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<b>Recommendation:</b>	<b>BUY</b>
Current Price:	RM 4.60
Previous Target Price:	RM 5.20
Target Price:	↔ RM 5.20
Capital Upside/ Downside:	13.0%
Dividend Yield (%):	3.6%
<b>Total Upside/ Downside:</b>	<b>16.6%</b>

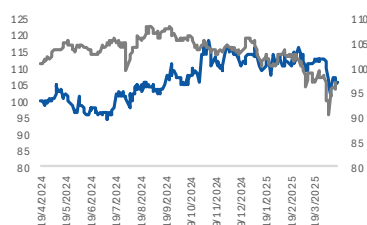
## Stock information

Board	MAIN
Sector	Plantation
Bursa/ Bloomberg Code	5285/ SDGMK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	6,915.7
Market Cap (RM' m)	31,812.3
52-Week Price Range (RM)	5.19-4.15
Beta (x)	0.9
Free float (%)	43.8
3M Average Volume (m)	2.7
3M Average Value (RM' m)	13.2

## Top 3 Shareholders

	(%)
Amanah Saham Nasional Bhd	53.2
Employees Provident Fund Board	16.7
Kumpulan Wang Persaraan Diperbadan	7.3

## Share Price Performance



	1M	3M	12M
Absolute (%)	-5.3	-4.4	3.1
Relative (%)	-5.0	0.8	6.5

# Sime Darby Guthrie Bhd

## SDG Unveils New Industrial Park Project

### Executive Summary

- EcoWorld, Sime Darby Guthrie (SDG), and NS Corporation are collaborating on Eco Business Park VII project, with GDV of RM2.95bn.
- We view this development positively as it helps unlock more value from underutilised land, though its impact on near-term earnings is expected to be limited.
- We maintain our BUY recommendation with an unchanged target price of RM5.20, pegged to a 20.4x PER on FY26F fully diluted EPS of 25.4sen, and appraised with a three-star ESG rating.

**New industrial park development.** EcoWorld, Sime Darby Guthrie (SDG), and NS Corporation will be partnering to develop **Eco Business Park VII**, a nine-year industrial park project that carries a GDV of RM2.95bn. As part of the Malaysia Vision Valley 2.0 (MVV 2.0) initiative, the project aims to drive investment and support high-growth sectors by leveraging the combined strengths of all three parties in land, development, and planning. SDG will hold a 30% stake in the SPV and contribute a 1,195-ac plot of land in Bukit Pelandok. The land transaction is expected to complete by 2HCY25, with development set to begin thereafter.

**Our Take.** While we view this development positively, its impact on near-term earnings is likely to be limited. Based on our preliminary estimates, a 10% project margin could deliver recurring income of c.RM9.8m p.a. over the nine-year development period. Nonetheless, we have yet to factor in potential gains from land disposals into our projections as we deemed it one-off in nature.

**Outlook.** SDG is expected to continue unveiling more industrial park developments, capitalising on its extensive landbank which is its most valuable asset. These initiatives are aimed at unlocking greater value from underutilised land and are well aligned with national priorities outlined under the New Industrial Master Plan (NIMP) 2030 and the National Energy Transition Roadmap (NETR).

**Earnings revision.** No changes to our earnings forecasts at this stage, as the contribution from this project is not expected to significantly move the needle in the near term.

**Valuation & Recommendation.** We maintain our **BUY** recommendation on SDG with an unchanged target price of **RM5.20**, based on a 20.4x P/E multiple applied to FY26F EPS, with no ESG premium or discount, reflecting its three-star ESG rating.

**Risk.** 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.

## Financial Highlights

### Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
<b>Revenue</b>	<b>18427.9</b>	<b>19831.0</b>	<b>20638.1</b>	<b>22135.1</b>	<b>23916.0</b>
<b>Operating Profit</b>	<b>3000.4</b>	<b>3322.0</b>	<b>2641.7</b>	<b>2766.9</b>	<b>2630.8</b>
<b>EBITDA</b>	<b>4319.5</b>	<b>4739.0</b>	<b>4046.0</b>	<b>4246.2</b>	<b>4192.9</b>
Depreciation & Amortisation	1432.0	1453.0	1469.7	1546.1	1630.3
<b>EBIT</b>	<b>2927.3</b>	<b>3258.0</b>	<b>2576.3</b>	<b>2700.1</b>	<b>2562.6</b>
Net Finance Income/(Cost)	174.8	119.0	139.7	155.3	158.0
Associates & JV	39.9	-28.0	-28.3	-28.6	-28.8
<b>Pre-tax Profit</b>	<b>2752.5</b>	<b>3139.0</b>	<b>2436.6</b>	<b>2544.8</b>	<b>2404.6</b>
Tax	-719.1	-796.0	-617.9	-645.3	-609.8
<b>Profit After Tax</b>	<b>2033.4</b>	<b>2343.0</b>	<b>1818.7</b>	<b>1899.5</b>	<b>1794.8</b>
Minority Interest	173.3	179.0	138.9	145.1	137.1
<b>Net Profit</b>	<b>1860.0</b>	<b>2164.0</b>	<b>1679.8</b>	<b>1754.4</b>	<b>1657.7</b>
Exceptionals	-988.0	-629.0	0.0	0.0	-98.2
<b>Core Net Profit</b>	<b>872.0</b>	<b>1535.0</b>	<b>1679.8</b>	<b>1754.4</b>	<b>1559.5</b>

### Key Ratios

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	12.6	22.2	24.3	25.4	22.5
P/E (x)	38.1	21.6	19.8	18.9	21.3
P/B (x)	1.6	1.6	1.5	1.5	1.5
EV/EBITDA (x)	8.8	8.0	9.6	9.3	9.7
DPS (sen)	15.0	16.4	17.0	17.8	16.8
Dividend Yield (%)	3.1%	3.4%	3.5%	3.7%	3.5%
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%	23.4%	26.7%	30.7%

### Valuations

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

Source: Company, Apex Securities

### Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	830.4	625.0	788.0	723.5	976.8
Receivables	2207.5	2408.0	2506.0	2687.8	2904.0
Inventories	2663.9	2842.0	2957.7	3172.2	3427.4
Other current assets	507.1	520.0	520.0	520.0	520.0
<b>Total Current Assets</b>	<b>6208.9</b>	<b>6395.0</b>	<b>6771.7</b>	<b>7103.4</b>	<b>7828.2</b>
Fixed Assets	19145.3	19365.0	20371.9	21482.0	22721.6
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
<b>Total Non-current assets</b>	<b>25677.5</b>	<b>25652.0</b>	<b>26658.9</b>	<b>27769.0</b>	<b>29008.6</b>
Short-term Debt	1700.6	1742.0	0.0	0.0	0.0
Payables	2385.8	2384.0	2598.8	2796.9	3073.7
Other Current Liabilities	704.1	293.0	293.0	293.0	293.0
<b>Total Current Liabilities</b>	<b>4790.5</b>	<b>4419.0</b>	<b>2891.8</b>	<b>3089.9</b>	<b>3366.7</b>
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
<b>Total Non-current Liabilities</b>	<b>6689.6</b>	<b>6467.0</b>	<b>8938.9</b>	<b>9724.4</b>	<b>10978.9</b>
Shareholder's equity	19973.6	20718.0	21156.8	21615.1	22048.2
Minority interest	432.8	443.0	443.0	443.0	443.0
<b>Equity</b>	<b>20406.4</b>	<b>21161.0</b>	<b>21599.8</b>	<b>22058.1</b>	<b>22491.2</b>

### Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
<b>Pre-tax profit</b>	<b>2752.5</b>	<b>3139.0</b>	<b>2436.6</b>	<b>2544.8</b>	<b>2404.6</b>
Depreciation & amortisation	1432.0	1453.0	1469.7	1546.1	1630.3
Changes in working capital	451.3	-380.3	1.1	-198.2	-194.6
Others	-1560.8	-1454.7	-756.8	-790.4	-746.9
<b>Operating cash flow</b>	<b>3075.0</b>	<b>2757.0</b>	<b>3150.5</b>	<b>3102.3</b>	<b>3093.4</b>
Net capex	-2128.6	-2042.0	-2476.6	-2656.2	-2869.9
Others	1498.8	762.0	0.0	0.0	0.0
<b>Investing cash flow</b>	<b>-629.8</b>	<b>-1280.0</b>	<b>-2476.6</b>	<b>-2656.2</b>	<b>-2869.9</b>
Changes in borrowings	-1027.7	-71.0	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	-1240.9	-1296.1	-1224.7
Others	-591.5	-480.0	0.0	0.0	-18.5
<b>Financing cash flow</b>	<b>-2244.1</b>	<b>-1685.0</b>	<b>-511.0</b>	<b>-510.6</b>	<b>29.8</b>
<b>Net cash flow</b>	<b>201.1</b>	<b>-208.0</b>	<b>163.0</b>	<b>-64.5</b>	<b>253.3</b>
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	788.0	723.5
<b>Ending cash</b>	<b>830.4</b>	<b>625.4</b>	<b>788.0</b>	<b>723.5</b>	<b>976.8</b>

## ESG Matrix Framework:

### Environment

Parameters	Rating	Comments
Climate	★★★	Total carbon emissions stood at 6,843,700 tCO <sub>2</sub> -e (vs FY22: 6,892,517 tCO <sub>2</sub> -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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(a) nil.