

Research Team
(603) 7890 8888

Recommendation: **HOLD**

Current Price:	RM5.75
Previous Target Price:	RM5.50
Target Price:	RM5.88 ↑
Capital Upside/Downside:	2.3%
Dividend Yield (%):	3.3%
Total Upside/Downside:	5.6%

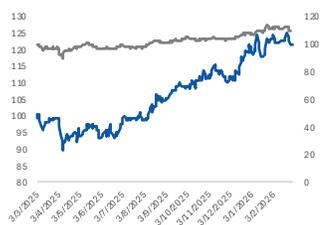
Stock information

Board	MAIN
Sector	Plantation
Bursa / Bloomberg Code	5285 / SDGMK
Syariah Compliant	Yes
ESGRating	★★★
Shares Issued (m)	6,915.7
Market Cap (RM' m)	39,765.4
52-Week Price Range (RM)	5.97-4.42
Beta (x)	1.0
Free float (%)	48.5
3M Average Volume (m)	8.4
3M Average Value (RM' m)	47.8

Top 3 Shareholders (%)

Amanah Saham Nasional Bhd	48.5
Employees Provident Fund Board	15.5
Kumpulan Wang Persaraan	8.0

Share Price Performance



	1M	3M	12M
Absolute (%)	-1.5	8.1	13.4
Relative (%)	-0.1	2.7	4.0

Earnings Summary	FY25	FY26F	FY27F
Revenue (RM'm)	20895	20913	22513
PATAMI (RM'm)	2503	2585	2904
CNP (RM'm)	1982	2085	2404
EPS - core (sen)	29	30	35
P/E(x)	20.3	19.3	16.7

Sime Darby Guthrie Bhd

4QFY25 Print: Cost Normalisation with Stable Productivity Growth

- SDG's 12MFY25 CNP rose 29.1% YoY to RM1.98bn, which came inline with our (104%) but above consensus (114%) expectations.
- For FY26, cost normalization will be pursued by management with a cost guidance of RM 2,400 – 2,500.
- We downgrade our BUY call to a HOLD with a lower target price of RM5.88 pegged to a 19.5x P/E multiple to FY26F EPS and 0% ESG factored premium/discount based on three-star ESG rating.

Results slightly exceeded expectations. Excluding RM 521m in exceptionals items (FV changes, impairment changes, disposal gains and write offs), FY25 CNP arrived at RM1.98bn. The results came inline with our (104%) but above consensus (114%) expectations.

YoY. FY25 CNP had risen 29.1% YoY to RM1.98bn (FY24: RM1.54bn) mostly driven by stronger Upstream performance. This was influenced by higher realised CPO and PK prices, better extraction rates, and lower operating costs. Geographically, all Upstream regions saw higher revenues with Malaysia rising 51.9% to RM1.16bn followed by Indonesia with a 33.2% increase to RM1.53bn. Lastly, Papua New Guinea / Solomon Islands (PNG/SI) rose by 4.9% to RM320m. Full-year revenue growth for Downstream was modest at +1.6%, ending the year with RM17.79bn.

QoQ. CNP in 4QFY25 had fallen 3.5% to RM468m due to lower EBIT across Upstream (-10.1%) and Downstream (-16.9%). Lower realised CPO prices (-1%) and a 1% decline in Upstream FFB production to 2.29m MT had weighed on Upstream performance with the fall in FFB production attributed to lower Indonesian productivity. Downstream EBIT fell 17% primarily due to JV losses. On the other hand, an improved OER rate of 21.26% from 21.08% QoQ as well as higher average PK prices (+2%) had help to cushion the fall in CNP.

Dividend. SDG had released a final dividend of 10.35 sen / share for the FYE 25 with an ex-date of 7th May 2026. The total dividend for FY25 stands at 18.10 sen.

Operational Highlights. FY25 FFB production for the Group had risen to 8.88m MT (+1%) and FY25 total CPO output for the Group rose to 2.23m MT (+3%). Across the regions, **Indonesia** had dragged on productivity with FFB production falling to 2.25m MT (-3%), CPO output dropping to 587k MT (-1%) and a lower CPO OER of 20.95% (FY24: 21.10%).

Malaysia productivity saw general increases with FFB production rising to 4.82m MT (+2%), CPO output rising to 1.01m MT (+3%), and a higher CPO OER of 20.85% (FY24: 20.45%).

PNG/SI productivity improved as well with FFB production rising to 1.81m MT (+6%), CPO output rising to 525k (+8%), and a higher CPO OER of 22.19% (FY24: 22.03%).

As at Dec 2025, total planted hectares were at 557k ha of oil palm (FY24: 567k) with mature hectares at 462k or 83% (FY24: 476k). Average ages (years) were 13.60, 11.90, and 11.30 for PNG/SI, Malaysia, and Indonesia respectively. Weather was volatile with floods in December within Sabah followed by a dry January and more flooding in February. The picture on Indonesian stockpiles is unclear but is expected to be high after muted demand from the backend of FY25 following the cancellation of the B50 mandate.

Outlook. For FY26, cost normalization will be pursued with a cost guidance of RM 2,400 – 2,500 / CPO MT for the whole Group (FY25: c.RM2,700). Upstream productivity growth expectations are conservative with an expected recovery in Indonesia conditional on favourable weather conditions. Any productivity growth is expected to come from Malaysia. Capex is at RM2 - 2.5bn for recurring projects with RM1bn utilised for replanting and the remainder for Upstream and Downstream improvements. Looking ahead, stable productivity growth from Malaysia and cost normalisations are expected to support the bottom line in FY26.

Earnings Revision. We revise our FY26/27F earnings forecasts by -1.6%/-3.3%, due to a change in analyst and general housekeeping. We also note our current CPO price assumption at RM4,200/MT for FY26.

Valuation. We downgrade our **BUY** call to HOLD with a revised target price of **RM5.88**, derived from our DCF valuation, which implies a FY26F P/E of 19.5x and 0% ESG factored premium/discount based on a three-star ESG rating.

Risk. EU export ban and regulations, changing weather patterns affecting FFB production, taxation and export ban in Indonesia threatening local CPO demand, frequent labour turnover and rising operational cost.

Results Comparison

FYE Dec (RM m)	4QFY25	4QFY24	YoY (%)	3QFY25	QoQ (%)	12MFY25	12MFY24	YoY (%)	Comments
Revenue	5,498	5,257	4.6	5,411	1.6	20,895	19,831	5.4	
EBITDA	1,132	1,501	(24.6)	1,571	(27.9)	5,041	4,695	7.4	
Pre-tax profit	697	1,079	(35.4)	1,251	(44.3)	3,530	3,139	12.5	
PATAMI	496	772	(35.8)	935	(47.0)	2,503	2,164	15.7	
CNP	468	520	(10.0)	485	(3.5)	1,982	1,535	29.1	
Core EPS (sen)	7	8	(10.0)	7	(3.5)	29	22	29.1	
EBITDA margin (%)	20.6	28.6		29.0		24.1	23.7		
PBT margin (%)	12.7	20.5		23.1		16.9	15.8		
Core net profit margin (%)	8.5	9.9		9.0		9.5	7.7		

Source: Company, Apex Securities

Segmental Breakdown

FYE Dec (RM m)	4QFY25	4QFY24	YoY (%)	3QFY25	QoQ (%)	12MFY25	12MFY24	YoY (%)	Comments
Revenue									
Upstream Malaysia	348	123	182.9	320	8.7	1,162	765	51.9	
Upstream Indonesia	480	462	3.9	362	32.6	1,531	1,149	33.2	
Upstream PNG/SI	95	97	(2.1)	85	11.8	320	305	4.9	
Upstream	923	682	35.3	767	20.3	3,013	2,219	35.8	
Downstream	4,550	4,561	(0.2)	4,615	(1.4)	17,792	17,504	1.6	
Other	25	14	78.6	29	(13.8)	90	108	(16.7)	
Total	5,498	5,257	4.6	5,411	1.6	20,895	19,831	5.4	
EBIT									
Upstream Malaysia	248	278	(10.8)	410	(39.5)	1,235	973	26.9	
Upstream Indonesia	190	325	(41.5)	67	183.6	631	715	(11.7)	
Upstream PNG/SI	129	146	(11.6)	154	(16.2)	743	395	88.1	
Upstream	567	749	(24.3)	631	(10.1)	2,609	2,083	25.3	
Downstream	128	119	7.6	154	(16.9)	484	609	(20.5)	
Other	1	2	(50.0)	430	(99.8)	440	(11)	nm	
Total	696	870	(20.0)	1,215	(42.7)	3,533	2,681	31.8	

Source: Company, Apex Securities

Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
Revenue	18428	19831	20895	20913	22513
Operating Profit	2887	3286	3602	3921	4309
EBITDA	4275	4695	5041	5399	5823
Depreciation & Amortisation	1388	1409	1439	1478	1514
EBIT	2887	3286	3602	3921	4309
Net Finance Income/ (Cost)	-175	-119	-63	-210	-186
Associates & JV	40	-28	-9	0	0
Pre-tax Profit	2752	3139	3530	3711	4123
Tax	-719	-796	-842	-941	-1034
Profit After Tax	2033	2344	2688	2770	3089
Minority Interest	-173	-180	-185	-185	-185
Net Profit	1860	2164	2503	2585	2904
Exceptionals	-988	-629	-521	-500	-500
Core Net Profit	872	1535	1982	2085	2404

Key Ratios

FYE Dec	FY23	FY24	FY25	FY26F	FY27F
EPS (sen)	12.6	22.2	28.7	30.2	34.8
P/E (x)	46.2	26.2	20.3	19.3	16.7
P/B (x)	2.0	1.9	1.9	1.8	1.7
EV/EBITDA (x)	10.6	9.6	8.9	8.1	7.3
DPS (sen)	15.0	15.0	15.0	15.0	15.0
Dividend Yield (%)	2.6%	2.6%	2.6%	2.6%	2.6%
EBITDA margin (%)	23.2%	23.7%	24.1%	25.8%	25.9%
EBIT margin (%)	15.7%	16.6%	17.2%	18.7%	19.1%
PBT margin (%)	14.9%	15.8%	16.9%	17.7%	18.3%
PAT margin (%)	11.0%	11.8%	12.9%	13.2%	13.7%
NP margin (%)	10.1%	10.9%	12.0%	12.4%	12.9%
CNP margin (%)	4.7%	7.7%	9.5%	10.0%	10.7%
ROE (%)	4.3%	7.3%	9.5%	9.4%	10.1%
ROA (%)	2.7%	4.8%	6.2%	6.3%	6.8%
Gearing (%)	25.9%	24.1%	24.1%	21.5%	19.0%
Net gearing (%)	21.8%	21.2%	21.1%	13.1%	7.0%

Valuations

	FY26F
Core EPS (RM)	0.302
P/E multiple (x)	19.5
Fair Value (RM)	5.88
ESG premium/discount	0.0%
Implied Fair Value (RM)	5.88

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
Cash	830	625	624	1873	2867
Receivables	2208	2408	2766	181	181
Inventories	2664	2842	2802	2765	2957
Other current assets	673	672	348	2773	2973
Total Current Assets	6375	6547	6540	7592	8977
Fixed Assets	19145	19365	19341	19863	20349
Intangibles	3055	3055	2995	2732	2732
Other non-current assets	3312	3081	2867	3130	3130
Total Non-current assets	25512	25500	25203	25725	26211
Short-term Debt	1701	1742	490	0	0
Payables	2386	2384	2366	2394	2560
Other Current Liabilities	716	304	337	337	337
Total Current Liabilities	4803	4430	3193	2731	2897
Long-term Debt	3582	3360	4539	4778	4526
Other non-current liabilities	3096	3096	3140	3552	3965
Total Non-current Liabilities	6677	6456	7679	8330	8491
Shareholder's equity	19974	20717	20470	21855	23400
Minority interest	433	443	401	401	401
Equity	20406	21161	20871	22256	23801

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
Pre-tax profit	2752	3139	3530	3711	4123
Depreciation & amortisation	1388	1409	1439	1478	1514
Changes in working capital	723	-644	-498	224	-225
Others	-1789	-1145	-873	-319	-436
Operating cash flow	3075	2759	3598	5094	4976
Net capex	-2129	-2042	-2183	-2000	-2000
Others	1499	760	515	6	19
Investing cash flow	-630	-1282	-1668	-1994	-1981
Changes in borrowings	-1029	-71	-95	-251	-251
Issuance of shares	0	0	0	0	0
Dividends paid	-642	-1134	-1346	-1385	-1544
Others	-573	-479	-502	-216	-205
Financing cash flow	-2244	-1684	-1943	-1852	-2001
Net cash flow	201	-208	-13	1248	994
Forex	0	0	0	0	0
Others	-6	3	12	0	0
Beginning cash	635	830	625	624	1873
Ending cash	830	625	624	1873	2867

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Total carbon emissions stood at 7,050,245 tCO2-e (vs FY23: 6,843,700 tCO2-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.