

ASEAN

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Neutral (no change)

Highlighted Companies

Dharma Satya Nusantara ADD, TP Rp1,250, Rp625 close

Being an upstream Indonesian palm oil producer, DNSG is likely to be negatively affected as it will be required to potentially sell 20% of its production at Rp9,300/kg, below the market price, to meet the Domestic Price Obligation (DPO).

First Resources Ltd ADD, TP S\$2.12, S\$1.84 close

The attraction of First Resources lies in its strong output growth prospects given its young estates and undemanding valuation at 17.6x P/E for FY22F.

Kuala Lumpur Kepong ADD, TP RM29.57, RM25.48 close

KLK's estates in Malaysia could benefit from the higher international CPO price due to concerns that Indonesia's exports volumes could be lower in Feb as the market adjusts to the new ruling. However, this will be partially offset by lower CPO price achieved by its Indonesian estates.

Summary Valuation Metrics

P/E (x)	Dec-21F	Dec-22I
Dharma Satya Nusantara	9.04	6.90
First Resources Ltd	13.31	10.30
Kuala Lumpur Kepong	12.25	13.37
P/BV (x)	Dec-21F	Dec-22I
Dharma Satya Nusantara	1.03	0.92
First Resources Ltd	1.79	1.65
Kuala Lumpur Kepong	2.22	1.96
Dividend Yield	Dec-21F	Dec-22I

Analyst(s)

Ivy NG Lee Fang, CFA

T (60) 3 2635 9292

E ivy.ng@cgs-cimb.com

Nagulan RAVI

T (60) 3 2635 9264

E nagulan.ravi@cgs-cimb.com

Agribusiness

Shift in trades following invasion of Ukraine

- CPO prices are extremely volatile following Russia's invasion of Ukraine.
- The event has disrupted Ukraine's sunflower oil exports and it remains uncertain when these exports will resume.
- CPO prices stand to benefit in the short term as consumers shift their purchases to other edible oils or sourcing destinations to cover the shortfall.

Impact on CPO price after Russia's invasion of Ukraine on 24 Feb

- On 24 Feb 2022, Russian president Vladimir Putin ordered an invasion of Ukraine by Russian Armed Forces. A day earlier, Ukrainian President Volodymyr Zelenskyy declared a state of emergency for a period of 30 days in Ukraine.
- The ongoing war has led to the closure of some sunflower crushing plants and ports in Ukraine which has disrupted production and exports of sunflower oil and meal. This represents a significant disruption to the global edible oils trade flows as the market was looking forward to an increase in sunflower oil exports from Ukraine to partially relieve the current tight supplies in global edible oil markets.
- This is made worse by the recent decision (27 Jan) by Indonesia to impose Domestic Market Obligation (DMO) on palm exporters to ensure domestic cooking oil availability. The DMO requires palm oil exporters to sell 20% of their export volumes domestically at a stipulated price by the government (below market price). This has led to delays in issuance of export permits and inability of some exporters to fulfil new obligations. Indonesia is the world's largest exporter of palm oil (54% share of global exports).
- We believe palm oil prices had priced in some premium to reflect the geopolitical risks prior to the Russia-Ukraine conflict. The premium pricing expanded following the invasion of Ukraine, as active month CPO in futures market rose sharply by 8% on 24 Feb 2022. However, on 25 Feb 2022, the future CPO price fell by 7.5% as the market was concerned about demand destruction.

Russia and Ukraine's position in global edible oils supply chain

- Ukraine is the world's largest producer and exporter of sunflower oil (market share of 47% of global exports), while Russia's share in the global exports stands at 29.9%. The two countries accounted for 60% of the global sunflower oil production in 2020-21. Sunflower oil is the world's third-most traded vegetable oil after palm and soybean oil.
- Oil World had projected Ukraine to export 4.29m tonnes (+48% yoy) of sunflower oil in Feb-Sep 2022. In view of the closure of crush operations and ports in Ukraine, buyers will need to scout elsewhere to temporarily fill the gap in supply – mainly palm oil and soybean oil. Uncertainties also remain over how long it would take for Ukraine's exports to resume and if there will be trade sanctions on Russia's exports.
- Other concerns include the spike in fertiliser prices, which is likely to raise cost of production for oil palm producers in 2H22F. Russia accounts for 13% of the global trade of key fertiliser intermediaries and almost 16% of the global trade of key finished fertilisers.

Upside to CPO price; upstream planters that sell spot could benefit

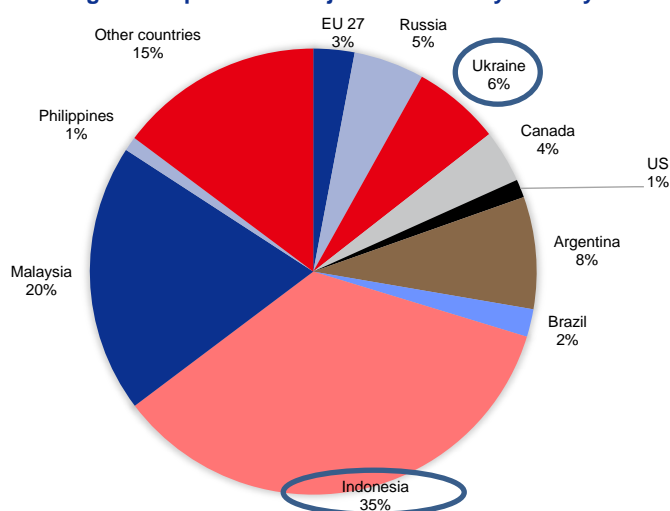
- Panic buying by consumers to cover the temporary shortfall in edible oil supplies from Ukraine is likely to continue until the situation improves. Palm oil and soya oil are likely to benefit from this trend. As such, CPO prices in the near term are likely to stay high and above our average CPO price forecast of RM4,100 per tonne for 2022F, which has not accounted for the disruption in sunflower oil exports from Ukraine. The current high prices may correct significantly if a resolution is reached and edible oil trades resume. Other potential risks to high CPO prices are potential cuts in biodiesel mandate. Planters that sell mostly spot, like Hap Seng Plant, Ta Ann and most Indonesian planters are likely to benefit from the spike in CPO prices. Planters' share prices have reacted positively to the surge in CPO price over the past few weeks. There could be upside to planters' 1QFY22 earnings and our CPO price forecasts. Our top planter picks in Malaysia/Indonesia/Singapore are KLK/DNSG/First Resources.

Figure 1: Sector comparisons – Agribusiness

Company	BB Ticker	Recom.	Price (local curr)	Target Price (local curr)	Market Cap	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recur. ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
						CY2022F	CY2023F		CY2022F	CY2023F	CY2022F	CY2023F	CY2022F	CY2023F	CY2022F	CY2023F
IOI Corporation	IOI MK	Hold	RM4.60	RM4.57	6,801	16.8	20.3	-4.9%	2.56	2.43	15.0%	11.0%	11.3	13.8	2.2%	2.1%
Kuala Lumpur Kepong	KLK MK	Add	RM25.48	RM29.57	6,537	13.4	17.9	-5.8%	1.96	1.89	15.6%	10.7%	7.5	9.3	3.6%	2.7%
FGV Holdings Bhd	FGV MK	Hold	RM1.95	RM1.43	1,693	14.5	19.8	-15.5%	1.32	1.26	9.4%	6.5%	5.9	6.8	1.5%	1.5%
Genting Plantations	GENP MK	Add	RM8.87	RM9.18	1,894	15.9	26.6	-11.8%	1.48	1.46	9.5%	5.5%	8.5	12.2	3.4%	2.8%
Hap Seng Plantations	HAPL MK	Add	RM2.70	RM2.79	514	12.1	20.1	-21.3%	1.18	1.15	9.6%	5.8%	5.7	8.1	5.4%	3.3%
Ta Ann	TAH MK	Hold	RM5.12	RM3.18	537	12.6	14.8	-14.8%	1.36	1.29	11.2%	9.0%	6.6	7.0	2.9%	2.9%
United Malacca Bhd	UMR MK	Hold	RM5.67	RM5.41	283	15.9	26.2	-16.9%	0.84	0.82	5.4%	3.2%	6.9	8.2	1.8%	1.5%
Malaysia Average						15.0	20.0	-7.8%	2.0	1.9	13.7%	9.6%	8.8	10.9	2.9%	2.4%
Wilmar International	WIL SP	Add	SGD4.44	SGD5.69	20,664	11.7	11.7	-0.8%	1.01	0.96	8.8%	8.4%	10.9	10.3	3.8%	3.8%
Golden Agri-Resources	GGR SP	Hold	SGD0.29	SGD0.28	2,721	9.9	13.5	-19.1%	0.57	0.55	6.2%	4.3%	5.3	5.9	2.2%	2.2%
First Resources Ltd	FR SP	Add	SGD1.84	SGD2.12	2,145		13.8	2.8%	1.65	1.56	16.7%	11.6%	5.3	6.6	4.9%	3.6%
Singapore Average						10.6	12.1	-2.5%	1.0	1.0	9.2%	8.2%	9.9	9.5	3.7%	3.7%
Astra Agro Lestari	AALI IJ	Add	Rp11,350.00	Rp12,300.00	1,521	8.9	12.4	-12.3%	0.98	0.93	11.4%	7.7%	5.3	5.9	4.8%	3.4%
Dharma Satya Nusantara	DSNG IJ	Add	Rp625.00	Rp1,250.00	461	6.9	7.0	8.6%	0.92	0.84	14.1%	12.6%	5.2	4.7	3.5%	3.4%
London Sumatra	LSIP IJ	Add	Rp1,420.00	Rp1,510.00	674	7.9	13.1	-15.2%	0.95	0.91	12.4%	7.1%	3.3	4.3	5.0%	3.0%
Tripura Agro Persada	TAPG IJ	Add	Rp720.00	Rp1,110.00	995	8.0	9.1	-0.7%	1.61	1.43	20.2%	15.5%	5.9	6.0	3.9%	3.4%
Indonesia Average						11.3	15.1	-9.7%	1.6	1.4	19.7%	14.2%	7.0	7.6	6.1%	4.6%
Sector average						12.3	15.7	-6.7%	1.5	1.4	14.2%	10.7%	8.5	9.3	4.2%	3.5%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Breakdown of global exports of 8 major edible oils by country in 2021



SOURCES: CGS-CIMB RESEARCH, OILWORLD

Figure 3: Change in ASP of key edible oils due to Russia invasion of Ukraine (US\$/tonne)

Types of edible oils	24-Feb	17-Feb	Change	Prem/Dis against CPO
Palm oil	1,685	1,500	12%	nm
Soyaoil	1,760	1,628	8%	75
Rape oil	1,887	1,675	13%	127
Sunflower oil	1,525	1,510	1%	-362

SOURCES: CGS-CIMB RESEARCH, OILWORLD

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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 cli
Add	71.1%	1.5%
Hold	21.8%	0.0%

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

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

Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **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** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **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** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - 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 2021 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 August 5, 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.