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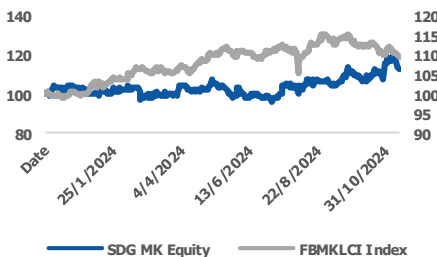
Recommendation:	HOLD
Current Price:	RM 4.90
Previous Target Price:	RM 4.50
Target Price:	↔ RM 4.50
Upside/Downside:	-8.2%

Stock information

Board	MAIN
Sector	Plantation
Bursa / Bloomberg Code	5285 / SDG MK
Syariah Compliant	Yes
FTSE4Good Index	No
FTSE ESG Rating	★★★★
Bloomberg ESG Rating	☆★★★★
Shares issued (m)	6,915.7
Market Cap (RM' m)	33,887.0
52-Week Price Range (RM)	5.19-4.15
Beta (x)	0.9
Free float (%)	43.8
3M Average Volume (m)	3.3
3M Average Value (RM' m)	15.6

Top 3 Shareholders	(%)
Amanah Saham Nasional Bhd	53.3
Employees Provident Fund Board	16.4
Kumpulan Wang Persaraan Diperbadan	6.7

Share Price Performance



	1M	3M	12M
Absolute (%)	3.8	6.3	13.6
Relative (%)	6.9	8.8	4.0

Sime Darby Guthrie Berhad

Dragged by weaker downstream margin










Summary

- **SDG recorded CNP of RM361.0m (-15.1% qoq, +4.0% yoy) in 3QFY24, bringing 9MFY24 CNP to RM706.0m (+43.8% yoy), which came below ours and consensus expectations at 54% and 51% respectively due to lower-than-expected FFB production coupled with weak downstream margins.**
- **We tweak down our CNP forecast for FY24 by -18.4% to RM.1.02bn to account for margin contraction in the downstream segment and keeping our FY25 earnings forecast unchanged.**
- **Maintained our HOLD recommendation with unchanged TP of RM4.50 based on forward PE multiple of 21.7x and FY25F EPS of 20.9 sen.**

Results Review

- **Results review.** 3QFY24 posted CNP of RM361.0m (-15.1% qoq and +4.0% yoy) which was lifted by higher CPO and palm kernel average selling prices. CNP was derived after stripping off one-off adjustments of RM405.0m (gains on land sale: -RM390.0m and others: -RM15.0m). Similarly, the Group recorded higher top line of RM5.27bn (+6.1% qoq and +10.3% yoy).
- **Results below expectation.** The Group's 9MFY24 CNP of RM706.0m c below ours and consensus expectation, only matching 54% and 51% of the full year CNP forecasts respectively. The variance was attributed to a lower-than-expected FFB production coupled with contraction in downstream margins.
- **Operations Highlights.** The plantation segment's EBIT rose to RM646m (+18.1% yoy) in 3QFY24, primarily driven by its Malaysia operations. However, operations in Indonesia, Papua New Guinea, and the Solomon Islands experienced a decline due to lower FFB output. During the quarter, the segment benefited from higher CPO ASP (+4.6% yoy) and palm kernel ASP (+42.4% yoy), which more than offset the negative impact of lower FFB yield growth (-6.7% yoy). Elsewhere, the downstream segment registered a lower of EBIT of RM130m (-42.2% yoy) in 3QFY24, mainly dragged by lower margins from its differentiated refineries in European and Asia Pacific.
- **Outlook.** Looking forward, we expect contribution from plantation segment to accelerate in view of the elevated CPO selling price. However, lower utilisation and margins in the downstream operations should partly mitigate the positive impact.
- **Valuation.** We tweak down our CNP forecast for FY24 lower by -18.4% to RM1.02bn to account for margin contraction in the downstream segment and keeping our FY25 earnings forecast unchanged. Maintain **HOLD** with a target price of **RM4.50** based on 21.7x FY25F EPS.
- **Risk.** EU export ban and regulations, changing weather patterns affect FFB production, taxation and export ban in Indonesia threatens local CPO demand, shortage of labour and rising operational cost.

Figure 1: Results Comparison

FYE Sep (RM m)	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	9MFY23	9MFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	5,267.0	4,774.0	10.3	4,965.0	6.1	13,148.0	14,574.0	10.8		
EBITDA	1,503.0	2,015.0	(25.4)	992.0	51.5	3,547.0	3,238.0	(8.7)		
Pre-tax profit	1,119.0	1,621.0	(31.0)	595.0	88.1	2,357.0	2,060.0	(12.6)		Dragged by lower contribution from the downstream segment
Net profit	815.0	1,259.0	(35.3)	459.0	77.6	1,789.0	1,527.0	(14.6)		
Core net profit	361.0	347.0	4.0	425.0	(15.1)	706.0	1,015.0	43.8		
Core EPS (sen)	5.2	5.0	4.0	6.1	(15.1)	10.2	14.7	43.8		
EBITDA margin (%)	28.5	42.2		20.0		27.0	22.2			
PBT margin (%)	21.2	34.0		12.0		17.9	14.1			
Core PATMI margin (%)	6.9	7.3		8.6		5.4	7.0			

Source: Company, Apex Securities

Financial Highlights
Income Statement

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Revenue	18532.7	21029.7	18427.9	19111.9	20519.5
Operating Profit	3614.2	3521.8	3000.4	1771.4	2433.3
EBITDA	4842.5	4987.1	4359.3	3235.5	3954.9
Depreciation & Amortisation	1328.8	1372.5	1432.0	1540.2	1600.8
EBIT	3513.8	3614.6	2927.3	1695.3	2354.1
Net Finance Income/ (Cost)	73.8	122.4	174.8	186.3	215.3
Associates & JV	34.8	51.7	39.9	40.3	40.7
Pre-tax Profit	3439.9	3492.2	2752.5	1509.0	2138.8
Tax	-1109.4	-808.9	-719.1	-394.2	-558.8
Profit After Tax	2330.5	2683.3	2033.4	1114.8	1580.0
Minority Interest	236.0	195.2	173.3	95.0	134.7
Net Profit	2094.5	2488.1	1860.0	1019.8	1445.3
Exceptionals	-578.0	-98.2	66.4	0.0	0.0
Core Net Profit	1516.5	2389.8	1926.4	1019.8	1445.3

Key Ratios

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
P/E (x)	22.3	14.2	17.6	33.2	23.4
EBITDA margin	26.1%	23.7%	23.7%	16.9%	19.3%
EBIT margin	19.0%	17.2%	15.9%	8.9%	11.5%
PBT margin	18.6%	16.6%	14.9%	7.9%	10.4%
PAT margin	12.6%	12.8%	11.0%	5.8%	7.7%
NP margin	11.3%	11.8%	10.1%	5.3%	7.0%
Core NP margin	11.3%	11.8%	10.1%	5.3%	7.0%
ROE	11.7%	13.1%	9.1%	4.9%	6.8%
ROA	8.8%	10.1%	7.2%	3.9%	5.3%
Net gearing	316%	28.7%	21.8%	23.2%	26.1%

Valuations	FY25F
Core EPS (RM)	0.209
P/E multiple (x)	217
Fair Value (RM)	4.50

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Cash	602.6	635.0	830.4	785.1	817.8
Receivables	2877.8	2602.6	2207.5	2289.5	2458.1
Inventories	2468.2	2778.4	2663.9	2762.8	2966.3
Other current assets	460.9	572.6	507.1	507.1	507.1
Total Current Assets	6409.4	6588.6	6208.9	6344.5	6749.3
Fixed Assets	17247.8	17800.4	19145.3	19898.5	20760.1
Intangibles	2823.5	2946.6	3054.7	3054.7	3054.7
Other non-current assets	3855.0	3812.5	3477.5	3477.5	3477.5
Total Non-current assets	23926.3	24559.5	25677.5	26430.7	27292.3
Short-term Debt	2232.1	2463.8	1700.6	0.0	0.0
Payables	2179.7	2444.0	2385.8	26816	2796.9
Other Current Liabilities	773.9	366.2	704.1	704.1	704.1
Total Current Liabilities	5185.7	5274.0	4790.5	3385.7	3501.0
Long-term Debt	4018.6	3632.7	3581.7	5587.4	6330.6
Other non-current liabilities	3275.3	3225.4	3107.9	3107.9	3107.9
Total Non-current Liabilities	7293.9	6858.1	6689.6	8695.3	9438.5
Shareholder's equity	17419.5	18597.9	19973.6	20261.4	20669.2
Minority interest	436.6	418.1	432.8	432.8	432.8
Equity	17856.2	19016.0	20406.4	20694.2	21102.0

Cash Flow

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Pre-tax profit	3439.9	3492.2	2752.5	1509.0	2138.8
Depreciation & amortisation	1328.8	1372.5	1432.0	1540.2	1600.8
Changes in working capital	448.1	229.3	451.3	15.0	-256.8
Others	-1734.0	-1449.6	-1560.8	-489.3	-693.4
Operating cash flow	3482.8	3644.4	3075.0	2675.0	2789.4
Net capex	-1456.5	-1728.6	-2128.6	-2293.4	-2462.3
Others	213.1	513.3	1498.8	0.0	0.0
Investing cash flow	-1243.4	-1215.2	-629.8	-2293.4	-2462.3
Changes in borrowings	-587.8	-426.3	-1027.7	305.1	743.2
Issuance of shares	14.9	17.5	0.01	0.0	0.0
Dividends paid	-938.5	-1547.7	-642.5	-732.0	-1037.5
Others	-372.9	-440.9	-574.0	0.0	0.0
Financing cash flow	-1884.3	-2397.5	-2244.1	-426.9	-294.3
Net cash flow	355.1	31.7	201.1	-45.3	32.7
Forex	-616	0.7	-5.7	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	309.0	602.6	635.0	830.4	785.1
Ending cash	602.6	635.0	830.4	785.1	817.8

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD	DEALING TEAM	RESEARCH TEAM
<p>Head Office: 5th Floor Menara UAC, 12, Jalan PJU 7/5, Mutiara Damansara, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 7890 8899</p>	<p>Head Office: Kong Ming Ming (ext 2002) Lee Chen Ming (ext 2029) Shirley Chang (ext 2026) Ahmad Mujib (ext 2028) Azfar Bin Abdul Aziz (ext 2031) Aizzat Bin Mohd Daud (ext 2030)</p> <p>Institutional Dealing Team: Low Jin Wu (ext 2109)</p> <p>PJ Office: General Line: (603) 7620 1118</p>	<p>Head Office: Kenneth Leong (ext 2093) Steven Chong (ext 2068) Jayden Tan (ext 2069) Chelsea Chew (ext 2070) Tan Sue Wen (ext 2095) Ong Tze Hern (ext 2113) Samuel Woo (ext 2121) Amir Hamdan (ext 2112)</p>
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RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Total returns* are expected to exceed 10% within the next 12 months.
HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.
SELL: Total returns* are expected to be below -10% within the next 12 months.
TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.
TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.
 *Capital gain

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.
NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.
UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

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