Mt for the whole year.

Table 1: Malaysia Palm Oil Statistics for May 2024 ('000 MT)

	May-23	Apr-24	May-24	MoM%	YoY%	5M23	5M24	YTD%
Opening Stocks	1.67	1.71	1.74	1.9%	4.2%	2.20	2.29	4.3%
Production	1.52	1.50	1.70	13.5%	12.3%	6.63	7.26	9.4%
Imports	0.08	0.03	0.02	-40.3%	-74.3%	0.36	0.14	-61.4%
Total Supply	3.27	3.25	3.47	6.8%	6.0%	9.2	9.7	5.4%
Exports	1.08	1.23	1.38	11.7%	27.7%	5.92	6.30	6.4%
Dom Disapp	0.33	0.27	0.34	25.2%	3.4%	1.59	1.64	3.6%
Total Demand	1.41	1.50	1.72	14.1%	22.1%	7.50	7.94	5.8%
End Stocks	1.69	1.74	1.75	0.5%	3.7%	1.69	1.75	3.7%
Stock/Usage Ratio	10.0%	9.7%	8.5%	-11.9%	-15.0%	1.9%	1.8%	-1.9%

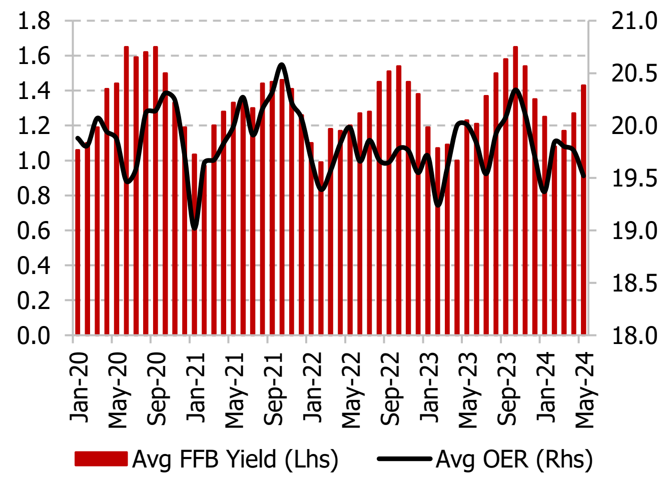
Source: MPOB, MIDFR

Chart 2: PO Closing stocks VS CPO Price



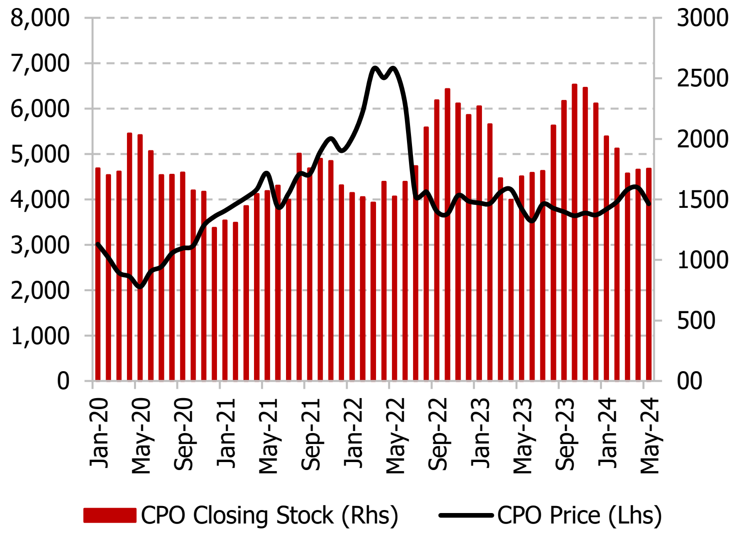
Source: MPOB, MIDFR

Chart 3: Average FFB Yield VS OER



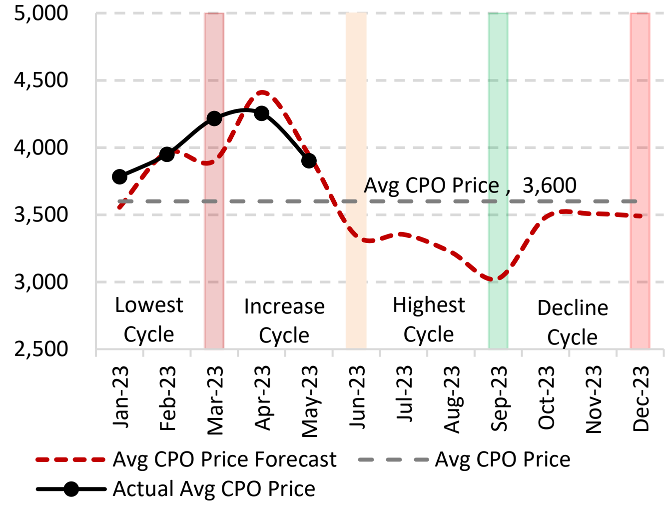
Source: MPOB, MIDFR

Chart 4: Malaysia PO Production VS Closing Stocks



Source: MPOB, MIDFR

Chart 5: CY24 CPO Price Forecast VS Actual



Source: MPOB, MIDFR
**Crops cycle*

Table 2: Summary of earnings, TP and recommendations

Stocks	Rec.	Price @ 10-June-24	Tgt Price (RM)	Core EPS (sen)		PE (x)		Net DPS (sen)		Div Yield (%)	
				FY24	FY25	FY24	FY25	FY24	FY25	FY24	FY25
Ta Ann Holdings	BUY	4.11	4.10	48.3	49.0	8.5	8.4	20.0	20.0	4.9	4.9
IOI Corporation	BUY	3.86	4.50	16.2	16.0	23.8	24.1	7.5	6.5	1.9	1.7
KLK	NEUTRAL	20.86	22.00	76.9	73.3	27.1	28.5	42.0	40.0	2.0	1.9
PPB Group	NEUTRAL	14.68	15.47	96.7	104.1	15.2	14.1	40.0	40.0	2.7	2.7
Sarawak Plantation	NEUTRAL	2.18	2.20	25.0	26.9	8.7	8.1	10.0	10.0	4.6	4.6
SD Guthrie	NEUTRAL	4.31	4.18	16.7	16.0	25.8	26.9	8.0	8.0	1.9	1.9
Genting Plantations	NEUTRAL	5.93	6.10	31.3	35.9	18.9	16.5	21.0	15.0	3.5	2.5
TSH Resources	NEUTRAL	1.11	1.18	8.0	9.2	13.9	12.1	2.0	2.0	1.8	1.8
FGV Holdings	SELL	1.30	1.14	5.3	4.1	24.5	31.7	3.0	2.0	2.3	1.5

Source: MIDFR

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related companies and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loess, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such companies mentioned herein and may benefit from the information herein.

MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology