



## SD Guthrie Berhad

(5285 | SDG MK) Main | Plantation

### Malaysia Contribution Remain Steadfast

#### KEY INVESTMENT HIGHLIGHTS

- **Earnings reported above expectation**
- **Upstream; improved production mostly in Malaysia side**
- **Downstream; recovery in PPO a bit sluggish**
- **Earnings estimates; revised higher**
- **Upgrade to BUY with a revised TP of RM5.43**

**Above expectation.** The 9MFY24's core earnings rebounded higher to RM1.0b (+39.8%yoy) with margins expanding to 7.0% (+1.4pts), supported by both the Upstream and Downstream subsegments. The recurring profit subsegment grew by double digits, although contribution from downstream subsegment was weaker in 3QFY24. However, the pessimism was offset by the recovery of FFB and elevated average CPO prices realised in Malaysia. Overall, the results were above ours and within consensus forecasts, accounting for 83% and 73% of the respective full-year estimates.

**Upstream.** The 9MFY24 group's upstream bottom-line remained strong, surging to RM1.3b (+39.8%yoy) on higher profit contributions from Malaysia. Operationally, Malaysia's FFB production continued its recovery, showing double-digit growth. However, this optimism was tapered by Indonesia side where production declined by -20.0%yoy due lagging IL-Niño effect and dry weather conditions in recent months. The group's average CPO and PK realised prices increased to RM3,957/Mt (+4.0%yoy) and RM2,194/Mt (+25.0%yoy), respectively. On the other hand, the all-in cost of production remains high, estimated nearly RM2,500/Mt (+23.2%yoy), attributed to the fall in FFB and CPO volume production amidst fixed costs of production.

**Downstream.** The downstream's profit settled higher at RM477.0m (+21.4%yoy) thanks to the decent sales volume and steady utilisation rate in differentiated and trading segment in the 1H24. However, the results were weaker in this quarter due to softer profits from the differentiated refineries in Asia Pacific and European regions, impacted by lower margins, and lower share of profit from a joint venture.

**Earnings estimates.** We are tweaking our earnings forecasts higher, approximately by +2.5%yoy/+28.5%yoy/+26.2%yoy for FY24E-26F, after considering new average CPO TP price revision of RM4,200/Mt, RM4,300/Mt and RM4,000/Mt (previously RM4,000/Mt, RM3,800/Mt and RM3,400/Mt). Our adjustment also taking into consideration higher and lower FFB Yield and OER in Indonesia and PNG side.

**Upgrade to BUY.** We upgrade our call to **BUY** with a revised TP of **RM5.43** pegged to PER of 22x which nearly 5y average mean - as we roll over our valuation to FY25F EPS of 24.7sen. We remain optimistic with its upstream subsegment where recovery in Group's FFB yield

### Upgrade to BUY

(Previously NEUTRAL)

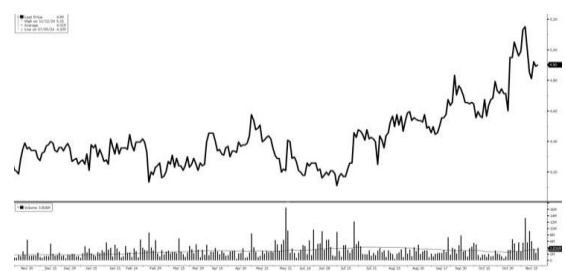
### Revised Target Price: RM5.43

(Previously RM4.80)

#### RETURN STATISTICS

Price @ 20 <sup>th</sup> Nov 2024 (RM)	4.90
Expected share price return (%)	+10.9
Expected dividend yield (%)	+2.2
<b>Expected total return (%)</b>	<b>+13.1</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	3.6	6.7
3 months	2.3	11.2
12 months	12.0	2.6


#### INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	18,363.1	18,611.5	17,835.8
Operating Profit	2,098.9	2,751.0	2,872.3
Profit Before Tax	2,027.5	2,678.0	2,799.3
Core PATAMI	1,248.5	1,708.1	1,791.1
Core EPS	18.1	24.7	25.9
DPS	11.0	11.0	10.0
Dividend Yield	2.2	2.2	2.0

#### KEY STATISTICS

FBM KLCI	1,598.2
Issue shares (m)	6,915.7
Estimated free float (%)	43.8
Market Capitalisation (RM'm)	33,887.0
52-wk price range	RM4.15-RM5.19
3-mth average daily volume (m)	3.29
3-mth average daily value (RM'm)	15.68
Top Shareholders (%)	
ASNB	53.29
EPF Board	16.41
KWAP	6.73

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projected to touch 19.00Mt/ha level in FY24, thanks to the intensive rehabilitation efforts 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: 3QFY24 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulative		
Income Statement	3Q23	2Q24	2Q24	QoQ%	YoY%	9M23	9M24	YoY%
Revenue	4,774.0	4,965.0	5,267.0	6.1	10.3	13,148.0	14,574.0	10.8
Operating profit	1,645.0	620.0	1,146.0	84.8	-30.3	2,466.0	2,156.0	-12.6
Associates & JVs	16.0	9.0	5.0	-44.4	-68.8	25.0	0.0	NM
PBT	1,621.0	595.0	1,119.0	88.1	-31.0	2,357.0	2,060.0	-12.6
Tax expense	-362.0	-136.0	-304.0	>100	-16.0	-568.0	-533.0	NM
PATAMI	1,211.0	415.0	766.0	84.6	-36.7	1,660.0	1,392.0	-16.1
Core PATAMI	368.0	425.0	362.0	-14.8	-1.6	727.0	1,016.0	39.8
Core EPS (sen)	5.3	6.2	5.3	-14.8	-1.6	10.5	14.7	39.8
					-/+ppt			
Operating profit margin (%)	34.5	12.5	21.8	9.3	-12.7	18.8	14.8	-4.0
PBT margin (%)	34.0	12.0	21.2	9.3	-12.7	17.9	14.1	-3.8
Core PATAMI margin (%)	7.7	8.6	6.9	-1.7	-0.8	5.5	7.0	1.4

\*NM Not Meaningful

### SEGMENTAL BREAKDOWN & AVERAGE CPO PRICE REALISED

FYE Dec (RM'm)	Quarterly					Cumulative		
Revenue	3Q23	2Q24	2Q24	QoQ%	YoY%	9M23	9M24	YoY%
Group Upstream	511.0	659.0	438.0	-33.5	-14.3	1,630.0	1,537.0	-5.7
Upstream Malaysia	216.0	289.0	180.0	-37.7	-16.7	741.0	642.0	-13.4
Upstream Indonesia	241.0	259.0	222.0	-14.3	-7.9	755.0	687.0	-9.0
Upstream PNG	54.0	111.0	36.0	-67.6	-33.3	134.0	208.0	55.2
Downstream	4,225.0	4,281.0	4,792.0	11.9	13.4	11,412.0	12,943.0	13.4
Other operations	38.0	25.0	37.0	48.0	-2.6	106.0	94.0	-11.3
<b>Recurring Operating Profit</b>								
Group Upstream	547.0	424.0	646.0	52.4	18.1	955.0	1,335.0	39.8
Upstream Malaysia	228.0	206.0	372.0	80.6	63.2	182.0	696.0	>100
Upstream Indonesia	212.0	107.0	199.0	86.0	-6.1	480.0	390.0	-18.8
Upstream PNG	107.0	111.0	75.0	-32.4	-29.9	293.0	249.0	-15.0
Downstream	209.0	216.0	126.0	-41.7	-39.7	393.0	477.0	21.4
Other operations	13.0	-3.0	-12.0	NM	NM	46.0	-15.0	NM
<b>FFB Production '000 Mt</b>								
Group Upstream	2,453	2,195	2,288	4.2	-6.7	6,312	6,462	2.4
Upstream Malaysia	1,240	1,199	1,323	10.3	6.7	2,896	3,564	23.1
Upstream Indonesia	766	527	573	8.7	-25.2	2,010	1,607	-20.0
Upstream PNG	447	469	392	-16.4	-12.3	1,406	1,291	-8.2
<b>CPO Price Realised (RM/Mt)</b>								
Average Group	3,777	4,029	3,949	-2.0	4.6	3,806	3,957	4.0
Upstream Malaysia	3,993	4,135	4,053	-2.0	1.5	4,068	4,062	-0.1
Upstream Indonesia	3,319	3,691	3,721	0.8	12.1	3,334	3,691	10.7
Upstream PNG	3,965	4,146	3,949	-4.8	-0.4	3,967	4,015	1.2

Source: SD Guthrie, MIDFR

## FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	21,029.7	18,427.9	18,363.1	18,611.5	17,835.8
Operating Profit / EBIT	3,562.9	2,887.4	2,098.9	2,751.0	2,872.3
PBT	3,492.2	2,752.5	2,027.5	2,678.0	2,799.3
PATAMI	2,488.1	1,860.0	1,248.5	1,708.1	1,791.1
Core PATAMI	2,173.1	908.0	1,248.5	1,708.1	1,791.1
Core EPS (sen)	31.4	13.1	18.1	24.7	25.9
PER (x)	15.6	37.3	27.1	19.8	18.9
DPS (sen)	16.0	15.0	11.0	11.0	10.0
Dividend yield (%)	3.3	3.1	2.2	2.2	2.0
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	25,776.1	25,855.9	25,914.1
Inventories	2,778.4	2,663.9	2,281.1	2,312.0	2,215.6
Biological assets	180.3	175.3	175.3	175.3	175.3
Trade & other receivables	2,602.6	2,207.5	2,943.6	2,983.4	2,859.1
Current assets	6,588.6	6,208.9	6,266.6	7,260.3	8,310.0
Total Assets	31,148.1	31,886.5	32,208.6	33,282.1	34,389.9
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	2,071.3	2,099.4	2,011.9
Current liabilities	5,274.0	4,790.5	4,476.1	4,504.1	4,416.6
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	6,738.4	6,740.0	6,735.1
Liabilities & equity	31,148.1	31,886.5	32,208.6	33,282.1	34,389.9
Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PAT	2,683.3	2,033.4	1,461.2	1,929.6	2,016.9
Cash flow from operations	3,644.4	3,075.0	2,090.1	3,308.7	3,586.9
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	-885.7	-885.7	-816.6
Net cash flow	31.7	201.1	-295.6	923.0	1,270.3
Beginning cash flow	602.6	635.0	830.4	534.8	1,457.8
Ending cash flow	635.0	830.4	534.8	1,457.8	2,728.1
Profitability Margins	2022A	2023A	2024E	2025F	2026F
Operating Profit / EBIT margin	16.9%	15.7%	11.4%	14.8%	16.1%
PBT margin	16.6%	14.9%	11.0%	14.4%	15.7%
Core PATMI margin	10.3%	4.9%	6.8%	9.2%	10.0%

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