



SD Guthrie Berhad

(5285 | SDG MK) Main | Plantation

Maintain NEUTRAL

Downstream Recovery Remains Intact

Revised Target Price: RM4.80
(Previously RM4.18)

KEY INVESTMENT HIGHLIGHTS

- Earnings reported slightly above expectation
- Upstream; improved production mostly in Malaysia side
- Downstream; recovery in PPO demand continued
- Earnings estimates; revised higher
- Maintain NEUTRAL with a revised TP of RM4.80

Above expectation. 2QFY24's core earnings jumped to RM415.0m (>50%yoy) with margins expanding to 8.4% (+2.5pts), due to higher operating profit in Malaysia's upstream subsegment following the recovery of FFB and elevated average CPO prices realised. The optimism, however, was offset by the situation in Indonesia and PNG area, where crops were impacted by continuation of dry weather due to EL-Nino and heavy rainfall in earlier part of the year. Nonetheless, refinery profit continues its uptick, rising to RM111.0m (>100%yoy) on recovery demand of PPO products. Overall, the results were slightly above ours but below consensus expectations, accounting for 56% and 44% of respective full-year estimates.

Upstream. The group's upstream top and bottom-line remain strong, where both surged to RM659.0m (+49.8%qoq, +44.2%yoy) and RM637.0m (+59.3%qoq, +96.6%yoy), respectively, following higher profit contributions from Malaysia and Indonesia side. Operationally, Malaysia's FFB production continued its recovery, with double digit growth. This optimism, however, was tapered by Indonesia side where production was down by -22.3%yoy due to ongoing dry weather situation. Note that, group's average CPO and PK realised prices increased to RM4,029/Mt (+7.8%yoy) and RM2,166/Mt (+22.6%yoy). All-in cost of production on the other hand, remains on the high side, in which estimated nearly RM3,000/Mt (+11.8%yoy).

Downstream. The downstream's profit jumped significantly higher to RM111.0.0m (>100%yoy) thanks to the decent sales volume and steady utilisation rate in differentiated and trading segment. Profit from differentiated (Oleo based) strengthened, driven by improved margins in European operations on the back of higher selling prices.

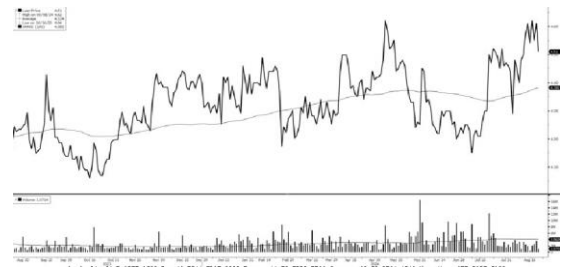
Earnings estimates. We are tweaking our earnings forecasts higher, approximately by +5.4%yoy/+10.9%yoy/+12.7%yoy for FY24-25F, after considering new average CPO TP price revision of RM3,800/Mt and RM3,600/Mt as well lower FFB production and yield on Indonesia side.

Maintain NEUTRAL. We maintain our **NEUTRAL** call with a revised TP of **RM4.80** pegged to PER of 25.0x which nearly 5y average mean based on FY24F EPS of 19.2sen. We remain optimistic with its upstream subsegment where recovery in Group's FFB yield projected to touch 19.00Mt/ha level in FY24, due to the intensive rehabilitation efforts

RETURN STATISTICS

Price @ 21 st Aug 2024 (RM)	4.51
Expected share price return (%)	+6.51
Expected dividend yield (%)	+1.77
Expected total return (%)	+8.28

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.9	0.1
3 months	6.9	0.3
12 months	4.0	-7.6


INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	17,305.6	16,421.9	15,676.3
Operating Profit	2,053.9	2,196.5	2,329.2
Profit Before Tax	1,982.6	2,123.5	2,256.2
Core PATAMI	1,218.1	1,328.8	1,419.6
Core EPS	17.6	19.2	20.5
DPS	10.0	10.0	10.0
Dividend Yield	2.2	2.2	2.2

KEY STATISTICS

FBM KLCI	1,635.3
Issue shares (m)	6,915.7
Estimated free float (%)	37.0
Market Capitalisation (RM'm)	31,189.9
52-wk price range	RM4.11-RM4.73
3-mth average daily volume (m)	3.97
3-mth average daily value (RM'm)	17.22
Top Shareholders (%)	
ASNB	53.32
EPF Board	16.33
KWAP	6.71

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undertaken last year in Malaysia side. Additionally, downstream prospects look promising on reversal of PPO products demand, in Europe and Asia Pacific regions. However, the downside risk remains on Indonesia area, where production have been sluggish due to the prolonged dry weather, this has led to higher cost of production following fixed costs items remained. 

SD Guthrie: 2QFY24 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulative		
	2QFY23	1QFY24	2QFY24	QoQ%	YoY%	1HFY23	1HFY24	Ytd%
Income Statement								
Revenue	4,305.0	4,342.0	4,965.0	14.3	15.3	8,374.0	9,307.0	11.1
Operating profit	520.0	390.0	620.0	59.0	19.2	821.0	1,010.0	23.0
Associates & JVs	7.0	-14.0	9.0	>100	28.6	9.0	-5.0	NM
PBT	481.0	346.0	595.0	72.0	23.7	736.0	941.0	27.9
Tax expense	-59.0	-93.0	-136.0	46.2	>100	-206.0	-229.0	NM
PATAMI	380.0	211.0	415.0	96.7	9.2	449.0	626.0	39.4
Core PATAMI	253.0	229.0	415.0	81.2	64.0	359.0	644.0	79.4
Core EPS (sen)	3.7	3.3	6.0	81.2	64.0	5.2	9.3	79.4
				-/+ppt				
Operating profit margin (%)	12.1	9.0	12.5	3.5	0.4	9.8	10.9	1.0
PBT margin (%)	11.2	8.0	12.0	4.0	0.8	8.8	10.1	1.3
Core PATAMI margin (%)	5.9	5.3	8.4	3.1	2.5	4.3	6.9	2.6

*NM *Not Meaningful*

SEGMENTAL BREAKDOWN & AVERAGE CPO PRICE REALISED

FYE Dec (RM'm)	Quarterly					Cumulative		
	2QFY23	1QFY24	2QFY24	QoQ%	YoY%	1HFY23	1HFY24	Ytd%
Revenue								
Group Upstream	457.0	440.0	659.0	49.8	44.2	1,119.0	1,099.0	-1.8
Upstream Malaysia	206.0	173.0	289.0	67.1	40.3	525.0	462.0	-12.0
Upstream Indonesia	220.0	206.0	259.0	25.7	17.7	514.0	465.0	-9.5
Upstream PNG	31.0	61.0	111.0	82.0	>100	80.0	172.0	>100
Downstream	3,825.0	3,870.0	4,281.0	10.6	11.9	7,187.0	8,151.0	13.4
Other operations	23.0	32.0	25.0	-21.9	8.7	68.0	57.0	-16.2
Recurring Operating Profit								
Group Upstream	324.0	400.0	637.0	59.3	96.6	625.0	1,037.0	65.9
Upstream Malaysia	188.0	265.0	424.0	60.0	>100	408.0	689.0	68.9
Upstream Indonesia	-25.0	118.0	206.0	74.6	>100	-46.0	324.0	>100
Upstream PNG	163.0	84.0	107.0	27.4	-34.4	268.0	191.0	-28.7
Downstream	50.0	63.0	111.0	76.2	>100	186.0	174.0	-6.5
Other operations	118.0	135.0	216.0	60.0	83.1	184.0	351.0	90.8
FFB Production '000 Mt								
Group Upstream	2,036	1,979	2,195	10.9	7.8	3,859	4,174	8.2
Upstream Malaysia	871	1,042	1,199	15.1	37.7	1,656	2,241	35.3
Upstream Indonesia	678	507	527	3.9	-22.3	1,244	1,034	-16.9
Upstream PNG	487	430	469	9.1	-3.7	959	899	-6.3
CPO Price Realised (RM/Mt)								
Average Group	3,736	3,880	4,029	3.8	7.8	3,824	3,961	3.6
Upstream Malaysia	4,096	3,982	4,135	3.8	1.0	4,119	4,068	-1.2
Upstream Indonesia	3,238	3,656	3,691	1.0	14.0	3,342	3,675	10.0
Upstream PNG	3,889	3,924	4,146	5.7	6.6	3,968	4,044	1.9

Source: SD Guthrie, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	21,029.7	18,427.9	17,305.6	16,421.9	15,676.3
Operating Profit / EBIT	3,562.9	2,887.4	2,053.9	2,196.5	2,329.2
PBT	3,492.2	2,752.5	1,982.6	2,123.5	2,256.2
PATAMI	2,488.1	1,860.0	1,218.1	1,328.8	1,419.6
Core PATAMI	2,173.1	909.0	1,218.1	1,328.8	1,419.6
Core EPS (sen)	31.4	13.1	17.6	19.2	20.5
PER (x)	14.4	34.3	25.6	23.5	22.0
DPS (sen)	16.0	15.0	10.0	10.0	10.0
Dividend yield (%)	3.6	3.3	2.2	2.2	2.2
Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
PPE	17,800.4	19,145.3	19,362.6	19,565.3	19,754.4
Right-of-use assets	2,007.7	2,060.5	1,957.4	1,859.6	1,766.6
Non-current assets	23,908.5	25,511.7	25,762.5	25,827.6	25,886.2
Inventories	2,778.4	2,663.9	2,149.7	2,040.0	1,947.3
Biological assets	180.3	175.3	175.3	175.3	175.3
Trade & other receivables	2,602.6	2,207.5	2,774.1	2,632.5	2,512.9
Current assets	6,588.6	6,208.9	6,191.0	6,734.3	7,396.1
Total Assets	31,148.1	31,886.5	32,119.4	32,727.8	33,448.2
Loans & borrowings	2,463.8	1,700.6	1,700.6	1,700.6	1,700.6
Trade & other payables	2,444.0	2,385.8	1,952.1	1,852.4	1,768.3
Current liabilities	31,148.1	31,886.5	32,119.4	32,727.8	33,448.2
Loans & borrowings	3,632.7	3,581.7	3,581.7	3,581.7	3,581.7
Lease liabilities	147.4	194.0	194.0	194.0	194.0
Non-current liabilities	6,719.0	6,677.3	6,731.7	6,726.0	6,721.2
Liabilities & equity	31,148.1	31,886.5	32,119.4	32,727.8	33,448.2
Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PAT	2,683.3	2,033.4	1,428.8	1,530.3	1,625.9
Cash flow from operations	3,644.4	3,075.0	2,246.3	3,111.3	3,190.5
Cash flow from investing	-1,215.2	-629.8	-1,500.0	-1,500.0	-1,500.0
Cash flow from financing	-2,397.5	-2,244.1	-816.6	-816.6	-816.6
Net cash flow	31.7	201.1	-70.3	794.7	873.9
Beginning cash flow	602.6	635.0	830.4	760.1	1,554.8
Ending cash flow	635.0	830.4	760.1	1,554.8	2,428.7
Profitability Margins	2022A	2023A	2024E	2025F	2026F
Operating Profit / EBIT margin	16.9%	15.7%	11.9%	13.4%	14.9%
PBT margin	16.6%	14.9%	11.5%	12.9%	14.4%
Core PATMI margin	10.3%	4.9%	7.0%	8.1%	9.1%

Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
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	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

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