

Company Report

Gan Huey Ling

gan-huey-ling@ambankgroup.com

03-2036 2305

SD GUTHRIE

(SDG MK EQUITY, SDGU.KL)

PLANTATION

8 May 2025

Weak downstream demand in 1QFY25

HOLD

(Maintained)

Rationale for report: Company Results

Price RM4.68
Target Price RM4.89
52-week High/Low RM5.19/RM4.15

Key Changes

Target Price 
EPS 

YE to Dec	FY24	FY25F	FY26F	FY27F
Revenue (RMmil)	19,831.0	20,625.5	21,003.2	22,269.1
Net Profit (RMmil)	2,163.8	1,823.5	1,878.1	1,976.6
EPS (sen)	31.3	26.4	27.2	28.6
EPS growth (%)	16.3	-15.7	3.0	5.2
Consensus net (RMmil)		1,716.0	1,722.0	1,670.0
DPS (sen)	16.4	17.0	18.0	19.0
PE (x)	15.0	17.7	17.2	16.4
EV/EBITDA (x)	8.3	9.2	9.7	9.6
Div yield (%)	3.5	3.6	3.8	4.1
ROE (%)	12.4	9.7	9.8	10.3
Net Gearing (%)	36.3	35.1	48.0	61.5

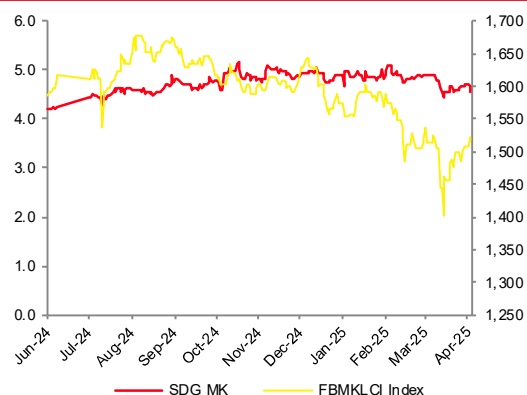
Stock and Financial Data

Shares Outstanding (million) 6,915.7
Market Cap (RMmil) 32,365.5
Book Value (RM/Share) 3.06
P/BV (x) 1.5
ROE (%) 12.4
Net Gearing (%) 36.3

Major Shareholders ASB (45.6%)
EPF (16.5%)

Free Float 44.7
Avg Daily Value (RMmil) 13.0

Price performance	3mth	6mth	12mth
Absolute (%)	-0.2	-5.7	+4.5
Relative (%)	-1.7	-0.7	+8.8



Investment Highlights

SD Guthrie (SDG) reported a decent set of 1QFY25 results. Core net profit more than doubled YoY to RM567mil in 1QFY25 on the back of marginally higher CPO production and stronger palm product prices. These compensated for a 40% drop in downstream earnings. Downstream EBIT retreated to RM81mil in 1QFY25 from RM135mil in 1QFY24 dragged by lower demand from the EU and Asia Pacific refineries. Downstream EBIT margin slipped to 1.9% in 1QFY25 from 3.4% in 1QFY24. Going forward although SDG's upstream earnings would sustain supported by resilient palm product prices, the downstream division may face challenges going forward. Hence, we maintain HOLD on SDG with a TP of RM4.89/share.

- HOLD with a higher TP of RM4.89/share vs. RM4.28/share previously.** Our TP of RM4.89/share for SDG is based on a FY26F PE of 18x, which is one SD below the five-year average of 20x for big-cap planters. Due to economic uncertainties, we believe that SDG's downstream division would continue facing softer demand in the EU and stiffer price competition from Indonesian companies. Not only do Indonesian companies enjoy a lower cost of feedstock, but they also have a currency advantage as the Rupiah has depreciated against the USD.
- SDG's annualised 1QFY25 core net profit results were 11% above our forecast but within consensus.** SDG exceeded our expectations due to a stronger-than-expected EBIT margin in the upstream division. We have raised SDG's FY25F net profit by 11% to account for this.
- Upstream EBIT more than doubled YoY to RM753mil in 1QFY25.** Group average CPO price rose to RM4,576/tonne in 1QFY25 from RM3,880/tonne in 1QFY24. Group FFB output inched up by 1.4% YoY in 1QFY25. Breaking it down, FFB production in Malaysia sank by 7% YoY in 1QFY25 but in Indonesia, FFB output rose by 11%. FFB production in PNG grew by 10% YoY in 1QFY25 supported by good weather conditions.
- On a yearly basis, losses in the renewable energy (RE) and industrial park divisions remained the same at RM1mil in total in 1QFY25.** We believe that it would take time for earnings from the two units to grow. Although SDG has entered into an industrial park joint venture (JV) in Bukit Pelandok, Negeri Sembilan with EcoWorld Development Group, SDG's share in the JV is only 30%. Also going forward, SDG is expected to bid for LSS 5 + and LSS 6.

Company profile

SD Guthrie (SDG) is involved in upstream and downstream segments of the palm oil supply chain. Apart from these, SDG sells palm oil seedlings.

About 80% of SDG's FY23 operating profit came from the upstream division i.e. sale of CPO and PK (palm kernel). Another 19% came from the downstream unit i.e trading and sale of bulk and differentiated products.

SDG's upstream customers are refineries and cooking oil companies in India, Africa and EU. SDG's downstream customers are consumer companies in the EU, Africa and Asia Pacific.

SDG's operations are in Malaysia, Indonesia, Papua New Guinea, United Kingdom and Africa.

SDG's competitive advantage is its diversified upstream operations, which smoothens out smoothens our seasonal volatility and differentiated downstream products, which have higher margins and more resilient demand.

Investment thesis and catalysts

We have a HOLD on SDG as its FY26F PE is expensive at 17x. Also, we believe that SDG's downstream unit (trading, bulk and differentiated products) might face fierce competition from Indonesian companies and slower demand in the EU.

Share price catalysts are a rise in CPO prices and improved outlook for the downstream operations.

Valuation methodology

We applied a FY26F PE of 18x to arrive at our target price of RM4.89/share for SDG. The PE of 18x is one SD below the five-year average of 20x for big-cap plantation companies.

Risk factors

Key risks are a drop in CPO prices and fall in demand for palm products, which would affect earnings of the downstream division.

We estimate that a RM100/tonne decline in CPO price would affect SDG's net profit by 2% to 3% assuming everything else remains the same.

EXHIBIT 1: EARNINGS SUMMARY

	1QFY24	1QFY25	YoY	4QFY24	1QFY25	QoQ
Revenue	4,342.0	4,817.0	10.9%	5,257.0	4,817.0	-8.4%
Operating expenses	(3,948.0)	(4,078.0)	3.3%	(4,475.0)	(4,078.0)	-8.9%
Other operating income	44.0	97.0	>100%	355.0	97.0	-72.7%
Other gains/(losses)	(48.0)	(10.0)	-79.2%	(7.0)	(10.0)	42.9%
Operating profit	390.0	826.0	>100%	1,130.0	826.0	-26.9%
Share of results in JV	(14.0)	(1.0)		(28.0)	(1.0)	
Share of results in associates	-	(7.0)		-	(7.0)	
Profit before interest and tax	376.0	818.0	>100%	1,102.0	818.0	-25.8%
Finance income	7.0	6.0	-14.3%	7.0	6.0	-14.3%
Finance costs	(37.0)	(25.0)	-32.4%	(30.0)	(25.0)	-16.7%
Pre-tax profit	346.0	799.0	>100%	1,079.0	799.0	-25.9%
Tax expense	(93.0)	(183.0)	96.8%	(263.0)	(183.0)	-30.4%
Profit from discount operations						
Sukuk holders	(31.0)	(31.0)		(31.0)	(31.0)	
Minority interest	(11.0)	(18.0)	63.6%	(13.0)	(18.0)	38.5%
Net profit	211.0	567.0	>100%	772.0	567.0	-26.6%
Core net profit	211.0	567.0	>100%	526.0	567.0	7.8%
EPS	3.1	8.2	>100%	11.2	8.2	-26.8%
Gross DPS	-	-		11.7	-	
Operating profit margin	9.0%	17.1%		21.5%	17.1%	
Effective tax rate	26.9%	22.9%		24.4%	22.9%	
Average CPO price	3,880	4,576	17.9%	4,477	4,576	2.2%
FFB production	1,978,918	2,006,000	1.4%	2,307,192	2,006,000	-13.1%

Source: Company

EXHIBIT 2: CHANGE IN EARNINGS

RMmil	FY25F			FY26F			FY27F		
	Old	New	%	Old	New	%	Old	New	%
Revenue	20,623.8	20,625.0	0.0	21,145.4	21,003.2	-0.7	21,669.8	22,269.1	2.8
Net earnings	1,647.4	1,823.5	10.7	1,729.7	1,878.1	8.6	1,828.4	1,976.6	8.1

EXHIBIT 3: VALUATIONS

Target PE (x)	18
CY26F EPS	27.2
ESG premium	-
12-month target price	4.89

EXHIBIT 4: ESG MATRIX

	Environmental assessment	Parameters	Weightage	Rating				Rationale
1	RSPO certification	100% certification	25%	*	*	*		100% of mills certified; 42% of smallholders were certified in FY24 vs. 36% in FY23
2	Supply chain auditing	100% traceable	25%	*	*	*		84.9% (FY23: 81.5%) traceable to plantation and 96.9% (FY23: 95.7%) traceable to mills in FY24
3	Fires	Zero incidences	25%	*	*	*		44 fires (FY23: 67) in concession areas and 276 (FY23: 745) outside concession areas in FY24
4	GHG emissions	Net zero by 2050F	25%	*	*	*		18.6mil tonnes of CO2e under Scope 1, 2 and 3 in FY24 vs. 19.5mil in FY23
	Weighted score for environmental assessment		100%	*	*	*		
	Social assessment							
1	Migrant workers welfare	Number of Workers grievances	40%	*	*	*		364 cases in FY24 vs. 566 in FY23
2	Work site safety	Zero fatal fatalities	30%	*	*	*		2 work-related fatalities in FY24 vs. 5 in FY23
3	Lost Time Injury Frequency	Below 5	30%	*	*	*		5.9 in FY24 vs. 8.7 in FY23
	Weighted score for social assessment		100%	*	*	*		
	Governance assessment							
1	Related party transactions	Value of RPTs	40%	*	*	*		RM60.1mil in FY24, mainly purchase of heavy equipment from sister companies
2	Women in workforce	% in workforce	30%	*	*	*		19.5% of women in workforce in FY24 vs. 17.5% in FY23
3	Remuneration to directors	Total value of remuneration or % of salary costs	30%	*	*	*		RM13.5mil in FY24 vs. RM10.4mil in FY23
	Weighted score for governance assessment		100%	*	*	*		
	Environmental score		50%	*	*	*		
	Social score		30%	*	*	*		
	Governance score		20%	*	*	*		
	Overall ESG Score		100%	*	*	*		

Source: AmInvestment Bank

EXHIBIT 5: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	18,427.9	19,831.0	20,625.5	21,003.2	22,269.1
EBITDA	1,779.2	3,267.8	4,069.0	4,124.4	4,436.3
Depreciation	(1,387.8)	(1,408.8)	(1,482.6)	(1,530.2)	(1,665.7)
Operating income (EBIT)	391.5	1,859.0	2,586.3	2,594.1	2,770.6
Other income & associates	1,431.5	820.3	240.0	240.0	240.0
Interest expense	(197.5)	(144.9)	(140.2)	(146.7)	(152.6)
Exceptional items	1,127.0	605.0	-	-	-
Pretax profit	2,752.5	3,139.3	2,686.1	2,687.4	2,858.0
Taxation	(719.1)	(795.8)	(671.5)	(618.1)	(685.9)
Minorities/pref dividends	(173.3)	(179.7)	(191.2)	(191.2)	(195.5)
Net profit	1,860.0	2,163.8	1,823.5	1,878.1	1,976.6
Core net profit	733.0	1,558.8	1,823.5	1,878.1	1,976.6
Balance Sheet (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Fixed assets	19,145.3	19,364.7	20,382.0	22,882.0	25,382.0
Intangible assets	3,054.7	2,995.1	2,995.1	2,995.1	2,995.1
Other long-term assets	3,477.5	3,292.0	3,466.7	3,468.7	3,470.7
Total non-current assets	25,677.5	25,651.8	26,843.8	29,345.8	31,847.8
Cash & equivalent	830.4	625.4	2,155.4	1,672.6	1,678.4
Stock	2,663.9	2,841.7	2,712.4	2,762.1	2,928.5
Trade debtors	2,207.6	2,408.2	2,260.3	2,301.7	2,440.4
Other current assets	507.0	520.0	520.0	520.0	520.0
Total current assets	6,208.9	6,395.2	7,648.1	7,256.4	7,567.3
Trade creditors	2,800.2	2,404.5	2,567.4	2,620.6	2,775.4
Short-term borrowings	1,700.6	1,741.9	2,264.4	2,943.8	3,826.9
Other current liabilities	289.7	272.9	398.6	398.6	398.6
Total current liabilities	4,790.5	4,419.3	5,230.4	5,963.0	7,000.9
Long-term borrowings	3,581.7	3,360.2	4,368.3	5,678.8	7,382.4
Other long-term liabilities	3,107.9	3,106.8	3,017.6	3,017.6	3,017.6
Total long-term liabilities	6,689.6	6,467.0	7,385.9	8,696.4	10,400.0
Shareholders' funds	17,742.6	18,486.0	19,133.8	19,133.8	19,133.8
Minority interests	2,663.9	2,674.7	2,741.8	2,809.0	2,880.5
BV/share (RM)	2.95	3.06	3.16	3.17	3.18
Cash Flow (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Pretax profit	2,752.5	2,343.5	2,686.1	2,687.4	2,858.0
Depreciation/Amortisation	1,432.0	1,452.8	1,482.6	1,530.2	1,665.7
Net change in working capital	(307.2)	(1,296.0)	(371.0)	(734.3)	(793.5)
Others	(802.3)	258.4	(40.0)	(40.0)	(40.0)
Cash flow from operations	3,075.0	2,758.6	3,757.8	3,443.3	3,690.1
Capital expenditure	(2,096.5)	(1,967.9)	(2,500.0)	(2,500.0)	(2,500.0)
Net investments & sale of fixed assets	1,466.0	726.8	20.0	20.0	20.0
Others	0.6	(41.2)	3.5	3.5	3.5
Cash flow from investing	(629.8)	(1,282.2)	(2,476.5)	(2,476.5)	(2,476.5)
Debt raised/(repaid)	(1,028.7)	(70.7)	522.6	679.3	883.1
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Dividends paid	(696.5)	(1,155.9)	(587.8)	(622.4)	(657.0)
Others	(518.9)	(457.6)	314.1	(1,506.6)	(1,434.0)
Cash flow from financing	(2,244.1)	(1,684.3)	248.8	(1,449.7)	(1,207.9)
Net cash flow	201.0	(207.9)	1,530.1	(482.8)	5.8
Net cash/(debt) b/f	634.9	830.3	625.3	2,155.4	1,672.6
Forex	(5.7)	2.9	0.0	0.0	0.0
Net cash/(debt) c/f	830.3	625.3	2,155.4	1,672.6	1,678.4
Key Ratios (YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Revenue growth (%)	-12.4	7.6	4.0	1.8	6.0
EBITDA growth (%)	-12.6	9.8	-9.8	1.2	7.3
Pretax margin (%)	0.1	0.2	0.1	0.1	0.1
Net profit margin (%)	0.1	0.1	0.1	0.1	0.1
Interest cover (x)	21.6	32.4	30.2	29.2	30.2
Effective tax rate (%)	26.1	25.3	25.0	23.0	24.0
Dividend payout (%)	55.8	52.3	64.5	66.3	66.5
Debtors turnover (days)	45	44	44	40	40
Stock turnover (days)	48	53	52	48	48
Creditors turnover (days)	49	61	51	52	52

Source: Company, AmlInvestment Bank

DISCLOSURE AND DISCLAIMER

This report is prepared for information purposes only and it is issued by AmlInvestment Bank Berhad ("AmlInvestment") without regard to your individual financial circumstances and objectives. Nothing in this report shall constitute an offer to sell, warranty, representation, recommendation, legal, accounting or tax advice, solicitation or expression of views to influence any one to buy or sell any real estate, securities, stocks, foreign exchange, futures or investment products. AmlInvestment recommends that you evaluate a particular investment or strategy based on your individual circumstances and objectives and/or seek financial, legal or other advice on the appropriateness of the particular investment or strategy.

The information in this report was obtained or derived from sources that AmlInvestment believes are reliable and correct at the time of issue. While all reasonable care has been taken to ensure that the stated facts are accurate and views are fair and reasonable, AmlInvestment has not independently verified the information and does not warrant or represent that they are accurate, adequate, complete or up-to-date and they should not be relied upon as such. All information included in this report constitute AmlInvestment's views as of this date and are subject to change without notice. Notwithstanding that, AmlInvestment has no obligation to update its opinion or information in this report. Facts and views presented in this report may not reflect the views of or information known to other business units of AmlInvestment's affiliates and/or related corporations (collectively, "AmBank Group").

This report is prepared for the clients of AmBank Group and it cannot be altered, copied, reproduced, distributed or republished for any purpose without AmlInvestment's prior written consent. AmlInvestment, AmBank Group and its respective directors, officers, employees and agents ("Relevant Person") accept no liability whatsoever for any direct, indirect or consequential losses, loss of profits and/or damages arising from the use or reliance of this report and/or further communications given in relation to this report. Any such responsibility is hereby expressly disclaimed.

AmlInvestment is not acting as your advisor and does not owe you any fiduciary duties in connection with this report. The Relevant Person may provide services to any company and affiliates of such companies in or related to the securities or products and/or may trade or otherwise effect transactions for their own account or the accounts of their customers which may give rise to real or potential conflicts of interest.

This report is not directed to or intended for distribution or publication outside Malaysia. If you are outside Malaysia, you should have regard to the laws of the jurisdiction in which you are located.

If any provision of this disclosure and disclaimer is held to be invalid in whole or in part, such provision will be deemed not to form part of this disclosure and disclaimer. The validity and enforceability of the remainder of this disclosure and disclaimer will not be affected.