

Company Report

Gan Huey Ling

gan-huey-ling@ambankgroup.com

03-2036 2305

SD GUTHRIE

(SDG MK, SDGU.KL)

Still a CPO play

PLANTATION

8 Aug 2025

HOLD

(Maintained)

Rationale for report: Company Results

Price RM4.77
Target Price RM4.89
52-week High/Low RM5.19/RM4.22

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)		1,725.0	1,754.0	1,806.0
DPS (sen)	16.4	17.0	18.0	19.0
PE (x)	15.2	18.1	17.6	16.7
EV/EBITDA (x)	8.5	9.4	9.8	9.7
Div yield (%)	3.4	3.6	3.8	4.0
ROE (%)	12.4	9.7	9.8	10.3
Net Gearing (%)	36.3	35.1	48.0	61.5

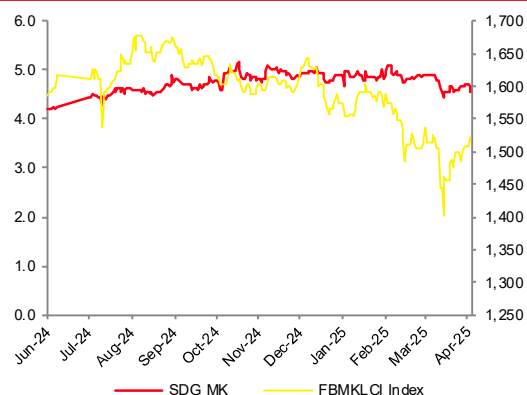
Stock and Financial Data

Shares Outstanding (million) 6,915.7
Market Cap (RMmil) 32,987.9
Book Value (RM/Share) 3.06
P/BV (x) 1.6
ROE (%) 12.4
Net Gearing (%) 36.3

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

Free Float 54.4
Avg Daily Value (RMmil) 12.6

Price performance	3mth	6mth	12mth
Absolute (%)	+0.0	-1.9	+6.5
Relative (%)	+1.7	+0.7	+14.1



Investment Highlights

After a strong 1QFY25, SD Guthrie's (SDG) net profit retreated by 10.9% QoQ to RM505mil in 2QFY25 due to weaker palm product prices and a higher effective tax rate. On a positive note, downstream EBIT climbed by 55.6% to RM126mil in 2QFY25 as sales volume and profit margins improved. However, we believe that this is not sustainable as economic uncertainties resulting from USA's import tariffs could crimp global demand. Incidentally, SDG targets to achieve RM500mil worth of gains on the disposal of land, in 2HFY25. We think that the disposal proceeds would be used to pay dividends and finance working capital. We maintain HOLD on SDG as the disposal gains are non-core and the outlook for the downstream industry is bleak.

- HOLD with an unchanged TP of RM4.89/share.** Our TP is based on a FY26F PE of 18x, which is one SD below the five-year average of 20x for big-cap planters. We believe that the refining and oleochemical industries are facing challenging operating conditions currently due to the overcapacity in Indonesia. In addition, global demand for oleochemical products could be affected by slower economic growth.
- SDG's annualised 1HFY25 core net profit results were within our forecast but 6% below consensus.** Core net profit surged by 71.2% YoY to RM1bil in 1HFY25 underpinned by higher CPO prices. The increase in upstream earnings compensated for a 41% plunge in downstream EBIT. SDG's downstream division suffered from a fall in demand and selling prices in 1HFY25.
- Upstream EBIT more than doubled YoY to RM1.4bil in 1HFY25.** Average CPO price realised rose by 9.5% to RM4,339/tonne in 1HFY25 from RM3,961/tonne in 1HFY24. FFB production edged up by 2.8% in 1HFY25 supported by a 10% increase in Indonesia and 7% rise in PNG. On the other hand, SDG's FFB output in Malaysia inched down by 2% YoY in 1HFY25 due to the floods in 1Q.
- Losses in the renewable energy and industrial park divisions were unchanged at RM1mil in 1HFY25.** Although SDG signed six JV agreements relating to industrial parks in the past year, we believe that they would take time to come into fruition. Hence, SDG's earnings would still be driven by CPO prices in the coming few years.

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 stretched at 17.6x. Also, we believe that SDG's downstream unit (trading, bulk and differentiated products) is facing fierce competition from Indonesian companies and slower demand in the EU currently.

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

	1HFY24	1HFY25	YoY	1QFY25	2QFY25	QoQ
Revenue	9,307.0	9,986.0	7.3%	4,817.0	5,169.0	7.3%
Operating expenses	(8,315.0)	(8,512.0)	2.4%	(4,078.0)	(4,434.0)	8.7%
Other operating income	68.0	138.0	>100	97.0	41.0	-57.7%
Other gains/(losses)	(50.0)	16.0	>100	(10.0)	26.0	>100
Operating profit	1,010.0	1,628.0	61.2%	826.0	802.0	-2.9%
Share of results in JV	(7.0)	(10.0)		(1.0)	(3.0)	
Share of results in associates	2.0	4.0		(7.0)	5.0	
Profit before interest and tax	1,005.0	1,622.0	61.4%	818.0	804.0	-1.7%
Finance income	13.0	11.0	-15.4%	6.0	5.0	-16.7%
Finance costs	(77.0)	(51.0)	-33.8%	(25.0)	(26.0)	4.0%
Pre-tax profit	941.0	1,582.0	68.1%	799.0	783.0	-2.0%
Tax expense	(229.0)	(417.0)	82.1%	(183.0)	(234.0)	27.9%
Sukuk holders	(62.0)	(62.0)		(31.0)	(31.0)	
Minority interest	(24.0)	(31.0)	29.2%	(18.0)	(13.0)	-27.8%
Net profit	626.0	1,072.0	71.2%	567.0	505.0	-10.9%
Core net profit	626.0	1,072.0	71.2%	567.0	505.0	-10.9%
EPS	9.1	15.6	71.4%	8.2	7.3	-11.0%
Gross DPS	4.7	7.8		-	7.8	
Operating profit margin	10.9%	16.3%		17.1%	15.5%	
Effective tax rate	24.3%	26.4%		22.9%	29.9%	
Average CPO price	3,961	4,339	9.5%	4,576	4,146	-9.4%
FFB production	4,173,385	4,291,000	2.8%	2,006,000	2,286,000	14.0%

Source: Company

EXHIBIT 2: VALUATIONS

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

EXHIBIT 3: 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%	*	*	*			

Source: AmlInvestment Bank

EXHIBIT 4: 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.