



AmInvestment Bank

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ESG - PLANTATION

EUDR to be delayed again?

NEUTRAL

(Maintained)

Rationale for report: Sector Update

Key Indicators

2025F CPO Price:
RM4,250/tonne

Stock Universe

Johor Plantations
TP: RM1.67
Rec: BUY
Upside/Downside: +34.4%

TSH Resources
TP: RM1.38
Rec: BUY
Upside/Downside: +21.1%

Kim Loomg
TP: RM2.75
Rec: BUY
Upside/Downside: +17%

IOI Corp
TP: RM4.05
Rec: HOLD
Upside/Downside: +4.9%

KL Kepong
TP: RM20.50
Rec: HOLD
Upside/Downside: +3.5%

SD Guthrie
TP: RM4.89
Rec: HOLD
Upside/Downside: +0.6%

Investment Highlights

In July 2025, the European Parliament driven mainly by right-wing party members backed a motion, which objects to the European Commission's deforestation risk country list for EUDR. The lawmakers have proposed to delay the EUDR, which is scheduled to take effect on 30 December 2025. In addition, Austria and France have proposed a fourth risk classification i.e negligible risk. The current classifications are low risk, standard risk and high risk. Malaysia has been classified as standard risk. We maintain Neutral on the plantation sector with BUYS on Johor Plantations Group (TP: RM1.67/share), Kim Loong Resources (TP: RM2.75/share) and TSH Resources (TP: RM1.38/share).

- **No delay for now.** In spite of the European Parliament's proposals, the European Commission has no obligation to act on the vote. The above development arose as the country risk classification has drawn the ire of some lawmakers. This is because it is not based on updated information and certain countries, which have significant deforestation activities, were classified as standard risk instead of high risk.
- **Next FAO (Food and Agricultural Organisation of the United Nations) update is in March 2026.** The last structural FAO data update from agricultural census took place in April 2025. The next dataset will be released in March 2026. This can be used to review the country risk classification for 2026F. Recall that Malaysia said that EU's classification of standard risk was based on a 2020 UN FAO report, which is outdated.
- **Mondelez wants EUDR to be delayed by a year but not others.** Nestle, Danone and Ferrero would like EUDR to be implemented according to the schedule. An official with Mondelez said that more than a million farmers in Ivory Coast produce cocoa but less than 20% have EUDR-mandated traceability cards. The group also said that the cocoa sector is under pressure due to soaring prices and declining production. On the other hand, Nestle said that a delay in the EUDR would worsen legal uncertainties, increase operational costs and create confusion. A delay would also send a contradictory message to consumers as demand for transparency and sustainability are reaching unprecedented levels.
- **We believe that the major palm producers are prepared for EUDR.** As mentioned in a previous report, the large palm producers in Malaysia and Indonesia such as SD Guthrie and Golden Agri Resources are prepared for EUDR. Companies like SD Guthrie and KL Kepong have been sending trial shipments of EUDR-compliant palm products since last year. As for smallholders, who are not compliant, we believe that they can sell their products to other markets such as Turkey or Middle East instead of the EU.

EXHIBIT 1: VALUATION MATRIX

	Share price	EPS (sen)	EPS (sen)	PE (x)	PE (x)	Target price	Upside	Rec	
	(RM)	FY25F	FY26F	FY25F	FY26F	(RM)			
IOI Corp	3.86	20.3	21.4	19.0	18.0	4.05	4.9%	Hold	t
KLK	19.80	77.9	112.9	25.4	17.5	20.50	3.5%	Hold	t
SD Guthrie	4.86	26.4	27.2	18.4	17.9	4.89	0.6%	Hold	
Johor Plantations	1.24	10.9	11.1	11.4	11.2	1.67	34.4%	Buy	t
TSH Resources	1.14	10.8	11.5	10.6	9.9	1.38	21.1%	Buy	
Kim Loong	2.35	17.2	17.5	13.7	13.4	2.75	17.0%	Buy	

Source: AmlInvestment Bank

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