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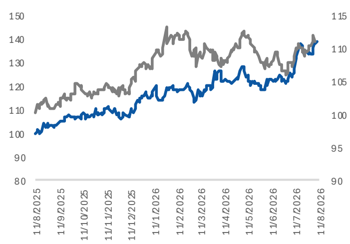
Recommendation:		BUY
Current Price:		RM6.91
Previous Target Price:		RM7.01
Target Price:	↑	RM7.70
Capital Upside/Downside:		11.4%
Dividend Yield (%):		3.3%
Total Upside/Downside:		14.7%

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)	47,787.6
52-Week Price Range (RM)	6.95-4.85
Beta (x)	0.9
Free float (%)	57.4
3M Average Volume (m)	9.8
3M Average Value (RM' m)	60.9

Top 3 Shareholders	(%)
Amanah Saham Nasional Bhd	40.4
Employees Provident Fund Board	18.4
Kumpulan Wang Persaraan	7.3

Share Price vs FBM KLCI



	1M	3M	12M
Absolute (%)	10.7	13.3	40.7
Relative (%)	8.2	14.5	27.4

Earnings Summary	FY25	FY26F	FY27F
Revenue (RM'm)	20895	21835	22619
PATAMI (RM'm)	2503	2949	3190
CNP (RM'm)	1982	2151	2690
EPS - core (sen)	29	31	39
P/E (x)	23.8	22.0	17.6

Sime Darby Guthrie Bhd

2QFY26 Post-briefing: Weather Risks Build, Earnings Estimates Raised

- **SDG's 1HFY26 CNP fell 10.7% YoY to RM919m, which we deem in line with our FY26F CNP, while also broadly in line with consensus, accounting for 42.3%/45.3% of our/consensus FY26F CNP, respectively.**
- **YoY 1HFY26 Upstream EBIT declined 18.1% while Downstream EBIT increased 21.3% on resilient Bulk and Trading performance. Industrial Development EBIT stands at c.RM689m vs prior year corresponding period of no sale.**
- **Management adopts caution on El Nino risks with drier conditions observed in key operating regions. Bukit Kerayong SPA remains key to beat Industrial Development PATAMI target of RM500-700m.**
- **Taking into account higher CPO price assumptions and lower monthly FFB yield revisions for 1HFY27, we raise our FY26/27 earnings forecast by 2%/10% respectively.**
- **Maintain our BUY call with a higher target price of RM7.70 pegged to a 19.8x P/E multiple to FY27F EPS and 0% ESG factored premium/discount based on three-star ESG rating.**

Results met expectations. 1HFY26 CNP arrived at RM919m representing 42.3% and 45.3% of our and consensus estimates respectively. CNP was derived after the following adjustments:

- Gains on unrealised FV changes on commodities and forward FX contracts: - RM9m
- Gains on disposal of PPE and Assets held for sale: - RM689m
- Impairments: - RM2m
- Unrealised FX losses: + RM20m
- Write down of inventories: + RM25m
- Net writes offs: + RM27m

We deem the results in line with our forecasts, given the seasonal plantation trends that typically result in higher output in 2HCY. Furthermore, our forecasts **assume higher average ASPs in 2HCY compared with 1HCY.**

YoY. 1HFY26 CNP fell 10.7% YoY to RM 919m (1HFY25: RM1,029m) due to weaker Upstream performance which was partially offset by lower Group operating costs and better Downstream contributions. Across the **Upstream** segment, EBIT performance had fallen 18.1% to RM1,156m (1HFY25: RM1,411m) as a result of lower ASPs and FFB production. Regional EBIT contributions for Malaysia/Indonesia/PNG&SI stood at RM348m/RM373/RM435m representing a change of -39.7%/-0.3%/-5.4% respectively from 1HFY25.

For **Downstream**, total EBIT had risen 21.3% to RM245m (1HFY25: RM202m) thanks to better performance in Bulk and Trading which was partially offset by softer contributions from Differentiated. Bulk and Trading EBIT contributions stood at RM64m/RM115m (1HFY25: RM10m/RM82m) representing an increase of >100%/40% respectively. The Bulk segment was driven by a recovery in Asia Pacific Bulk operations which saw improved export margins thanks to higher Average Selling Prices (ASPs) and volumes which had offset increases in raw material costs while the Trading segment was supported by favorable market conditions as well as higher margins and volumes. On the other hand, Asia Pacific and Europe Differentiated operations experienced margin compression and lower sales volumes, contributing to a 34% decline to RM97m (1HFY25: RM147m).

QoQ. CNP in 2QFY26 was higher by 38.1% due to higher performance from Upstream and Downstream. Upstream EBIT rose 18.5% to RM627m (1QFY26: RM529m) due to higher CPO and PK ASPs and higher FFB volumes across all regions. Downstream EBIT rose 24.8% to RM136m (1QFY26: RM109m) due to higher margins and volumes thanks to an improved performance in the Asia Pacific Bulk operations. This was partially offset by softer Asia Pacific and Europe Differentiated performance which experienced weaker demand and a higher share of JV losses.

KDN PP13226/06/2024 (035469)

Operational Highlights YoY. Overall, YoY Group Upstream operational performance was little changed. 1HFY26 FFB production for the Group had fallen 2.1%, Group CPO/PK output rose 0.5%/1.3% respectively. Group CPO/PK OER remain stable at 21.27%/4.65% (1HFY25: 21.18%/4.67%).

Across the regions, PNG/SI saw the softest performance with lower numbers across FFB, CPO, and PK due to weather disruptions from Cyclone Maila. Malaysia saw lower FFB numbers due to dryer weather in 1Q although production rebounded in June, in line with seasonal trends. Indonesia saw higher FFB production due to stable weather and improved field productivity.

Management has also guided a CPO price outlook of c.RM4,600 for 2HFY26 and c.RM5,200 in 1QFY27, conditional on El Nino severity. Owing to a bullish outlook, the Group has undertaken lesser exposure in forward sales with a marginal amount locked in for 1QFY27.

Figure 1: YTD Production for FFB/CPO/PK for six months ending 30 June 2026

Production ('000)	Malaysia	Indonesia	PNG / SI	Total
FFB Yield	8.70	8.47	12.06	-
FFB	2,101	1,155	945	4,201
CPO	524	311	266	1,101
PK	113	62	65	240

YoY% Change	Malaysia	Indonesia	PNG / SI	Total
FFB Yield	-3.0%	8.3%	1.0%	-
FFB	-4.2%	1.8%	-1.9%	-2.1%
CPO	5.2%	0.0%	-7.0%	0.5%
PK	1.8%	6.9%	-4.4%	1.3%

Figure 2: Average ASPs for six months ending 30 June 2026

ASPs	Malaysia	Indonesia	PNG / SI
CPO	4,410	3,495	4,578
PK	3,459	2,946	-

YoY% Change	Malaysia	Indonesia	PNG / SI
CPO	-0.3%	-9.1%	-2.7%
PK	-0.8%	1.0%	-

El Nino comments. Currently, management has expressed a cautious tone regarding El Nino weather effects and there were expectations for extreme weather from July onwards. For example, Kalimantan estates which represent a majority of Indonesian operations have been reported as dry since July with Indonesian weather forecasters predicting a drag of six months from July. In addition, PNG/SI have been uncharacteristically dry and 1HCY26 water deficits have been experienced in Malaysia.

Industrial Development. The Group remains optimistic on Industrial Development with 1HFY26 PBIT standing at c.RM689m. The Lambak Estate, Kluang, Johor SPA has been completed for a sale consideration of RM82.8m while management hopes to complete the Bukit Kerayong Estate SPA (RM798.3m) within this FY. Lastly, Kelan Estate Kulai SPA (RM418.5m) has been recently executed on the 11th August 2026 although contributions will likely be felt only next FY.

Outlook. Looking ahead, Upstream earnings will be impacted by supply risks from El Nino, the severity of which will determine both ASPs and productivity. As mentioned in our sector report, our expectations are for moderate-strong El Nino conditions to effect lower monthly FFB yields for 1HCY27 by 7%. We also had raised our average CPO prices to RM4,800/RM4,600 in 1H/2HCY27 respectively. Regarding Downstream, guidance has indicated that margin volatility will remain albeit with expectations of resilient Bulk and Trading performance in 2HFY26. However, soft Differentiated performance is expected to continue as runups in CPO prices hits the subsegment first before other Downstream operations. Lastly, Industrial Development may exceed PATAMI targets of RM500-700m should the Bukit Kerayong SPA be completed within this FY.

Earnings Revision. Taking into account our higher FY26/27 CPO price assumptions and lower monthly FFB yield revisions of 7% for 1HFY27, we raise our earnings forecasts for FY26/27 by 2%/10% respectively.

Valuation. Following our increased earnings forecast, we retain our **BUY** call with a **higher revised target price of RM7.70** (previous RM7.01) based on a P/E of 19.8x on FY27F EPS 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)	2QFY26	2QFY25	YoY (%)	1QFY26	QoQ (%)	6MFY26	6MFY25	YoY (%)
Revenue	4,943	5,169	*(4.4)*	4,690	*5.4*	9,633	9,986	*(3.5)*
EBITDA	1,580	1,156	*36.7*	1,154	*36.9*	2,734	2,338	*16.9*
Pre-tax profit	1,279	783	*63.3*	788	*62.3*	2,067	1,582	*30.7*
PATAMI	987	505	*95.4*	560	*76.3*	1,547	1,072	*44.3*
CNP	533	479	*11.3*	386	*38.1*	919	1,029	*(10.7)*
Core EPS (sen)	8	7	*11.3*	6	*38.1*	13	15	*(10.7)*
EBITDA margin (%)	32.0	22.4		24.6		28.4	23.4	
PBT margin (%)	25.9	15.1		16.8		21.5	15.8	
Core net profit margin (%)	10.8	9.3		8.2		9.5	10.3	

Source: Company, Apex Securities

Segmental Breakdown

FYE Dec (RM m)	2QFY26	2QFY25	YoY (%)	1QFY26	QoQ (%)	6MFY26	6MFY25	YoY (%)
Revenue								
Upstream Malaysia	161	295	*(45.4)*	197	*(18.3)*	358	494	*(27.5)*
Upstream Indonesia	361	354	*2.0*	230	*57.0*	591	689	*(14.2)*
Upstream PNG/SI	62	81	*(23.5)*	96	*(35.4)*	158	140	*12.9*
Upstream	584	730	*(20.0)*	523	*11.7*	1,107	1,323	*(16.3)*
Downstream	4,327	4,419	*(2.1)*	4,146	*4.4*	8,473	8,627	*(1.8)*
Other	53	20	*165.0*	21	*152.4*	74	36	*105.6*
Total	**4,964**	**5,169**	***(4.0)***	**4,690**	***5.8***	**9,654**	**9,986**	***(3.3)***
EBIT								
Upstream Malaysia	215	292	*(26.4)*	133	*61.7*	348	577	*(39.7)*
Upstream Indonesia	221	165	*33.9*	152	*45.4*	373	374	*(0.3)*
Upstream PNG/SI	191	201	*(5.0)*	244	*(21.7)*	435	460	*(5.4)*
Upstream	627	658	*(4.7)*	529	*18.5*	1,156	1,411	*(18.1)*
Downstream	136	126	*7.9*	109	*24.8*	245	202	*21.3*
Other	550	20	*2,650.0*	169	*225.4*	719	9	*7,888.9*
Total	**1,313**	**804**	***63.3***	**807**	***62.7***	**2,120**	**1,622**	***30.7***

Source: Company, Apex Securities

Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
Revenue	**18428**	**19831**	**20895**	**21835**	**22619**
Operating Profit	**2887**	**3286**	**3602**	**4399**	**4685**
EBITDA	**4275**	**4695**	**5041**	**5877**	**6199**
Depreciation & Amortisation	1388	1409	1439	1478	1514
EBIT	**2887**	**3286**	**3602**	**4399**	**4685**
Net Finance Income/ (Cost)	-175	-119	-63	-210	-185
Associates & JV	40	-28	-9	0	0
Pre-tax Profit	**2752**	**3139**	**3530**	**4190**	**4500**
Tax	-719	-796	-842	-1056	-1124
Profit After Tax	**2033**	**2344**	**2688**	**3134**	**3375**
Minority Interest	-173	-180	-185	-185	-185
Net Profit	**1860**	**2164**	**2503**	**2949**	**3190**
Exceptionals	-988	-629	-521	-798	-500
Core Net Profit	**872**	**1535**	**1982**	**2151**	**2690**

Key Ratios

FYE Dec	FY23	FY24	FY25	FY26F	FY27F
EPS (sen)	12.6	22.2	28.7	31.1	38.9
P/E (x)	54.2	30.8	23.8	22.0	17.6
P/B (x)	2.3	2.2	2.3	2.1	2.0
EV/EBITDA (x)	12.2	11.1	10.3	8.6	7.9
DPS (sen)	9.29	16.40	19.46	22.66	24.40
Dividend Yield (%)	1.4%	2.4%	2.8%	3.3%	3.6%
EBITDA margin (%)	23.2%	23.7%	24.1%	26.9%	27.4%
EBIT margin (%)	15.7%	16.6%	17.2%	20.1%	20.7%
PBT margin (%)	14.9%	15.8%	16.9%	19.2%	19.9%
PAT margin (%)	11.0%	11.8%	12.9%	14.4%	14.9%
NP margin (%)	10.1%	10.9%	12.0%	13.5%	14.1%
CNP margin (%)	4.7%	7.7%	9.5%	9.9%	11.9%
ROE (%)	4.3%	7.3%	9.5%	9.6%	11.2%
ROA (%)	2.7%	4.8%	6.2%	6.4%	7.6%
Gearing (%)	25.9%	24.1%	24.1%	21.3%	18.8%
Net gearing (%)	21.8%	21.2%	21.1%	12.7%	5.6%

Valuations	**FY27F**
Core EPS (RM)	0.389
P/E multiple (x)	19.8
Fair Value (RM)	**7.70**
ESG premium/discount	0.0%
Implied Fair Value (RM)	**7.70**

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
Cash	830	625	624	1924	3184
Receivables	2208	2408	2766	2721	2819
Inventories	2664	2842	2802	2883	2914
Other current assets	673	672	348	348	348
Total Current Assets	**6375**	**6547**	**6540**	**7876**	**9266**
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 asset	**25512**	**25500**	**25203**	**25725**	**26211**
Short-term Debt	1701	1742	490	0	0
Payables	2386	2384	2366	2496	2523
Other Current Liabilities	716	304	337	337	337
Total Current Liabilities	**4803**	**4430**	**3193**	**2833**	**2860**
Long-term Debt	3582	3360	4539	4778	4526
Other non-current liabilities	3096	3096	3140	3552	3965
Total Non-current Liabil	**6677**	**6456**	**7679**	**8330**	**8491**
Shareholder's equity	19974	20717	20470	22037	23725
Minority interest	433	443	401	401	401
Equity	**20406**	**21161**	**20871**	**22438**	**24126**

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
Pre-tax profit	**2752**	**3139**	**3530**	**4190**	**4500**
Depreciation & amortisatior	1388	1409	1439	1478	1514
Changes in working capita	723	-644	-498	94	-102
Others	-1789	-1145	-873	-434	-527
Operating cash flow	**3075**	**2759**	**3598**	**5327**	**5385**
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	-1567	-1688
Others	-573	-479	-502	-216	-205
Financing cash flow	**-2244**	**-1684**	**-1943**	**-2034**	**-2144**
Net cash flow	**201**	**-208**	**-13**	**1299**	**1260**
Forex	0	0	0	0	0
Others	-6	3	12	0	0
Beginning cash	635	830	625	624	1924
Ending cash	**830**	**625**	**624**	**1924**	**3184**

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Scope 1, 2, and 3 emissions stood at 10.3 million tonnes tCO2-e (vs FY24: 11.6 million tonnes tCO2-e.)
Waste & Effluent	★★	Total waste generated for direct disposal fell from 187,678 mt to 159,357 mt.
Energy	★★	Mild increase in energy consumption from 41.2m GJ to 41.8m GJ.
Water	★★★	Water consumption rose from 43,647 to 45,638 megalitres in FY25.
Compliance	★★★	In compliance with local and international environmental regulations

Social

Diversity	★★★	52% 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 stood at 3 as compared to last year @ 2 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 FY25, Traceability to Mill (TTM) and Traceability to Plantations (TTP) stood at 98% and 90% respectively. (vs FY24: TTM: 96.9% and TTP 84.9%)
Management	★★	Average board members age @ 60, 3/11 female board composition, 3/11 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

As of **Wednesday, 12 Aug, 2026**, 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.