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Sector – Update | Malaysia

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Plantation

EUDR Update: Key Facts Before December Implementation

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OVERWEIGHT (Maintained)

Sector Top Picks

Company	Ticker	Rec	Share Price	Target Price
SD Guthrie	SDG MK	BUY	RM6.14	RM7.65
KL Kepong	KLK MK	BUY	RM22.90	RM24.65

Source: Bloomberg, UOB Kay Hian

Highlights

- The EUDR applies to large and medium operators from 30 Dec 26 and to micro and small enterprises from 30 Jun 27.
- With MSPO being the only national scheme recognised by the EU, Malaysian plantation companies are poised to benefit from a higher share of exports to the EU.
- Maintain OVERWEIGHT. EU palm oil imports keep shrinking on biofuel policy, not EUDR, leaving a smaller food-and-oleochemical pool where verified traceability earns market share. SD Guthrie and KL Kepong remain our top picks.

Analysis

- **The EUDR applies to large and medium operators from 30 Dec 26** and to micro and small enterprises from 30 Jun 27. The mandated simplification review, delivered 4 May 26, declined to reopen the text or move the dates.
- **Malaysia is rated as standard risk.** To recap, Malaysia is classified as a standard risk country under the European Union Deforestation Regulation (EUDR), alongside other major vegoils producers including Indonesia, Argentina and Brazil, which will be subject to 3% annual compliance checks, compared with 1% for low risk countries. Malaysia continues to pursue low-risk status with traceability across supply chain as the key focus area particularly among small independent holders. The National Traceability System (SKN), which integrates e-MSPO, GeoSAWIT and SIMS into a unified platform, enables EUDR-relevant information, such as certification data, geolocation coordinates and verified transactions, to be centrally accessed and shared with EU partners.
- **A delegated act adopted on 13 Jul 26 adds palm oil derivatives to Annex I,** including fatty alcohols, glycerol, oleic, linoleic and linolenic acids, amines and soaps, effective 30 Dec 27. Malaysian Sustainable Palm Oil (MSPO) has been recognised by the EU since 5 Sep 25, the only national scheme with such a status.
- **EU palm oil imports fell to about 2.85m tonnes in 2025/26,** down just over 5% yoy, as member states exclude palm-based biofuel from national quota obligations. The decline has slowed from -21% to -5% as a result, with the balance represented by food, feed and oleochemical demand, which is contract-based and is more tightly monitored under EUDR.
- **EU's origin mix is turning towards Malaysia.** Over Jul 25 to early-Mar 26, Malaysian shipments rose about 4% to 484,000 tonnes while Indonesia fell about 8% to 597,400 tonnes. The Netherlands' +9% reflects Rotterdam and Amsterdam as transit hubs while Italy's -12% represents the cleaner read on consumption.

Peer Comparison

Company	Ticker	Rec*	Price 09 Sep 26 (RM)	Target Price (RM)	Upside To TP (%)	Last Year End	PE 2025 (x)	PE 2026F (x)	PE 2027F (x)	Yield 2026F (%)	ROE 2026F (%)	Market Cap. (RMm)	Price/ NAV ps (x)
Hap Seng Plantations	HAPL MK	HOLD	2.62	2.70	3.1	Dec-26	16.9	10.9	10.5	4.2	5.9	2,096	0.9
Genting Plantations	GENP MK	HOLD	6.04	6.10	1.0	Dec-26	15.3	12.9	12.9	4.5	6.9	5,420	1.1
IOI Corporation	IOI MK	BUY	4.80	5.15	7.3	Jun-27	19.9	17.5	16.8	2.7	12.7	30,172	2.2
KL Kepong	KLK MK	BUY	22.90	24.65	7.6	Sep-26	15.8	14.1	14.0	2.6	5.8	25,561	2.0
SD Guthrie	SDG MK	BUY	6.14	7.65	24.6	Dec-26	21.8	15.7	16.0	3.2	12.2	42,460	2.3

Source: Bloomberg, UOB Kay Hian

EUDR Readiness Scorecard

Company	TTM	TTP own mills	TTP third-party	RSPO area
SD Guthrie	97.9%	100%	71.1%	98.3%
United Plantations	100%	100%	92.8%	84%
Johor Plantations	n.a	100%	Own mills only	100%
Wilmar International	98.5%	100%	91.0%	82.1%
Hap Seng Plantations	n.a.	100%	Own mills only	81.3%
IOI Corporation	100%	100%	97.9%	95.8%
KL Kepong	100%	100%	93.0%	83.2%
Bumitama Agri	n.a.	92.5%	Own mills only	48.1%
Golden Agri Resources	100%	100%	Own mills only	57.2%
First Resources	100%	100%	100%	37.4%
Genting Plantations	91.5%	99.8%	77.5%	48.3%

TTM = traceable to mill; TTP = traceable to plantation; RSPO = Roundtable on Sustainable Palm Oil.
Source: Company sustainability and annual reports; UOB Kay Hian.

- **At 2.85m tonnes, the EU takes about 4% of globally traded palm oil, so EUDR positioning should not materially shift global trade.** However, the same verification standard may eventually be adopted by Japanese, Korean and Chinese buyers, and compliant cargo should command a premium as smallholder-dependent supply is squeezed out.
- **Malaysian-listed planters are relatively well positioned on EUDR readiness.** SD Guthrie (SDG) is a standout with 98.3% of its planted area being RSPO-certified and its track record of shipping EUDR-compliant cargoes to Europe since its 2024 pilot. SDG also ranked highly in international sustainability assessments, highlighting its strong sustainability credentials despite its sizeable landbank. IOI Corp and KLK have 100% traceability to mills and plantations across their own mills, and are expected to gain the most from the broadened scope of EUDR-covered derivatives. Overall, we believe the larger, more integrated Malaysian planters are better placed to absorb compliance requirements and preserve EU market access.

EUDR Implementation Timeline

Date	Milestone
31 Dec 20	Deforestation cut-off date
22 May 25	Malaysia and Indonesia rated as “standard risk”
5 Sep 25	EU formally recognises MSPO
13 Jul 26	Annex I delegated act adopted
13 Sep 26	Scrutiny period on Annex I ends
30 Dec 26	EUDR applies to large/medium operators
30 Jun 27	EUDR applies to micro/small enterprises
30 Dec 27	EUDR applies to palm derivatives

Source: European Commission, UOB Kay Hian

EU Palm Oil Imports By Origin

Origin	Volume (approx.)	Change (yoy)
Indonesia	597,400 tonnes	-8%
Malaysia	484,000 tonnes	+4%
Guatemala	282,000 tonnes	+5%

Source: UFOP via Biofuels International. Jul 25 to early-Mar 26

Valuation/Recommendation

- **Maintain OVERWEIGHT.** We remain constructive on the sector, underpinned by structural demand growth from regional biofuel mandates, including Indonesia's B50 policy. We keep our CPO price forecasts at RM4,500/4,400 per tonne for 2026/27 respectively.
- **Top picks:** We like SD Guthrie (BUY; Target: RM7.65) as a liquid big-cap play on the CPO backdrop, supported by its renewable energy and industrial park pivot. Kuala Lumpur Kepong (BUY; Target: RM24.65) is our laggard pick which offers a healthy production growth profile and earnings recovery after Synthomer-impairment alongside a gradual improvement in its oleochemical business.

Sector Catalyst/Risk

- **Indonesian land legality remains a risk.** Agrinas Palma Nusantara controlled about 3m ha as at 31 Aug 26, of which roughly 800,000 ha is planted oil palm, after transferring 1m ha to Perhutani from the 4.12m ha handed over by May 26. There is still no visibility on how legal origin will be documented.
- **Scrutiny of the Annex I delegated act closes on 13 Sep 26.** The European Parliament and Council may veto but not amend. A veto would reopen the derivative-scope question for IOI and KL Kepong.
- **Whether Malaysia secures “low risk” status before December.** A “low risk” status would cut the inspection rate to 1% from 3%. Completion of the SKN and the GeoSAWIT system upgrade would be key determinants.