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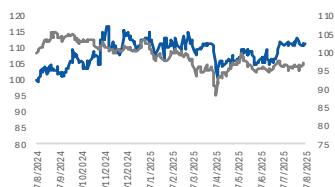
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Recommendation	BUY
Current Price:	RM4.77
Previous Target Price:	RM5.20
Target Price:	RM5.50
Capital Upside/ Downside:	15.3%
Dividend Yield (%)	2.9%
Total Upside/ Downside	18.2%

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)	32,988.0
52-Week Price Range (RM)	5.19-4.33
Beta (x)	0.9
Free float (%)	43.8
3M Average Volume (m)	2.7
3M Average Value (RM' m)	12.4

Top 3 Shareholders	(%)
Amanah Saham Nasional Bhd	53.2
Employees Provident Fund Board	16.9
Kumpulan Wang Persaraan	7.4

Share Price Performance



	1M	3M	12M
Absolute (%)	0.0	1.9	7.2
Relative (%)	-1.2	1.5	10.0

Earnings Summary	FY24	FY25F	FY26F
Revenue (RM'm)	19831	20687	22236
PATAMI (RM'm)	2164	1893	1860
CNP (RM'm)	1535	1893	1860
EPS - core (sen)	22.2	27.4	26.9
P/E(x)	21.4	17.4	17.7

Sime Darby Guthrie Bhd

Above Expectations; Output Momentum Intact

- SDG's 6MFY25 CNP rose 57.3% yoy to RM1029.0m. The result was above expectations, accounting for 58.8% and 59.4% of ours and consensus expectations respectively.
- SDG expects stronger 3QFY25 FFB output and lower unit costs in 2HFY25. Labour costs will rise with the October 2025 EPF mandate, but its lower foreign worker reliance and greater mechanisation efforts should help mitigate potential impact from the upcoming Multi-Tier Levy on foreign workers.
- Maintain BUY call with a higher TP of RM5.50 (previously RM5.20) after rolling forward valuation base year to FY26. The revised TP is based on a 3-year average forward PER of 20.4x (revised from 20.6x to reflect the latest PE trend), applied to FY26F EPS of 26.9 sen.

Results above expectations. 6MFY25 CNP of RM1029.0m came in above expectations, accounting for 58.8% and 59.4% of ours and consensus forecasts respectively. The variance against our forecast came largely from better-than-expected output and lower-than-expected costs.

YoY. 2QFY25 CNP rose 12.7% yoy to RM479.0m, driven by higher realised prices for CPO (+2.9% yoy to RM4,146/mt) and PK (+49.9% yoy to RM3,247/mt), along with stronger FFB output. The upstream segment delivered a robust performance (EBIT: +55.7% yoy to RM660.0m), offsetting ongoing weakness in the downstream segment (EBIT: -44.0% yoy to RM424.0m), particularly in Europe and Asia Pacific, where elevated feedstock price and soft demand continued to pressure margins. Quarterly revenue grew 4.1% yoy to RM5.2bn.

QoQ. CNP declined 12.9% qoq, primarily due to lower average realised prices for CPO (-9.4% qoq) and PK (-2.8% qoq). However, the impact was partly mitigated by a 14.0% qoq increase in FFB production, supported by better OER. Downstream performance rebounded (+65.8% qoq) from a weak 1QFY25 due to better demand for differentiated and bulk products in Asia Pacific. Meanwhile, quarterly revenue increased 7.3% qoq.

Outlook. FFB production is projected to strengthen in 3QFY25, supported by improved estate productivity and favourable weather conditions. Management is maintaining its FY25 production cost guidance at c.RM2,500/mt (1HFY25: RM2,600/mt), expecting further reductions in 2HFY25 on the back of higher output and lower fertiliser application. That said, labour costs are set to rise by c.RM9m p.a. following the implementation of the mandatory 2% EPF contribution for foreign workers in October 2025. While details of the Multi-Tier Levy on foreign workers (MTL) are still pending, SDG appears well-positioned to manage the impact, supported by its lower reliance on foreign labour (70% vs peers' c.85-90%) and ongoing mechanisation initiatives.

Earnings Revision. We have raised our FY25F earnings forecast by 8.2%, mainly to reflect the stronger harvest expectations, driven by a 2.6% upward revision to our FFB output assumption and lowering costs estimates.

Valuation. We maintain our **BUY** call with a higher target price of **RM5.50** (previously RM5.20) after rolling forward the valuation base year to FY26. The revised TP is based on the 3-year average forward PER of 20.4x (revised from 20.6x to reflect the latest PE trend), applied to FY26F EPS of 26.9 sen. We continue to apply a 0% ESG premium/discount, in line with the Group's three-star ESG rating.

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

Results Note

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Results Comparison

FYE Dec (RM m)	2QFY25	2QFY24	yoy (%)	1QFY25	qoq (%)	6MFY25	6MFY24	yoy (%)	Comments
Revenue	5,169.0	4,965.0	4.1	4,817.0	7.3	9,986.0	9,307.0	7.3	YoY: higher CPO & PK prices
EBITDA	1,156.0	983.0	17.6	1,182.0	(2.2)	2,338.0	1,740.0	34.4	stronger FFB output
Pre-tax profit	783.0	595.0	31.6	799.0	(2.0)	1,582.0	941.0	68.1	
PATAMI	505.0	415.0	21.7	567.0	(10.9)	1,072.0	626.0	71.2	YoY: lower finance cost from
CNP	479.0	425.0	12.7	550.0	(12.9)	1,029.0	654.0	57.3	debt reduction
Core EPS (sen)	57.2	50.8	12.7	65.7	(12.9)	122.9	78.1	57.3	
EBITDA margin (%)	22.4	19.8		24.5		23.4	18.7		
PBT margin (%)	15.1	12.0		16.6		15.8	10.1		
Core net profit margin (%)	9.3	8.6		11.4		10.3	7.0		

Source: Company, Apex Securities

Segmental Breakdown

FYE Dec (RM m)	2QFY25	2QFY24	yoy (%)	1QFY25	qoq (%)	6MFY25	6MFY24	yoy (%)	Comments
Revenue									
Upstream Malaysia	295	289	2.1	199	48.2	494	462	6.9	
Upstream Indonesia	354	259	36.7	335	5.7	689	465	48.2	
Upstream PNG/SI	81	111	(27.0)	59	37.3	140	172	(18.6)	
Downstream	4,419	4,281	3.2	4,208	5.0	8,627	8,151	5.8	
Other	20	25	(20.0)	16	25.0	36	57	(36.8)	
Total	5,169	4,965	4.1	4,817	7.3	9,986	9,307	7.3	
EBIT									
Upstream Malaysia	294	206	42.7	285	3.2	579	324	78.7	
Upstream Indonesia	165	107	54.2	209	(21.1)	374	191	95.8	
Upstream PNG/SI	201	111	81.1	259	(22.4)	460	174	164.4	
Downstream	126	225	(44.0)	76	65.8	202	360	(43.9)	Margin squeeze due to tepid
Other	18	(3)	nm	(11)	nm	7	(3)	nm	demand from Europe market
Total	804	646	24.5	818	(1.7)	1,622	1,046	55.1	
EBIT margin (%)									
Upstream Malaysia	99.7%	71.3%		143.2%		117.2%	70.1%		
Upstream Indonesia	46.6%	41.3%		62.4%		54.3%	41.1%		
Upstream PNG/SI	248.1%	100.0%		439.0%		328.6%	101.2%		
Downstream	2.9%	5.3%		18%		2.3%	4.4%		
Other	90.0%	-12.0%		-68.8%		19.4%	-5.3%		

Source: Company, Apex Securities

Results Note

Friday, 08 Aug, 2025

Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	18428	19831	20687	22236	24018
Gross Profit	7226	8094	8068	8339	8887
EBITDA	4319	4739	4384	4428	4720
Depreciation & Amortisation	-1432	-1453	-1469	-1546	-1631
Associates & JV	40	-28	-28	-28	-29
EBIT	2927	3258	2886	2854	3060
Net Finance Income/ (Cost)	-175	-119	-140	-156	-156
Pre-tax Profit	2752	3139	2746	2698	2903
Tax	-719	-796	-696	-684	-736
Profit After Tax	2033	2344	2050	2014	2167
Minority Interest	-173	-180	-157	-154	-166
Net Profit	1860	2164	1893	1860	2001
Exceptionals	-988	-629	0	0	0
Core Net Profit	872	1535	1893	1860	2001

Key Ratios

FYE Dec	FY23	FY24	FY25	FY26	FY27
EPS (sen)	12.6	22.2	27.4	26.9	28.9
P/E (x)	37.8	21.5	17.4	17.7	16.5
P/B (x)	16	16	15	15	15
EV/EBITDA (x)	8.8	8.0	8.8	8.9	8.5
DPS (sen)	15.0	16.4	13.7	13.4	14.5
Dividend Yield (%)	3.1%	3.4%	2.9%	2.8%	3.0%
EBITDA margin (%)	23.4%	23.9%	21.2%	19.9%	19.7%
EBIT margin (%)	15.9%	16.4%	14.0%	12.8%	12.7%
PBT margin (%)	14.9%	15.8%	13.3%	12.1%	12.1%
PAT margin (%)	11.0%	11.8%	9.9%	9.1%	9.0%
NP margin (%)	10.1%	10.9%	9.1%	8.4%	8.3%
CNP margin (%)	4.7%	7.7%	9.1%	8.4%	8.3%
ROE (%)	4.3%	7.3%	8.7%	8.4%	8.8%
ROA (%)	2.7%	4.8%	5.7%	5.3%	5.4%
Gearing (%)	25.9%	24.1%	27.0%	30.0%	35.0%
Net gearing (%)	21.8%	21.2%	23.3%	26.5%	30.2%

Valuations	FY26F
Core EPS (RM)	0.269
P/E multiple (x)	20.4
Fair Value (RM)	5.50
ESG premium/discount	0.0%
Implied Fair Value (RM)	5.50

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	830	625	802	779	1096
Receivables	2208	2408	2512	2700	2916
Inventories	2664	2842	2965	3187	3442
Other current assets	507	520	520	520	520
Total Current Assets	6209	6395	6798	7186	7975
Fixed Assets	19145	19365	20378	21500	22751
Intangibles	3055	2995	2995	2995	2995
Other non-current assets	3477	3292	3292	3292	3292
Total Non-current assets	25678	25652	26665	27787	29038
Short-term Debt	1701	1742	1996	2268	2708
Payables	2386	2384	2561	2789	3017
Other Current Liabilities	704	293	293	293	293
Total Current Liabilities	4790	4419	4850	5350	6018
Long-term Debt	3582	3360	3851	4374	5224
Other non-current liabilities	3108	3107	3107	3107	3107
Total Non-current Liabilities	6690	6467	6958	7481	8331
Shareholder's equity	19974	20718	21212	21698	22221
Minority interest	433	443	443	443	443
Equity	20406	21161	21655	22141	22664

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	2752.5	3139.3	2746.1	2698.0	2903.3
Depreciation & amortisation	1432.0	1452.8	1469.4	1546.3	1631.4
Changes in working capital	4513	-380.3	-49.4	-1819	-244.4
Others	-1560.8	-1454.7	-853.3	-838.4	-902.2
Operating cash flow	3075.0	2757.0	3312.8	3224.0	3388.2
Net capex	-2128.6	-2042.0	-2482.4	-2668.4	-2882.2
Others	1498.8	762.0	0.0	0.0	0.0
Investing cash flow	-629.8	-1280.0	-2482.4	-2668.4	-2882.2
Changes in borrowings	-1027.7	-710	744.9	795.4	1290.0
Issuance of shares	0.0	0.0	0.0	0.0	0.0
Dividends paid	-642.5	-1134.0	-1398.5	-1374.0	-1478.6
Others	-574.0	-480.0	0.0	0.0	0.0
Financing cash flow	-2244.1	-1685.0	-653.6	-578.7	-188.6
Net cash flow	201.1	-208.0	176.8	-23.0	317.4
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	801.8	778.9
Ending cash	830.4	625.4	801.8	778.9	1096.3

Results Note

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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 + dividend yield

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.