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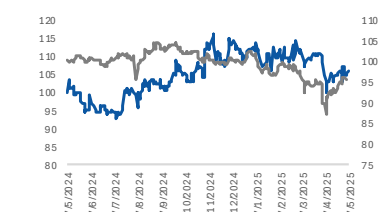
Recommendation	BUY
Current Price:	RM 4.68
Previous Target Price:	RM 5.20
Target Price:	↔ RM 5.20
Capital Upside/Downside:	11.1%
Dividend Yield (%):	3.1%
Total Upside/Downside	14.2%

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)	32,365.5
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)	13.0

Top 3 Shareholders

	(%)
Amanah Saham Nasional Bhd	53.2
Employees Provident Fund Board	16.6
Kumpulan Wang Persaraan	7.3

Share Price Performance

	1M	3M	12M
Absolute (%)	0.9	-4.7	4.5
Relative (%)	-6.0	-2.2	8.2

Earnings Summary	FY24	FY25F	FY26F
Revenue (RM' m)	19831	20638	22135
PATAMI (RM' m)	2164	1680	1754
CNP (RM' m)	1535	1680	1754
EPS - core (sen)	22.2	24.3	25.4
P/E(x)	21.6	19.8	18.9

Sime Darby Guthrie Bhd

Results On Track, Mixed Outlook Ahead

- **SDG's 1QFY25 CNP rose +140.2% yoy and +5.8% qoq to RM550.0m, which we deemed within expectations, accounting for 32.7% and 32.0% of ours and consensus expectations respectively.**
- **The downstream segment is grappling with poor sales volume and unfavourable margins, though signs of price stabilisation coupled with demand recovery suggest it may be approaching a turning point.**
- **Revised to BUY (from HOLD) with unchanged TP of RM5.20, based on 20.6x P/E multiple pegged to FY25F EPS.**

Results within expectations. 1QFY25 CNP stood at RM550.0m came within expectations, accounting for 32.7%/32.0% of ours and consensus forecasted CNP at RM1.68bn/RM1.72bn respectively. Looking ahead, we expect upstream plantation earnings to moderate in the coming quarters due to tapering CPO prices.

YoY. 1QFY25 CNP surged +140.2% yoy to RM550.0m, driven by elevated CPO and PK prices, which helped offset weaker downstream performance. The latter was mainly dragged by lower margins and softer sales volume for specialty products across both Asia and Europe. Revenue also rose +10.9% yoy to RM4.8bn.

QoQ. CNP jumped +5.8% qoq, supported by higher CPO and PK realised prices. Although wet weather impacted FFB yields during the quarter, CPO and PK ASP rose to RM4,576/mt (+2.2% qoq) and RM3,342/mt (+12.7% qoq), respectively. Nevertheless, quarterly revenue declined by -8.4% qoq.

Outlook. FFB output is projected to grow by mid-to-high-single digits, driven by a strong recovery in Indonesia and PNG/SI, as well as early signs of improvement in Malaysia since April. While the downstream segment still faces weak demand and unfavourable pricing, outlook is turning more positive from 2QFY25 onwards. Management believes the worst has passed and anticipates stronger margin as prices stabilise alongside with gradual recovery of demand. Meanwhile, progress on its Kerian Integrated Green Industrial Park (KIGIP) remains on track, with further announcement expected between 2QFY25-3QFY25.

Earnings Revision. Given that the reported earnings are deemed within expectations, we kept our forecast unchanged.

Valuation. Following the recent price correction, we revised our recommendation to **BUY** (from HOLD) on SDG, with **unchanged TP of RM5.20** by pegging 20.6x 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

Results Note

Thursday, 08 May, 2025

Results Comparison

FYE Dec (RM m)	1QFY25	1QFY24	yoy (%)	4QFY24	qoq (%)	3MFY25	3MFY24	yoy (%)	Comments
Revenue	4,817.0	4,342.0	10.9	5,257.0	(8.4)	4,817.0	4,342.0	10.9	Higher CPO and PK price led surge in topline
EBITDA	1,182.0	757.0	56.1	1,501.0	(21.3)	1,182.0	757.0	56.1	
Pre-tax profit	799.0	346.0	130.9	1,079.0	(25.9)	799.0	346.0	130.9	
PATAMI	567.0	211.0	168.7	772.0	(26.6)	567.0	211.0	168.7	
CNP	550.0	229.0	140.2	520.0	5.8	550.0	229.0	140.2	
Core EPS (sen)	65.7	27.3	140.2	62.1	5.8	65.7	27.3	140.2	
EBITDA margin (%)	24.5	17.4		28.6		24.5	17.4		
PBT margin (%)	16.6	8.0		20.5		16.6	8.0		
Core net profit margin (%)	11.4	5.3		9.9		11.4	5.3		

Source: Company, Apex Securities

Segmental Breakdown

FYE Dec (RM m)	1QFY25	1QFY24	yoy (%)	4QFY24	qoq (%)	3MFY25	3MFY24	yoy (%)	Comments
Revenue									
Upstream Malaysia	199	173	15.0	123	61.8	199	173	15.0	
Upstream Indonesia	335	206	62.6	462	(27.5)	335	206	62.6	
Upstream PNG/SI	59	61	(3.3)	97	(39.2)	59	61	(3.3)	
Downstream	4,208	3,870	8.7	4,561	(7.7)	4,208	3,870	8.7	
Other	16	32	(50.0)	14	14.3	16	32	(50.0)	
Total	4,817	4,342	10.9	5,257	(8.4)	4,817	4,342	10.9	
EBIT									
Upstream Malaysia	285	118	141.5	277	2.9	285	118	141.5	
Upstream Indonesia	209	84	148.8	325	(35.7)	209	84	148.8	
Upstream PNG/SI	259	63	311.1	146	77.4	259	63	311.1	
Downstream	81	135	(40.0)	132	(38.6)	81	135	(40.0)	Dragged by lower demand
Other	(8)	-	nm	4	nm	(8)	-	nm	margin for differentiated markets
Total	826	400	106.5	884	(6.6)	826	400	106.5	
EBIT margin (%)									
Upstream Malaysia	143.2%	68.2%		225.2%		143.2%	68.2%		
Upstream Indonesia	62.4%	40.8%		70.3%		62.4%	40.8%		
Upstream PNG/SI	439.0%	103.3%		150.5%		439.0%	103.3%		
Downstream	1.9%	3.5%		2.9%		1.9%	3.5%		
Other	-50.0%	0.0%		28.6%		-50.0%	0.0%		

Source: Company, Apex Securities

Results Note

Thursday, 08 May, 2025

Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	18428	19831	20676	22236	24018
Operating Profit	3000	3322	2742	2920	3127
EBITDA	4319	4739	4146	4400	4691
Depreciation & Amortisation	1432	1453	1469	1546	1631
EBIT	2927	3258	2677	2854	3060
Net Finance Income/ (Cost)	175	119	140	156	158
Associates & JV	40	-28	-28	-28	-29
Pre-tax Profit	2752	3139	2537	2698	2902
Tax	-719	-796	-643	-684	-736
Profit After Tax	2033	2344	1894	2014	2166
Minority Interest	173	180	145	154	166
Net Profit	1860	2164	1749	1860	2000
Exceptionals	-988	-629	0	0	-98
Core Net Profit	872	1535	1749	1860	1902

Key Ratios

FYE Dec	FY23	FY24	FY25	FY26	FY27
EPS (sen)	12.6	22.2	25.3	26.9	27.5
P/E (x)	38.1	21.6	19.0	17.9	17.5
P/B (x)	1.6	1.6	1.5	1.5	1.5
EV/EBITDA (x)	8.8	8.0	9.3	9.0	8.6
DPS (sen)	15.0	16.4	15.2	16.1	17.4
Dividend Yield (%)	3.1%	3.4%	3.2%	3.4%	3.6%
EBITDA margin (%)	23.4%	23.9%	20.1%	19.8%	19.5%
EBIT margin (%)	15.9%	16.4%	12.9%	12.8%	12.7%
PBT margin (%)	14.9%	15.8%	12.3%	12.1%	12.1%
PAT margin (%)	11.0%	11.8%	9.2%	9.1%	9.0%
NP margin (%)	10.1%	10.9%	8.5%	8.4%	8.3%
CNP margin (%)	4.7%	7.7%	8.5%	8.4%	7.9%
ROE (%)	4.3%	7.3%	8.1%	8.4%	8.4%
ROA (%)	2.7%	4.8%	5.2%	5.3%	5.1%
Gearing (%)	25.9%	24.1%	27.0%	30.0%	35.0%
Net gearing (%)	21.8%	21.2%	23.4%	26.7%	30.4%

Valuations

Core EPS (RM)	0.253
P/E multiple (x)	20.6
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	625	787	731	1046
Receivables	2208	2408	2511	2700	2916
Inventories	2664	2842	2963	3187	3442
Other current assets	507	520	520	520	520
Total Current Assets	6209	6395	6781	7138	7925
Fixed Assets	19145	19365	20377	21499	22750
Intangibles	3055	2995	2995	2995	2995
Other non-current assets	3477	3292	3292	3292	3292
Total Non-current assets	25678	25652	26664	27786	29037
Short-term Debt	1701	1742	0	0	0
Payables	2386	2384	2590	2789	3017
Other Current Liabilities	704	293	293	293	293
Total Current Liabilities	4790	4419	2883	3082	3310
Long-term Debt	3582	3360	5837	6631	7919
Other non-current liabilities	3108	3107	3107	3107	3107
Total Non-current Liabilities	6690	6467	8944	9738	11026
Shareholder's equity	19974	20718	21175	21660	22183
Minority interest	433	443	443	443	443
Equity	20406	21161	21618	22103	22626

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25	FY26	FY27
Pre-tax profit	2752	3139	2537	2698	2902
Depreciation & amortisation	1432	1453	1469	1546	1631
Changes in working capital	451	-380	-18	-213	-244
Others	-1561	-1455	-788	-838	-902
Operating cash flow	3075	2757	3200	3192	3387
Net capex	-2129	-2042	-2481	-2668	-2882
Others	1499	762	0	0	0
Investing cash flow	-630	-1280	-2481	-2668	-2882
Changes in borrowings	-1028	-71	735	794	1288
Issuance of shares	17	0	0	0	18
Dividends paid	-642	-1134	-1292	-1374	-1478
Others	-5915	-480.0	0.0	0.0	-18.5
Financing cash flow	-2244.1	-1685.0	-557.2	-579.7	-189.8
Net cash flow	201.1	-208.0	161.8	-55.8	315.1
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	786.8	731.0
Ending cash	830.4	625.4	786.8	731.0	1046.0

Results Note

Thursday, 08 May, 2025

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Total carbon emissions stood at 7,050,245 tCO ₂ -e (vs FY23: 6,843,700 tCO ₂ -e.)
Waste & Effluent	★★	Total waste generated for direct disposal rose from 167,394 mt to 187,678 mt.
Energy	★★	Mild increase in energy consumption from 11,426,567MW to 11,459,559 MW.
Water	★★★	Water consumption slid -17.6% yoy to 19,481 megalitres in FY24.
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	★★	Work related fatalities reduce to 2 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 FY24, Traceability to Mill (TTM) and Traceability to Plantations (TTP) stood at 96.9% and 84.9% respectively. (vs FY23: TTM: 95.7% and TTP 81.5%)
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.