

SD Guthrie Berhad
(5285 | SDG MK) Main | Plantation



Maintain BUY

Unchanged Target Price **RM5.43**

Strengthening its Footprints

Maintain BUY. Our BUY call and TP of RM5.43 remained, pegged to PER of 22x - nearly 5y average mean based on FY25F EPS of 24.7sen. Pending further clarity on the earnings guidance ahead of post-analyst briefing. The acquisition of Marvesa is well poised to drive further growth for SDGI's downstream prospects, offering diversification into other soft oils and enhancing the trading opportunities between the two companies within the Europe and Asia Pacific regions.

Diversification into other market and non-palm sectors. SDG's downstream arm, SD Guthrie International Limited (SDGI), has announced the acquisition of a 48% stake in Marvesa for approximately RM250m. This acquisition comes as a surprise, especially as many of its peers have been cautious about the region due to the upcoming EUDR policy.

However, SDG remains committed to expanding its presence in the EU, positioning it as a one of key hub for both companies to pursue growth opportunities, particularly in North and Central Asia Pacific, the Middle East, and Africa, banking on SDG supply chains that are well-established by:

- 100% RSPO-certified mills
- 93.2% traceability to the mill
- 70.9% traceability to the plantation
- 75% of the supply chain meeting NDPE requirements
- 18,212 smallholders, or 36%, RSPO-certified

This makes Marvesa an ideal partner to serve customers across 11 countries from its Zwijndrecht refinery in the Netherlands, which has an annual capacity of 300,000 metric tonnes. Additionally, the collaboration stands to benefit SDGI in term of trading volumes in lecithin, soy and other soft oils align with SDGI's diversification strategy into non-palm sectors.

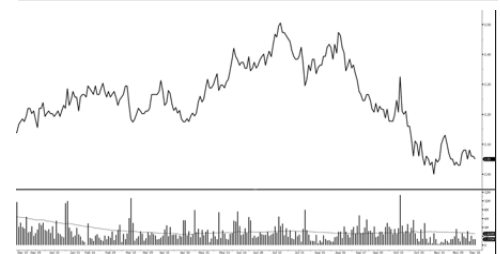
In addition to its unique product offerings, Marvesa's refinery continues to produce a traditional range of oils and fats used in industrial frying, emulsifiers, bakery and confectionery ingredients, margarines, dairy products, candles, and milk substitutes, meeting the evolving needs of the market.

Balance sheets remain healthy despite a bulk spending. Currently, with a healthy balance in hand, circa 24% or 0.24x in 9MFY24. SDG is on a stronger footing to embark in, on any business expansion. Assuming the acquisition was funding through term-loans, net gearing expected to increase 0.25x or 25%, a +5% increase which we believe still within the average sector net gearing of 19-25x.

RETURN STATISTICS

Price @ 03 rd Feb 2025 (RM)	4.85
Expected share price return (%)	+12.0
Expected dividend yield (%)	+2.3
Expected total return (%)	+14.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-12.1	-12.7
3months	4.9	25.8
12 months	91.1	67.6

INVESTMENT STATISTICS

FYE Mar	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	2.3%	2.3%	2.1%

KEY STATISTICS

FBM KLCI	1,553.63
Issue shares (m)	6,915.71
Estimated free float (%)	43.80
Market Capitalisation (RM'm)	33,541.12
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 (%)	
Amanah Saham Nasional Bhd	53.29
EPF	16.41
Kumpulan Wang Persaraan	6.73

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2022	2023A	2024E	2025F	2026F	Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	21,029.7	18,427.9	18,363.1	18,611.5	17,835.8	PAT	2,683.3	2,033.4	1,461.2	1,929.6	2,016.9
EBIT	3,562.9	2,887.4	2,098.9	2,751.0	2,872.3	D&A	1,372.5	1,432.0	1,419.4	1,428.4	1,436.8
PBT	3,492.2	2,752.5	2,027.5	2,678.0	2,799.3	Working capital	393.2	723.4	(785.5)	(44.3)	138.2
PAT	2,683.3	2,033.4	1,461.2	1,929.6	2,016.9	CFO	3,644.4	3,075.0	2,090.1	3,308.7	3,586.9
MI	(70.9)	(49.0)	(87.7)	(96.5)	(100.8)	Capex	(1,728.6)	(2,128.6)	(1,500.0)	(1,500.0)	(1,500.0)
PATAMI	2,488.1	1,860.0	1,248.5	1,708.1	1,791.1	CFI	-1,215.2	-629.8	-1,500.0	-1,500.0	-1,500.0
Core PATAMI	2,173.1	908.0	1,248.5	1,708.1	1,791.1	Dividends	(1,547.7)	(642.5)	(760.7)	(760.7)	(691.6)
						Net cash flow	31.7	201.1	(295.6)	923.0	1,270.3
EPS (sen)	31.4	13.1	18.1	24.7	25.9	Beginning cash flow	602.6	635.0	830.4	534.8	1,457.8
PER (x)	15.4	36.9	26.9	19.6	18.7	Ending cash flow	635.0	830.4	534.8	1,457.8	2,728.1
DPS (sen)	16.0	15.0	11.0	11.0	10.0						
Dividend yield (%)	2.0	1.9	1.8	1.7	1.7	Profitability Ratios (%)	2022A	2023A	2024E	2025F	2026F
						EBIT margin	16.9	15.7	11.4	14.8	16.1
Growth (%)	2022A	2023A	2024E	2025F	2026F	PBT margin	16.6	14.9	11.0	14.4	15.7
Revenue growth		-12.4	-0.4	1.4	-4.2	PATAMI margin	11.8	10.1	6.8	9.2	10.0
PBT growth		-21.2	-26.3	32.1	4.5	Core PATAMI margin	44.0	21.0	35.5	40.9	41.6
PATAMI growth		-25.2	-32.9	36.8	4.9	ROE	7.0	2.8	3.9	5.1	5.2
Core PATAMI growth		-58.2	37.5	36.8	4.9						
Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F						
Cash	635	830	535	1,458	2,728						
Receivables	2,637	2,266	3,181	3,224	3,089						
Inventories	2,778	2,664	2,281	2,312	2,216						
PPE	19,988	21,381	21,495	21,600	21,696						
Others	5,109	4,745	4,717	4,688	4,661						
Assets	31,148	31,886	32,209	33,282	34,390						
Payables	2,487	2,442	2,189	2,219	2,126						
Debt	6,279	5,516	5,516	5,516	5,516						
Others	3,367	3,522	3,522	3,522	3,522						
Liabilities	12,132	11,480	11,227	11,256	11,164						
Current liabilities	619.6	616.1	591.7	612.5	619.7						
Shareholder's equity	16,367	17,743	18,230	19,178	20,277						
Perpetual sukuk	2,231	2,231	2,231	2,231	2,231						
Equity & Liabilities	31,148	31,886	32,209	33,282	34,390						

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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	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