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Recommendation:	HOLD
Current Price:	RM 4.97
Previous Target Price:	RM 4.50
Target Price:	↑ RM 5.20
Capital Upside/ Downside:	4.6%
Dividend Yield (%):	3.3%
Total Upside/ Downside:	7.9%

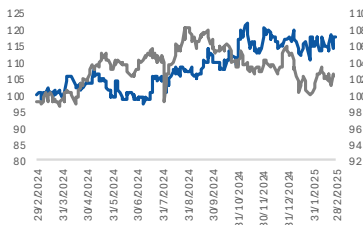
Stock information

Board	MAIN
Sector	Plantation
Bursa/ Bloomberg Code	5285/ SDGMK
Syariah Compliant	Yes
ESGRating	★★★
Shares issued (m)	6,915.7
Market Cap (RM' m)	34,371.1
52-Week Price Range (RM)	5.19-4.15
Beta (x)	0.9
Free float (%)	43.8
3M Average Volume (m)	2.4
3M Average Value (RM' m)	11.7

Top 3 Shareholders (%)

Amanah Saham Nasional Bhd	53.2
Employees Provident Fund Board	16.4
Kumpulan Wang Persaraan Diperbadan	7.2

Share Price Performance



	1M	3M	12M
Absolute (%)	2.5	3.3	14.8
Relative (%)	0.6	3.8	12.2

Sime Darby Guthrie Bhd

Strong Earnings Beat Expectations, Positive FY25 Outlook Ahead

Executive Summary

- SDG's 4QFY24 CNP rose +213.3% yoy and +44.0% qoq to RM520.0m, bringing FY24 CNP at RM1.5bn, which came above expectations, accounted to 113% and 108% of ours and consensus expectations respectively.
- Key takeaway for FY25: i) FFB output to return to pre-COVID levels in Malaysia and PNG/SI, while Indonesia's recovery will be gradual as it emerges from El Nino, ii) unit cost at RM2,400 and iii) targeted capex at RM2.5bn-3bn.
- Re-iterate our HOLD recommendation with a higher changed target price of RM5.20, based on 20.4x P/E multiple pegged to FY25F EPS and ascribed with three-star ESG rating.

Results above expectations. FY24 CNP stood at RM1.5bn (+76.0% yoy) came above expectations, accounting to 113%/108% of ours and consensus forecasted CNP at RM1.3bn/RM1.4bn respectively. The difference was primarily driven by a stronger-than-expected FFB recovery in Indonesia, along with lower-than-anticipated opex.

YoY. 4QFY24 CNP surged +213.3% yoy to RM520.0m, lifted by higher realised CPO and PK prices, which helped offset the impact of weaker downstream profits amid intense competition in the export market. Meanwhile, revenue dipped marginally by -0.4% yoy to RM5.3bn, as lower FFB production in Malaysia and PNG/SI weighed on overall performance.

QoQ. CNP jumped by +44.0% qoq in tandem with rising CPO and PK price in the final quarter of FY24. Notably, FFB production increased by +0.8% qoq, supported by a strong rebound in Indonesia (+24.6% qoq) and PNG/SI (+6.1% qoq) as both estates began recovering from adverse weather conditions. Revenue for the quarter, however, slid -0.2% qoq.

Outlook. Looking ahead to FY25, we expect FFB production to maintain its growth momentum, driven by recovery in Indonesia and PNG/SI as adverse weather conditions subside. In Malaysia, the arrival of new harvesters in East Malaysia during 4QFY24 is anticipated to ease productivity constraints. We also note that unit cost will decline to RM2,400/MT (vs. FY24: RM2,578/MT) thanks to the higher output. Meanwhile, targeted capex is set at RM2.5bn-3bn, with a significant portion (RM1bn) is allocated for replanting activities.

Earnings Revision. We raised our earnings forecasts for FY25/FY26 by +29% and +21%, respectively, after lowering our unit cost assumption in line with the guidance. In addition, we have revised our CPO price assumption from RM4,200 to RM4,400.

Valuation. Re-iterate our **HOLD** recommendation on SDG with a higher target price of **RM5.20**, by pegging 20.4x P/E multiple to FY25F EPS and 0% ESG factored premium/discount based on three-star ESG rating.

Risk. EU export ban and regulations, changing weather patterns affect FFB production, taxation and export ban in Indonesia threatens local CPO demand, shortage of labours and rising operational cost

Earnings Summary

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	18427.9	19831.0	20635.3	22132.2	23913.0
EBITDA	4319.5	4739.0	4045.6	4245.8	4192.5
Pre-tax profit	2752.5	3139.0	2436.2	2544.5	2404.3
Net profit	1860.0	2164.0	1679.5	1754.2	1657.5
Core net profit	872.0	1535.0	1679.5	1754.2	1559.3
Core EPS (sen)	12.6	22.2	24.3	25.4	22.5
P/E (x)	39.4	22.4	20.5	19.6	22.0
P/B (x)	1.7	1.6	1.6	1.6	1.5
EV/EBITDA (x)	9.1	8.3	9.9	9.6	9.9
Dividend Yield (%)	15.0	16.4	17.0	17.8	16.8
Net Gearing (%)	21.8%	21.2%	23.3%	26.7%	30.7%

Source: Company, Apex Securities

Results Note

Friday, 28 Feb, 2025

Results Comparison

FYE Sep (RM m)	4QFY24	4QFY23	yoy (%)	3QFY24	qoq (%)	12MFY24	12MFY23	yoy (%)	Comments
Revenue	5,257.0	5,280.0	(0.4)	5,267.0	(0.2)	19,831.0	18,428.0	7.6	Higher CPO and PK price led
EBITDA	1,501.0	796.0	88.6	1,498.0	0.2	4,739.0	4,318.0	9.7	surge in topline and margins
Pre-tax profit	1,079.0	395.0	173.2	1,119.0	(3.6)	3,139.0	2,752.0	14.1	
Net profit	772.0	200.0	286.0	766.0	0.8	2,164.0	1,860.0	16.3	partially boosted by land disposal gain
Core net profit	520.0	166.0	213.3	361.0	44.0	1,535.0	872.0	76.0	
Core EPS (sen)	62.1	19.8	213.3	43.1	44.0	183.3	104.1	76.0	
EBITDA margin (%)	28.6	15.1		28.4		23.9	23.4		
PBT margin (%)	20.5	7.5		21.2		15.8	14.9		
Core net profit margin (%)	9.9	3.1		6.9		7.7	4.7		

Source: Company, Apex Securities

Segmental Breakdown

FYE Sep (RM m)	4QFY24	4QFY23	yoy (%)	3QFY24	qoq (%)	12MFY24	12MFY23	yoy (%)	Comments
Revenue									
Upstream Malaysia	123.0	183.0	(32.8)	180.0	(31.7)	765.0	924.0	(17.2)	
Upstream Indonesia	462.0	294.0	57.1	222.0	108.1	1,149.0	1,049.0	9.5	
Upstream PNG/SI	97.0	62.0	56.5	36.0	169.4	305.0	196.0	55.6	
Downstream	4,561.0	4,725.0	(3.5)	4,792.0	(4.8)	17,504.0	16,137.0	8.5	4Q (yoy) contracted due to intense
Other	14.0	16.0	(12.5)	37.0	(62.2)	108.0	122.0	(11.5)	competition in export market
Total	5,257.0	5,280.0	(0.4)	5,267.0	(0.2)	19,831.0	18,428.0	7.6	

Source: Company, Apex Securities

Results Note

Friday, 28 Feb, 2025

Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26	FY27
Revenue	18427.9	19831.0	20635.3	22132.2	23913.0
Operating Profit	3000.4	3322.0	2641.3	2766.5	2630.4
EBITDA	4319.5	4739.0	4045.6	4245.8	4192.5
Depreciation & Amortisation	1432.0	1453.0	1469.7	1546.1	1630.3
EBIT	2927.3	3258.0	2576.0	2699.8	2562.2
Net Finance Income/ (Cost)	174.8	119.0	139.7	155.3	157.9
Associates & JV	39.9	-28.0	-28.3	-28.6	-28.8
Pre-tax Profit	2752.5	3139.0	2436.2	2544.5	2404.3
Tax	-719.1	-796.0	-617.8	-645.2	-609.7
Profit After Tax	2033.4	2343.0	1818.4	1899.3	1794.6
Minority Interest	173.3	179.0	138.9	145.1	137.1
Net Profit	1860.0	2164.0	1679.5	1754.2	1657.5
Exceptionals	-988.0	-629.0	0.0	0.0	-98.2
Core Net Profit	872.0	1535.0	1679.5	1754.2	1559.3

Key Ratios

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	12.6	22.2	24.3	25.4	22.5
P/E (x)	39.4	22.4	20.5	19.6	22.0
P/B (x)	1.7	1.6	1.6	1.6	1.5
EV/EBITDA (x)	9.1	8.3	9.9	9.6	9.9
DPS (sen)	15.0	16.4	17.0	17.8	16.8
Dividend Yield (%)	3.0%	3.3%	3.4%	3.6%	3.4%
EBITDA margin (%)	23.4%	23.9%	19.6%	19.2%	17.5%
EBIT margin (%)	15.9%	16.4%	12.5%	12.2%	10.7%
PBT margin (%)	14.9%	15.8%	11.8%	11.5%	10.1%
PAT margin (%)	11.0%	11.8%	8.8%	8.6%	7.5%
NP margin (%)	10.1%	10.9%	8.1%	7.9%	6.9%
CNP margin (%)	4.7%	7.7%	8.1%	7.9%	6.5%
ROE (%)	4.3%	7.3%	7.8%	8.0%	6.9%
ROA (%)	2.7%	4.8%	5.0%	5.0%	4.2%
Gearing (%)	25.9%	24.1%	27.0%	30.0%	35.0%
Net gearing (%)	21.8%	21.2%	23.3%	26.7%	30.7%

Valuations

	FY26F
Core EPS (RM)	0.254
P/E multiple (x)	20.4
Fair Value (RM)	5.20
ESG premium/discount	0.0%
Implied Fair Value (RM)	5.20

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	830.4	625.0	788.6	724.4	977.9
Receivables	2207.5	2408.0	2505.7	2687.4	2903.7
Inventories	2663.9	2842.0	2957.3	3171.8	3427.0
Other current assets	507.1	520.0	520.0	520.0	520.0
Total Current Assets	6208.9	6395.0	6771.6	7103.6	7828.6
Fixed Assets	1945.3	19365.0	20371.6	21481.4	22720.6
Intangibles	3054.7	2995.0	2995.0	2995.0	2995.0
Other non-current assets	3477.5	3292.0	3292.0	3292.0	3292.0
Total Non-current assets	25677.5	25652.0	26658.6	27768.4	29007.6
Short-term Debt	1700.6	1742.0	0.0	0.0	0.0
Payables	2385.8	2384.0	2598.4	2796.5	3073.3
Other Current Liabilities	704.1	293.0	293.0	293.0	293.0
Total Current Liabilities	4790.5	4419.0	2891.4	3089.5	3366.3
Long-term Debt	3581.7	3360.0	5831.9	6617.4	7871.9
Other non-current liabilities	3107.9	3107.0	3107.0	3107.0	3107.0
Total Non-current Liabilities	6689.6	6467.0	8938.9	9724.4	10978.9
Shareholder's equity	19973.6	20718.0	21566.8	21615.0	22048.0
Minority interest	432.8	443.0	443.0	443.0	443.0
Equity	20406.4	21161.0	21599.8	22058.0	22491.0

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	2752.5	3139.0	2436.2	2544.5	2404.3
Depreciation & amortisation	1432.0	1453.0	1469.7	1546.1	1630.3
Changes in working capital	451.3	-380.3	1.5	-198.2	-194.6
Others	-1560.8	-1454.7	-756.7	-790.3	-746.8
Operating cash flow	3075.0	2757.0	3150.7	3102.0	3093.2
Net capex	-2128.6	-2042.0	-2476.2	-2655.9	-2869.6
Others	1498.8	762.0	0.0	0.0	0.0
Investing cash flow	-629.8	-1280.0	-2476.2	-2655.9	-2869.6
Changes in borrowings	-1027.7	-710	729.9	785.5	1254.5
Issuance of shares	17.5	0.01	0.0	0.0	18.5
Dividends paid	-642.5	-1134.0	-1240.8	-1295.9	-1224.5
Others	-591.5	-480.0	0.0	0.0	-18.5
Financing cash flow	-2244.1	-1685.0	-510.8	-510.4	29.9
Net cash flow	201.1	-208.0	163.6	-64.3	253.6
Forex	-5.7	3.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	635.0	830.4	625.0	788.6	724.4
Ending cash	830.4	625.4	788.6	724.4	977.9

Results Note

Friday, 28 Feb, 2025

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Total carbon emissions stood at 6,843,700 tCO ₂ -e (vs FY22: 6,892,517 tCO ₂ -e.)
Waste & Effluent	★★	Total waste generated for direct disposal rose from 162,267 mt to 167,394 mt.
Energy	★★	Energy consumption increased from 7,920,376 MW to 8,049,478 MW.
Water	★★★	Water consumption slid 5.3% yoy to 23,640 megalitres in FY23.
Compliance	★★★	In compliance with local and international environmental regulations

Social

Diversity	★★★	55% of executive employees age below 38, 28% are female
Human Rights	★★★	Enforce and adopts Code of Ethics and Conduct
Occupational Safety and Health	★★	No reduction in work related fatalities as compared to last year @ 5 times p.a.
Labour Practices	★★★	Pay scale based on prevailing industry market rates as stipulated by the Act 732 National Wages Consultative Council Act

Governance

CSR Strategy	★★★	In FY23, Traceability to Mill (TTM) and Traceability to Plantations (TTP) stood at 93.2% and 70.9% respectively. (vs FY2022: TTM: 94.8% and TTP 72.7%)
Management	★★	Average board members age @ 60, 4/10 female board composition, 2/10 Independent Directors
Stakeholders	★★★	4x analyst briefings per annum, 1x AGM per annum

Overall ESG Scoring: ★★★

Recommendation Framework:

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.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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As of Friday, 28 Feb, 2025, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.