SD Guthrie Berhad

(5285 | SDG MK) Main | Plantation

Maintain BUY

Unchanged Target Price **RM5.43**

Corporate Update

2QFY25 Results Review: Sustained Earnings Momentum

Maintain BUY with unchanged TP of RM5.43. We are maintaining our **BUY** call with an unchanged **TP of RM5.43** based on FY25F EPS of 24.7sen pegged to a PER of 22x, slightly above 5-year historical average mean. We remain optimistic with its upstream subsegment where recovery in Group's FFB yield projected to reach 19.63Mt/ha level in FY25 (back to pre-pandemic level), supported by the intensive rehabilitation efforts undertaken for the past couple of years in Malaysia area.

Additionally, regulatory risks in Indonesia have limited impact, as the affected hectarage accounts for less than 3% of the group's total area. Meanwhile, the new 19% US tariffs are expected to have minimal effect, as only 2% of the company's exports are directed to the US. The company remains insulated due to strong supply chain routes from PNG and the UK.

Sustained earnings momentum. After adjusting EI's of RM26.0m, 2QFY25 Core PATAMI surged by +12.4%yoy to RM479.0m. The good results attributable by strong upstream contribution (+55.7%yoy), due to higher CPO price PK prices realised, decent group's FFB output (+4.1%yoy) and eased in cost of production. Nonetheless, downstream earnings fell by -40% as narrowed refining margins remain a drag to the downstream business due to high feedstock cost exacerbated by weak market demand.

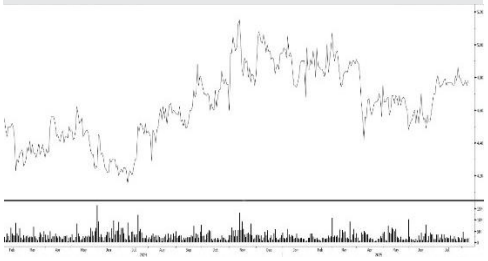
Upstream. The 2QFY25 group's upstream bottom-line remained healthy, holding steady at RM660.0m (+55.7%yoy), driven by higher profit contributions across the 3 countries. Operationally, Malaysia's FFB production inched by +2.0%yoy, as estates productivity improved due to the lower rainfall. While in Indonesia, growth came from the expansion of mature areas, now making up 31% of total planted land. Meanwhile, operations in PNG benefited from favourable weather and smoother field conditions. The group's average CPO and PK realised prices increased to RM4,146/Mt (+2.9%yoy) and RM3,247/Mt (+49.9%yoy), respectively. Meanwhile, the all-in cost of production, estimated to down -7.4%yoy, attributed to the higher OER and oil yield.

Downstream. The downstream's profit settled lower at RM126.0m (-41.7%yoy) in the quarter due to lower profits reported by the Europe operations and the Asia Pacific bulk operations, on the back of margin compression and weaker market demand.

Earnings. We are maintaining our earnings estimate at this juncture, as the results came in broadly within ours circa 60% - taking into account the anticipated weaker performance in 2H25 onwards. Earnings for 2HFY25 are expected to taper off as CPO prices are likely to normalise during the peak production period, following the increase in closing stockpiles.

RETURN STATISTICS	
Price @ 07 Aug 2025 (RM)	4.77
Expected share price return (%)	+13.9
Expected dividend yield (%)	+3.1
Expected total return (%)	+17.1

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.2	-0.3
3months	3.0	2.4
12 months	7.4	10.6

INVESTMENT STATISTICS

FYE Dec	2025E	2026F	2027F
Revenue	18,611.5	17,835.8	17,232.1
Operating Profit	2,751.0	2,872.3	2,721.2
PBT	2,678.0	2,799.3	2,648.2
PATAMI	1,708.1	1,791.1	1,687.7
EPS (sen)	24.7	25.9	24.4
DPS (sen)	15.0	15.0	15.0
Dividend Yield (%)	3.1%	3.1%	3.1%

KEY STATISTICS

FBM KLCI	1,549.11
Issue shares (m)	6,915.71
Estimated free float (%)	43.80
Market Capitalisation (RM'm)	32,987.96
52-wk price range	RM4.33 - RM5.19
3-mth average daily volume (m)	2.66
3-mth average daily value (RM'm)	12.40
Top Shareholders (%)	
ASNB	53.24
EPF	16.85
KWAP	7.39

SD Guthrie: 2QFY25 Results Summary

FYE Dec (RM'm)	Quarterly results					Cumulatively results		
	2QFY24	2QFY25	2QFY25	QoQ (%)	YoY (%)	1H24	1H25	YoY (%)
Revenue	4,965.0	4,817.0	5,169.0	7.3	4.1	9,307.0	9,986.0	7.3
Operating profit	620.0	826.0	802.0	-2.9	29.4	1,010.0	1,628.0	61.2
Associates & JVs	10.0	-5.0	2.0	>100	-80.0	-5.0	-6.0	NM
PBT	596.0	800.0	783.0	-2.1	31.4	941.0	1,582.0	68.1
Tax Expense	-136.0	-183.0	-234.0	27.9	72.1	-229.0	-417.0	NM
PATAMI	416.0	568.0	505.0	-11.1	21.4	626.0	1,072.0	71.2
Core PATAMI	426.0	551.0	479.0	-13.1	12.4	654.0	1,029.0	57.3
Core EPS (sen)	6.2	8.0	7.0	-13.1	12.4	9.5	14.9	57.3
Growth & Margin (%)				+/- ppts				+/- ppts
OP margin (%)	12.5	17.1	15.5	-1.6	3.0	10.9	16.3	5.5
PBT margin (%)	12.0	16.6	15.1	-1.5	3.1	10.1	15.8	5.7
Core PATAMI margin (%)	8.6	11.4	9.3	-2.2	0.7	7.0	10.3	3.3
Effective tax rate (%)	23.2	22.7	30.0	7.2	6.8	24.2	26.3	2.1

Source: Company, MIDFR

SD Guthrie: Segmental Breakdown & Operational Stats.

FYE Dec (RM'm)	Quarterly results					Cumulatively results		
	2QFY24	1QFY25	2QFY25	QoQ (%)	YoY (%)	1H24	1H25	YoY (%)
Revenue (RM'm):								
Group Upstream	4,965	4,817	5,169	7.3	4.1	9,307	9,986	7.3
Upstream Malaysia	659.0	593.0	730.0	23.1	10.8	1,099.0	1,323.0	20.4
Upstream Indonesia	289.0	199.0	295.0	48.2	2.1	462.0	494.0	6.9
Upstream PNG	259.0	335.0	354.0	5.7	36.7	465.0	689.0	48.2
Downstream	111.0	59.0	81.0	37.3	-27.0	172.0	140.0	-18.6
Other Operations	4,281.0	4,208.0	4,419.0	5.0	3.2	8,151.0	8,627.0	5.8
Recurring Operating Profit								
Group Upstream	424.0	753.0	660.0	-12.4	55.7	1,037.0	1,628.0	57.0
Upstream Malaysia	206.0	285.0	294.0	3.2	42.7	324.0	579.0	78.7
Upstream Indonesia	107.0	209.0	165.0	-21.1	54.2	191.0	374.0	95.8
Upstream PNG	111.0	259.0	201.0	-22.4	81.1	174.0	460.0	>100
Downstream	216.0	81.0	126.0	55.6	-41.7	351.0	207.0	-41.0
Other Operations	-3.0	-7.0	16.0	>100	>100	-3.0	9.0	>100
FFB Production '000 Mt								
Group Upstream	2,195	2,006	2,285	13.9	4.1	4,174	4,291	2.8
Upstream Malaysia	1,199	972	1,221	25.6	1.8	2,241	2,193	-2.1
Upstream Indonesia	527	561	574	2.3	8.9	1,034	1,135	9.8
Upstream PNG	469	473	490	3.6	4.5	899	963	7.1
CPO Production (own) '000 Mt								
Group Upstream	458	424	483	13.9	5.5	878	907	3.3
Upstream Malaysia	244	198	254	28.3	4.1	459	452	-1.5
Upstream Indonesia	111	118	121	2.5	9.0	221	239	8.1
Upstream PNG	103	108	108	0.0	4.9	198	216	9.1
Average CPO Price Realised (RM/Mt)								
Average Group	4,029	4,576	4,146	-9.4	2.9	3,961	4,339	9.5
Upstream Malaysia	4,135	4,693	4,232	-9.8	2.3	4,068	4,423	8.7
Upstream Indonesia	3,691	4,062	3,643	-10.3	-1.3	3,675	3,845	4.6
Upstream PNG	4,146	4,938	4,494	-9.0	8.4	4,044	4,706	16.4

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2023A	2024A	2025E	2026F	2027F	Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	18,427.9	19,831.0	18,611.5	17,835.8	17,232.1	PAT	2,033.4	2,343.0	1,929.6	2,016.9	1,908.1
Operating Profit	2,887.4	3,286.3	2,751.0	2,872.3	2,721.2	Operating cash flow	3,075.0	2,757.4	2,911.3	3,587.1	3,455.3
PBT	2,752.5	3,139.3	2,678.0	2,799.3	2,648.2	Investing cash flow	-629.8	-1,280.0	-1,500.0	-1,500.0	-1,500.0
PATAMI	1,869.7	2,164.4	1,708.1	1,791.1	1,687.7	Financing cash flow	-2,244.1	-1,685.0	-885.7	-816.6	-816.6
Core PATAMI	907.7	1,522.4	1,708.1	1,791.1	1,687.7	Net cash flow	201.1	-207.6	525.6	1,270.6	1,138.8
EPS (sen)	13.1	22.0	24.7	25.9	24.4	Beginning cash flow	635.0	830.4	625.8	1,151.4	2,422.0
PER (x)	36.3	21.7	19.3	18.4	19.5	Ending cash flow	830.4	625.8	1,151.4	2,421.9	3,560.7
DPS (sen)	15.0	16.4	15.0	15.0	15.0						
Dividend yield (%)	3.1	3.4	3.1	3.1	3.1						

Balance Sheet (RM'm)	2023A	2024A	2025E	2026F	2027F	Margins	2023A	2024A	2025E	2026F	2027F
PPE	19,145.3	19,365.0	19,567.5	19,756.5	19,932.8	OP margin	15.7%	16.6%	14.8%	16.1%	15.8%
Right-of-use Assets	2,060.5	1,959.0	1,861.1	1,768.0	1,679.6	PBT margin	14.9%	15.8%	14.4%	15.7%	15.4%
Deferred tax assets	442.9	451.0	451.0	451.0	451.0	PATAMI margin	10.1%	10.9%	9.2%	10.0%	9.8%
Non-current assets	25,511.7	25,500.0	25,780.8	25,838.8	25,891.3	Core PATAMI margin	4.9%	7.7%	9.2%	10.0%	9.8%
Inventories	2,663.9	2,842.0	2,312.0	2,215.6	2,140.6						
Trade receivables	2,207.5	2,408.0	2,983.4	2,859.1	2,762.3						
Derivative assets	33.6	30.0	30.0	30.0	30.0						
Current assets	6,208.9	6,395.9	6,966.9	8,016.8	8,983.8						
Total Assets	31,886.5	32,061.8	32,913.5	34,021.4	35,040.9						
Loans & borrowings	1,700.6	1,742.0	1,742.0	1,742.0	1,742.0						
Trade & other payables	2,385.8	2,384.0	2,099.4	2,011.9	1,943.8						
Current liabilities	4,790.5	4,419.0	4,134.4	4,046.9	3,978.8						
Non-current liabilities	6,677.3	6,456.4	6,522.9	6,517.9	6,514.0						
Equity	20,406.4	21,160.8	22,863.7	24,064.0	25,155.6						
Liabilities & equity	31,886.5	32,061.8	32,913.5	34,021.4	35,040.9						

Source: Bloomberg, MIDFR

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STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology