SD Guthrie Berhad

(5285 | SDG MK) Main | Plantation

Corporate Update

Maintain BUY

Revised Target Price to **RM7.65**
(from RM7.00)

2QFY26 Results Review: Within Expectations

Maintain BUY. We maintain our **BUY** call on SD Guthrie, with a revised SOP-based TP of **RM7.65**, incorporating higher CPO price assumptions for FY26-27F. Our conviction is reinforced by resilient Asia Pacific bulk operations and recurring land monetisation gains of at least RM500m p.a. over the next 5 years. Upstream prospects are equally encouraging, with FFB yields recovering towards 17–22 Mt/ha through 1HFY27, while largely secured fertiliser requirements provide better cost visibility despite elevated input prices.

1HFY26 earnings. After Adjusting for EI of RM88.0m, 1HFY26 Core PATAMI of RM898.0m came in within/above our/Street expectations at 50.6%/61.1% of FY26 estimates. Performance was supported by stronger Indonesia upstream earnings, steady OER and land monetisation gains, while downstream earnings rebounded +11.9%yoy on improved Asia Pacific bulk margins.

Upstream. The Group's 2QFY26 upstream performance was a mixed bag, with operating profit from PNG/SI and Malaysia weakening by single-to-double digits, partly cushioned by a steady Indonesia segment. This came despite higher average CPO and PK realised prices of RM4,283/tonne (+3.3%yoy) and RM3,436/tonne (+5.8%yoy), respectively, as the pricing upside was largely offset by elevated production costs, particularly higher fertiliser prices. Comparatively, 2QFY25 realised prices were softer, partly reflecting weaker biodiesel-led sentiment following Indonesia's B40 implementation.

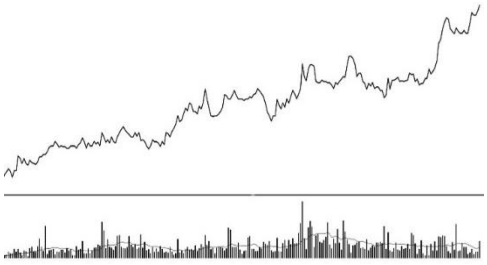
Downstream. Downstream operating profit improved to RM141.0m (+11.9%yoy), driven by a recovery in Asia Pacific bulk operations on improved margins. This had more than cushioned weaker differentiated operations across Asia Pacific and Europe, dragged by softer demand and lower margins, alongside a higher share of JV losses during the quarter.

Industrial development. Operating Profit for the segment jumped to RM603.0m (>100%yoy), derived from completion of the disposal of 935 acres of land in its Kulai estate, Johor, to Eco Business Park 8 Sdn. Bhd. (EBP8) for industrial park development.

Earnings. We raise our FY26-28F earnings forecasts by +2.5%/ +5.5%/ +12.0% to RM2.83b/ RM2.78b/ RM2.40b, respectively, reflecting revised CPO ASPs of RM4,400-4,350/Mt, a circa 20% OER, modest FFB growth and a minimum RM500m p.a. recurring land disposal gains, partly offset by higher production costs c. RM2,700-2,600/tonne amid elevated fertiliser prices.

RETURN STATISTICS	
Price @ 11th August 2026 (RM)	6.91
Expected share price return (%)	+10.7
Expected dividend yield (%)	+2.8
Expected total return (%)	+13.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	9.0	6.7
3 months	13.7	12.6
12 months	38.5	25.3

INVESTMENT STATISTICS

FYE Dec	2026E	2027F	2028F
Revenue	21,883.6	22,163.0	22,126.4
Operating Profit	3,757.9	3,808.1	3,532.4
PBT	3,684.9	3,735.0	3,459.4
Core PATAMI	2,896.8	2,931.1	2,742.6
EPS (sen)	41.9	42.4	39.7
DPS (sen)	19.5	19.5	19.5
Dividend Yield (%)	2.8	2.8	2.8

KEY STATISTICS

FBM KLCI	1,731.46
Issue shares (m)	6,915.71
Estimated free float (%)	57.37
Market Capitalisation (RM'm)	47,026.86
52-wk price range	RM4.85 – RM6.94
3-mth average daily volume (m)	9.81
3-mth average daily value (RM'm)	60.94
Top Shareholders (%)	
ASNB	40.42
EPF	18.39
KWAP	7.33

Land disposal. SDG also announced the proposed disposal of 556.98 acres in Mukim Senai to Sime Darby Property for RM418.51m, of which 92.6% comprises land planted with >19-year-old palms. The cash consideration translates to RM17.25/sf, an 8.4% premium to the independent valuation of RM15.92/sf (RM374.7m), which we deem fair given its location, sizeable acreage and accessibility within Senai. Unlike SDG's previous industrial land monetisation via JVs, which were structured to generate recurring and earnings-accretive contributions over the longer term, no JV structure is set up for this disposal, as the land is earmarked for residential/property development. Gains could be recognised in 2Q-2HFY27 according to the management. Based on 2QFY26 results, assuming the proceeds are used to pare down borrowings, net debt could fall from RM7.5b to RM6.6b, with net gearing easing to 0.34x (from 0.37x), based on our estimate.

Table 1: SD Guthrie: 2QFY26 Results Summary

FYE Dec (RM'm)	Quarterly results					Cumulatively results		
	2QFY25	1QFY26	2QFY26	QoQ (%)	YoY (%)	1HFY25	1HFY26	YoY (%)
Revenue	5,169.0	4,690.0	4,943.0	5.4	-4.4	9,986.0	9,633.0	-3.5
Operating profit	802.0	804.0	1,233.0	53.4	53.7	1,628.0	2,037.0	25.1
PBT	783.0	789.0	1,278.0	62.0	63.2	1,582.0	2,067.0	30.7
Tax Expense	-234.0	-184.0	-267.0	45.1	14.1	-417.0	-451.0	NM
PATAMI	505.0	561.0	986.0	75.8	95.2	1,072.0	1,547.0	44.3
Core PATAMI	479.0	531.0	898.0	69.1	87.5	1,029.0	1,429.0	38.9
Core EPS (sen)	7.0	7.7	13.0	69.1	87.5	14.9	20.7	38.9
Growth & Margin (%)				+/- ppts				+/- ppts
OP margin (%)	15.5	17.1	24.9	7.8	9.4	16.3	21.1	4.8
PBT margin (%)	15.1	16.8	25.9	9.0	10.7	15.8	21.5	5.6
Core PATAMI margin (%)	9.3	11.3	18.2	6.8	8.9	10.3	14.8	4.5
Effective tax rate (%)	30.0	23.4	20.8	-2.6	-9.1	26.3	22.7	-3.5

Table 2: SD Guthrie: Segmental Breakdown & Operational Stats.

FYE Dec (RM'm)	Quarterly results					Cumulatively results		
	2QFY25	1QFY26	2QFY26	QoQ (%)	YoY (%)	1HFY25	1HFY26	YoY (%)
Revenue (RM'm):								
Group Upstream	730.0	523.0	584.0	11.7	-20.0	1,323.0	1,107.0	-16.3
Upstream Malaysia	295.0	197.0	161.0	-18.3	-45.4	494.0	358.0	-27.5
Upstream Indonesia	354.0	230.0	361.0	57.0	2.0	689.0	591.0	-14.2
Upstream PNG	81.0	96.0	62.0	-35.4	-23.5	140.0	158.0	12.9
Downstream	4,419.0	4,146.0	4,327.0	4.4	-2.1	8,627.0	8,473.0	-1.8
Other Operations	20.0	18.0	27.0	50.0	35.0	36.0	45.0	25.0
Recurring Operating Profit								
Group Upstream	660.0	529.0	627.0	18.5	-5.0	1,628.0	2,037.0	25.1
Upstream Malaysia	294.0	133.0	215.0	61.7	-26.9	579.0	348.0	-39.9
Upstream Indonesia	165.0	152.0	221.0	45.4	33.9	374.0	373.0	-0.3
Upstream PNG	201.0	244.0	191.0	-21.7	-5.0	460.0	435.0	-5.4
Downstream	126.0	106.0	141.0	33.0	11.9	207.0	247.0	19.3
Other Operations	16.0	7.0	19.0	>100	18.8	9.0	26.0	>100
FFB Production '000 Mt								
Group Upstream	2,285	1,910	2,291	19.9	0.3	4,291	4,201	-2.1
Upstream Malaysia	1,221	955	1,146	20.0	-6.1	2,193	2,101	-4.2
Upstream Indonesia	574	505	650	28.7	13.2	1,135	1,155	1.8
Upstream PNG	490	450	495	10.0	1.0	963	945	-1.9
Avg CPO Price Realised (RM/Mt)								
Average Group	4,146	4,115	4,283	4.1	3.3	4,339	4,209	-3.0
Upstream Malaysia	4,232	4,241	4,534	6.9	7.1	4,423	4,410	-0.3
Upstream Indonesia	3,643	3,562	3,443	-3.3	-5.5	3,845	3,495	-9.1
Upstream PNG	4,494	4,431	4,713	6.4	4.9	4,706	4,578	-2.7

Source: Company, MBSBR

Table 3: FINANCIAL SUMMARY

Income Statement (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	19,831.0	20,894.7	21,883.6	22,163.0	22,126.4
Operating Profit	3,286.3	3,601.9	3,757.9	3,808.1	3,532.4
PBT	3,139.3	3,530.1	3,684.9	3,735.0	3,459.4
PATAMI	2,163.8	2,503.0	2,396.8	2,431.1	2,242.6
Core PATAMI	1,521.8	2,843.0	2,896.8	2,931.1	2,742.6
EPS (sen)	22.0	41.1	41.9	42.4	39.7
PER (x)	31.4	16.8	16.5	16.3	17.4
DPS (sen)	16.4	18.1	19.5	19.5	19.5
Dividend yield (%)	2.4	2.6	2.8	2.8	2.8

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
PAT	2,343.5	2,688.3	2,654.5	2,690.6	2,492.2
Operating cash flow	2,758.6	3,317.7	3,969.3	4,120.5	3,976.3
Investing cash flow	(1,282.2)	(1,541.3)	(1,500.0)	(1,500.0)	(1,500.0)
Financing cash flow	(1,684.3)	(1,790.1)	(1,473.6)	(1,473.6)	(1,473.6)
Net cash flow	(207.9)	(13.7)	995.7	1,146.9	1,002.7
Beginning cash flow	830.4	625.4	623.7	1,619.4	2,766.3
Ending cash flow	625.4	623.7	1,619.4	2,766.3	3,769.0

Balance Sheet (RM'm)	2024A	2025A	2026E	2027F	2028F
Cash	625.4	623.7	1,619.4	2,766.3	3,769.0
Receivable	2,470.0	2,813.5	2,946.7	2,984.3	2,979.4
Inventories	2,841.7	2,801.9	2,934.5	2,972.0	2,967.1
PPE	21,575.8	21,372.3	21,444.8	21,510.1	21,568.8
Others	4,534.1	4,131.4	4,092.8	4,054.9	4,017.8
Assets	32,047.0	31,742.9	33,038.2	34,287.6	35,302.0
Payables	2,437.2	2,416.8	2,531.2	2,563.5	2,559.3
Debt	5,320.5	5,251.8	5,251.8	5,251.8	5,251.8
Others	3,128.7	3,203.5	3,203.5	3,203.5	3,203.5
Liabilities	10,886.4	10,872.1	10,986.4	11,018.8	11,014.5
Shareholder's equity	18,486.0	18,238.5	19,286.7	20,369.2	21,263.2
Perpetual sukuk	2,231.4	2,231.4	2,231.4	2,231.4	2,231.4
Minority interests	443.3	400.9	533.7	668.2	792.8
Equity & Liabilities	32,047.0	31,742.9	33,038.2	34,287.6	35,302.0
Liabilities & equity	18,486.0	18,238.5	19,286.7	20,369.2	21,263.2

Margins	2024A	2025A	2026E	2027F	2028F
OP margin	16.6%	17.2%	17.2%	17.2%	16.0%
PBT margin	15.8%	16.9%	16.8%	16.9%	15.6%
PATAMI margin	10.9%	12.0%	11.0%	11.0%	10.1%
Core PATAMI margin	7.7%	13.6%	13.2%	13.2%	12.4%

Source: Bloomberg, MBSBR

Table 4: SOP Valuation

	Basis	Valuation RMm
Plantation	At 20.6x projected FY27F net profit	50,080.6
Property development	20% Discount to RNAV	2,822.7
Total		**52,903.3**
Issued shares (m)		6,915.7
Sum-of-parts TP (RM/share)		**7.65**

Source: MBSBR

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MBSB 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