SD Guthrie Berhad

(5285 | SDG MK) Main | Plantation

Corporate Update

Partnering with Gamuda

Downgrade to NEUTRAL call with an unchanged TP of RM5.43. We downgrade our BUY call to **NEUTRAL** as we believe that positives have been priced in. Meanwhile, maintaining our **TP of RM5.43**, pegged to PER of 22x - nearly 5y average mean based on FY25F EPS of 24.7sen. Pending further clarity on the earnings guidance of this collaboration. We are positive on this development, as the partnership is well-positioned to support SDG's growth outside its core business. It offers diversification into RE while unlocking the value of its unproductive and underutilised land nationwide by leveraging its partner's expertise in the sector.

Partnering Gamuda to develop asset power of 1.2GW. SDG announced a collaboration with Gamuda Energy Sdn Bhd to develop, own and operate up to 1.2GW of solar power assets, including energy storage. We expect the venture to be housed in a newly formed SPV to be announced. The JV will commence master planning and screen SDG's unproductive or under-utilised land nationwide for solar deployment. No details were disclosed on site locations, timeline, shareholding structure, or land contribution/pricing as its still in preliminary stage.

Unlocking SD Guthrie vast landbank. With roughly 285,000 ha planted in Malaysia, SD Guthrie is the second-largest planter after FGVH. The tie-up with Gamuda repurposes under-utilised or low-margin estate land into capital-efficient, scalable solar sites. Deployment is likely to focus on past-prime blocks (palm trees that >22 years) and unplanted areas, which are estimated to make up of 12% and 6-7% of SDG Malaysian estates, respectively. This keeps plantation activities intact as SDG monetises idle land, unlocks value from non-core areas, and improves its ESG credentials.

Notably, at full build-out of 1.2GW, this is equivalent to 6% of Peninsular peak demand of 21GW, in May-2025, supporting Malaysia's push from mid-20s% RE capacity as of today toward 40% by 2035 ambitions by NETR.

Earnings Forecast. Maintain for now, pending further updates from management. We anticipate, any contribution from the development will be unlikely to materialise in near term, aside if there were a potential land disposal gains, which we view as non-core.

Valuation. We downgrade our call to NEUTRAL (from BUY) as positives have been priced in. We maintain our TP of RM5.43, pegged to PER of 22x - nearly 5y average mean based on FY25F EPS of 24.7sen. We believe PE remains a fair valuation for the stock, as non-performing or early-stage segments (like RE or industrial) may drag down consolidated margins or inflate asset values (if using P/BV or SOTP), making PE a more suitable multiple, while preventing unjustified valuation uplift. This is particularly relevant given that SDG significant contributor; PO is a cyclical sector, with earnings closely tied to CPO prices movement.

Downgrade to **NEUTRAL**
(from BUY)
Unchanged Target Price **RM5.43**

RETURN STATISTICS	
Price @ 20 Aug 2025 (RM)	5.13
Expected share price return (%)	+5.9
Expected dividend yield (%)	+2.9
Expected total return (%)	+8.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	7.5	3.2
3months	10.6	7.8
12 months	11.3	14.6

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 (%)	2.9%	2.9%	2.9%

KEY STATISTICS

FBM KLCI	1,588.21
Issue shares (m)	6,915.71
Estimated free float (%)	43.80
Market Capitalisation (RM'm)	35,477.62
52-wk price range	RM4.22 - RM5.21
3-mth average daily volume (m)	2.60
3-mth average daily value (RM'm)	12.25
Top Shareholders (%)	
ASNB	53.15
EPF	16.87
KWAP	7.39

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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)	39.1	23.3	20.8	19.8	21.0	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 (%)	2.9	3.2	2.9	2.9	2.9						

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, MBSBR

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MBSB INVESTMENT BANK (formerly known MIDF INVESTMENT BANK): GUIDE TO RECOMMENDATIONS

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