

| Malaysia

**Neutral** (no change)

**Highlighted Companies**
**Genting Plantations**
**ADD, TP RM8.28, RM6.60 close**

We like Genting Plantations for its rich landbank and young estates. The group has one of the youngest estate age profiles among its big-cap peers in Malaysia.

**Hap Seng Plantations**
**ADD, TP RM2.35, RM2.12 close**

Our Add rating on Hap Seng Plantations (HSP) is premised its current implied low EV/ha of RM37k/ha which could attract suitors, leading to a share price re-rating in the medium term. HSP offers a dividend yield of 5.3% for FY21F.

**Kuala Lumpur Kepong**
**ADD, TP RM22.22, RM21.70 close**

We favour Kuala Lumpur Kepong (KLK) as it is currently trading at FY22F P/E of 22x, below its historical average mean P/E of 26x. KLK's other attraction is the potential earnings accretion from its recent acquisition of a majority stake in IJM Plantations.

**Summary Valuation Metrics**

P/E (x)	Dec-21F	Dec-22F	Dec-23F
Genting Plantations	14.67	18.94	21.36
Hap Seng Plantations	9.27	11.41	15.00
Kuala Lumpur Kepong	11.22	15.37	18.28
P/BV (x)	Dec-21F	Dec-22F	Dec-23F
Genting Plantations	1.17	1.15	1.13
Hap Seng Plantations	0.95	0.92	0.90
Kuala Lumpur Kepong	1.90	1.68	1.60
Dividend Yield	Dec-21F	Dec-22F	Dec-23F
Genting Plantations	4.55%	3.79%	3.03%
Hap Seng Plantations	6.47%	5.26%	4.09%
Kuala Lumpur Kepong	2.64%	2.29%	2.29%

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# Agribusiness

## Stocks preview and supply squeeze issue

- Malaysia's palm oil stocks likely fell by 1.2% mom to 1.56m tonnes at end-Jan 2022F due to weaker output.
- Recent export rule for palm oil in Indonesia, drought in South America, delays in foreign worker intake in Malaysia have led to a tight squeeze in palm oil.
- This coupled with the low production season for palm oil in 1Q22F are key reasons behind the surge in CPO prices – short-term positive for planters.

### Palm oil inventory likely fell by 1% mom in Jan 2022

Findings from a survey of palm oil areas by the CGS-CIMB Futures team revealed that Malaysia's CPO output likely fell 14.1% mom, but grew 10.6% yoy, to 1.25m tonnes in Jan 2022. Meanwhile, palm oil exports likely fell 27% mom but rose 9.3% yoy to 1.04m tonnes, based on export statistics by cargo surveyors Intertek Testing Services (ITS, -25.6% mom), SGS (-27.08% mom) and Amspec Malaysia (-25.86% mom). We estimate that Malaysia's palm oil inventory probably fell 1% mom, but grew 18% yoy, to 1.56m tonnes at end-Jan 2022F. The likely mom drop in stock level is lower compared to historical trends in Malaysia's Jan palm oil stock movements (average: -6% mom over the past 10 years). Our forecast palm oil stock level in Malaysia for Jan 2022F of 1.56m tonnes is 31% below the 10-year historical Jan average of 2.08m tonnes. Official figures will be released on 10 Feb.

### Indonesia's new export ruling worsening palm oil supply squeeze

Spot CPO price in Malaysia rose 4.5% to a new high of RM5,744 per tonne on 4 Feb, after Indonesia announced on 27 Jan new export rules for Indonesia palm oil. This is because the new rules could delay the exports of palm oil from Indonesia as palm oil exporters scrambled to satisfy the new ruling of selling 20% of their planned palm oil exports in the local cooking oil market at a maximum market price of Rp9,300/kg for CPO (at 38% below market price for CPO of Rp14,970/kg as at 4 Feb 2022). Based on the latest ASPs for Indonesia and Malaysia, it would appear that the bulk of the costs to subsidise the domestic cooking oil market in Indonesia may have been currently borne by importers of palm oil via higher international CPO price. This is because Indonesia's CPO price has declined by only 1% (against Malaysia's rise of 5%) since Indonesia announced that it will make it mandatory for palm oil producers to sell 20% of their palm oil exports domestically. On 7 Feb 2022, Indonesian trade ministry said it has issued permits for 6 companies to export a total of 310,000 tonnes of crude palm oil and 18,178 tonnes of palm olein. This represents only 20% of total exports of 1.6m tonnes for CPO and processed palm oil in Feb 2021.

### Other issues squeezing global edible oil supplies

The other factors that are pushing CPO prices higher in Feb are the unresolved acute labour shortage issue in Malaysia and concerns over South America drought which is likely to reduce Brazil's soybean output. However, the high CPO prices will likely cause demand destruction in the food and fuel markets. Thailand temporarily cut its biodiesel mandate from 7% to 5% from 5 Feb to 31 March. The recent rally in CPO price will benefit upstream palm oil players with estates in Malaysia and appears neutral for upstream palm oil players with estates in Indonesia currently. There is upside to our projected average CPO price of RM3,600 per tonne in 2022F as we had expected a faster resolution to the labour issue and had not projected Indonesia's move to regulate domestic cooking oil through export rules. We reiterate our sector Neutral call for Malaysian planters as concerns over ESG are partly offset by strong earnings and undemanding valuations of the sector vs. historical averages. Singapore and Indonesian planters offer cheaper valuations.

**Figure 1: Preliminary palm oil estimates for Jan 2022F**

	Jan 22F	Dec 21	Jan 21	Jan mom	Jan yoy
(000 tonnes)					
Opening stock	1,583	1,817	1,265	(12.9%)	25.2%
Production	1,246	1,451	1,127	(14.1%)	10.6%
Imports	120	103	165	16.8%	(27.4%)
Exports	1,035	1,415	947	(26.8%)	9.3%
Dom Disappearance	350	373	284	(6.2%)	23.1%
Ending stocks	1,563	1,583	1,325	(1.2%)	18.0%

SOURCES: CGS-CIMB RESEARCH, MPOB

Figure 2: Sector comparison – Agribusiness

Company	BB Ticker	Recom.	Price	Target Price	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recur. ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
			(local curr)	(local curr)		CY2022F	CY2023F		CY2022F	CY2023F	CY2022F	CY2023F	CY2022F	CY2023F	CY2022F	CY2023F
IOI Corporation	IOI MK	Hold	RM3.83	RM3.94	5,687	21.5	23.2	-4.0%	2.19	2.08	12.0%	9.9%	11.8	13.0	2.6%	2.5%
Kuala Lumpur Kepong	KLK MK	Add	RM21.70	RM22.22	5,590	15.4	18.3	-8.7%	1.68	1.60	11.6%	9.0%	8.5	9.0	2.3%	2.3%
FGV Holdings Bhd	FGV MK	Hold	RM1.51	RM1.43	1,317	11.2	15.3	-15.5%	1.02	0.98	9.4%	6.5%	5.1	5.9	2.0%	2.0%
Genting Plantations	GENP MK	Add	RM6.60	RM8.28	1,415	18.9	21.4	-12.5%	1.15	1.13	6.1%	5.3%	9.5	10.3	3.8%	3.0%
Hap Seng Plantations	HAPL MK	Add	RM2.12	RM2.35	405	11.4	15.0	-15.6%	0.92	0.90	8.2%	6.0%	4.9	5.9	5.3%	4.1%
Ta Ann	TAH MK	Hold	RM3.83	RM3.18	403	9.4	11.1	-14.8%	1.02	0.97	11.2%	9.0%	5.1	5.2	3.9%	3.9%
United Malacca Bhd	UMR MK	Hold	RM5.25	RM5.41	263	14.7	24.2	-16.9%	0.78	0.76	5.4%	3.2%	6.4	7.7	1.9%	1.6%
<b>Malaysia Average</b>						<b>17.4</b>	<b>20.0</b>	<b>-8.3%</b>	<b>1.7</b>	<b>1.6</b>	<b>10.9%</b>	<b>8.6%</b>	<b>9.3</b>	<b>10.2</b>	<b>2.6%</b>	<b>2.5%</b>
Wilmar International	WIL SP	Add	SGD4.40	SGD6.15	20,603	12.5	11.7	4.0%	1.01	0.97	8.3%	8.5%	9.5	9.3	3.6%	3.9%
Golden Agri-Resources	GGR SP	Hold	SGD0.27	SGD0.28	2,549	9.3	12.6	-19.1%	0.54	0.52	6.2%	4.3%	5.1	5.6	2.4%	2.4%
First Resources Ltd	FR SP	Add	SGD1.63	SGD1.76	1,912	13.8	14.9	-2.1%	1.60	1.52	12.0%	10.4%	6.2	6.3	3.6%	3.4%
<b>Singapore Average</b>						<b>12.3</b>	<b>12.0</b>	<b>1.2%</b>	<b>1.0</b>	<b>1.0</b>	<b>8.3%</b>	<b>8.2%</b>	<b>8.8</b>	<b>8.7</b>	<b>3.5%</b>	<b>3.7%</b>
Astra Agro Lestari	AALI IJ	Add	Rp9,850.00	Rp12,300.00	1,317	9.1	10.8	-12.3%	0.86	0.82	9.7%	7.8%	5.2	5.3	4.7%	4.0%
Dharma Satya Nusantara	DSNG IJ	Add	Rp575.00	Rp1,250.00	423	7.7	6.4	8.6%	0.87	0.78	11.8%	12.8%	5.4	4.5	3.1%	3.7%
London Sumatra	LSIP IJ	Add	Rp1,280.00	Rp1,510.00	607	8.9	11.8	-15.2%	0.87	0.83	10.0%	7.2%	3.4	3.5	4.5%	3.4%
Triputra Agro Persada	TAPG IJ	Add	Rp695.00	Rp1,110.00	959	9.0	8.8	-0.7%	1.59	1.40	17.4%	15.8%	6.4	5.9	3.4%	3.5%
<b>Indonesia Average</b>						<b>8.9</b>	<b>9.8</b>	<b>-6.8%</b>	<b>1.1</b>	<b>1.0</b>	<b>12.3%</b>	<b>10.6%</b>	<b>5.2</b>	<b>5.0</b>	<b>4.1%</b>	<b>3.7%</b>
<b>Sector average</b>						<b>12.8</b>	<b>14.0</b>	<b>-4.6%</b>	<b>1.3</b>	<b>1.2</b>	<b>10.5%</b>	<b>9.1%</b>	<b>7.8</b>	<b>8.0</b>	<b>3.4%</b>	<b>3.3%</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 - 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%

### Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2020, Anti-Corruption 2020

**ADVANC** – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Excellent, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Very Good, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified,

**CPNREIT** – n/a, n/a, **CRC** – Very Good, n/a, **DELTA** - Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, n/a, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – Excellent, Declared, **JMT** – Very Good, Declared, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – n/a, n/a, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – n/a, n/a, **OR** – n/a, n/a, **ORI** – Excellent, Certified, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RBF** – Good, n/a, **RS** – Excellent, n/a, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – n/a, n/a, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – n/a, n/a, **SHR** – Very Good, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Declared, **SPRC** – Excellent, Certified, **SSP** – Good, Declared, **STEC** – n/a, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, n/a, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, n/a, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TMB** - Excellent, Certified, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- [CG Score 2020 from Thai Institute of Directors Association \(IOD\)](#)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of January 30, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

## Recommendation Framework

### Stock Ratings

Definition:

Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

### Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

### Country Ratings

Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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