SD Guthrie

A Good End to FY24

MARKET PERFORM ↔

Price :	**RM4.97**
Target Price :	**RM4.65 ↑**

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Excellent 4QFY24 palm oil prices lifted SDG's FY24 earnings to surpass both Kenanga and consensus estimates by 6%. Looking ahead, FY25 core net profit (CNP) should improve on better upstream performance thanks to firm palm oil prices, recovering fruit yields with cost staying contained. Downstream should also see modest demand improvement as well. We are raising FY25F core EPS (CEPS) by 5% and adjusting up our TP from RM4.60 to RM4.65 but keeping our MARKET PERFORM intact.

Good ending for FY24. Adjusting for net disposal gain (RM640m), unrealised foreign exchange gain (RM28m) and net fair value loss (RM5m), FY24 CNP surged 74% YoY to RM1,501m. The better FY24 CNP was driven chiefly by higher upstream earnings (+18% YoY), thanks to stronger CPO price (+9%) and PK price (+38%) while FFB output inched up 1% YoY. Downstream EBIT slipped 4% as tight refining margins remain a drag to the downstream business.

SDG ended FY24 with net debt of RM6.91b (37% net gearing), which is flat compared to end FY23 net debt of RM6.9b (39% net gearing). SDG declared a final DPS of 11.71 sen to bring full-year FY24 NDPS up to 16.36 sen (vs 15.0 sen in FY23) and 9% above our expectation of 15.0 sen for FY24.

A strong 4Q. CNP rose to RM485m (+39% QoQ, +171% YoY) on much stronger upstream performance. Quarterly CPO and PK prices surged respectively to RM4,477 (+13% QoQ, +21% YoY) and RM2,966 (+21% QoQ, +70% YoY). 4Q also saw the best quarterly harvest in FY24, even though historically 4Q FFB output is often poorer seasonally. Downstream margins disappointed QoQ and YoY.

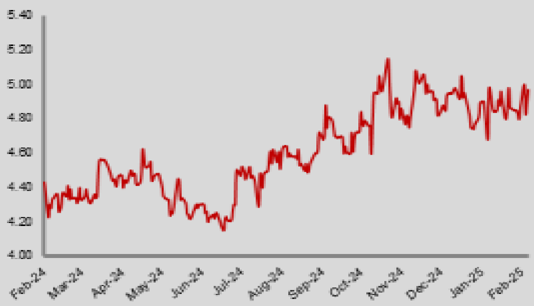
Outlook: Healthy upstream to support prospective earnings. Global edible oil demand is growing faster than supply in CY24 and a similar deficit scenario looks likely to repeat in CY25. With such supportive pricing environment underpinning edible oil prices, CPO prices should stay robust as well.

- Upstream CPO prices are now expected to average around RM4,200 per MT in FY25, versus previous assumption of RM4,000 per MT. Concurrently, unit CPO cost is expected to stay contained thanks to better FFB harvest as SDG's operations recover from El Nino dryness in Indonesia and heavy rain in PNG. Coupled with slightly lower fertiliser costs and firm PK prices, unit CPO cost should decline a little despite wage inflation.

- Downstream demand from Asia and Europe is expected to stay muted but to be on the mend for FY25, thanks to ongoing economic fiscal loosening in US, Europe and China. However, margins are still likely to stay tight.

- Property developments. SDG announced three property initiatives in FY24 namely: (i) 1,000-acre Kerian Integrated Green Industrial Park (KIGIP) and solar farm venture with parent PNB in May 2024, (ii) a collaboration with TH Property to extend "techpark@enstek" halal manufacturing hub near KLIA involving 464 acres in Aug 2024, (iii) an MOU with AME Elite Consortium Bhd (Non-Rated) in Nov 2024 to develop 641 acres of green industrial park in Kulai which is now a part of "Greater JB", and (iv) an MoU with Eco World Development Group Bhd and NS Corporation Sdn Bhd (a Negeri Sembilan state entity) involving 1,166 acres to develop a broad-based industrial hub

Share Price Performanon ce



KLCI	1,586.60
YTD KLCI chg	-3.4%
YTD stock price chg	0.4%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SDG MK EQUITY
Market Cap (RM m)	34,371.1
Shares Outstanding	6,915.7
52-week range (H)	5.19
52-week range (L)	4.15
3-mth avg daily vol:	2,389,574
Beta	44%

Major Shareholders

Amanah Saham Nasiona	53.2%
Employees Provident	16.4%
Kumpulan Wang Persaraan	7.2%

Summary Earnings Table

FYE Dec (RM m)	2024A	2025F	2026F
Turnover	19,831	20,859	20,593
EBIT	3,076	2,801	2,464
PBT	3,139	3,312	2,591
Net Profit (NP)	**2,164**	**2,252**	**1,760**
Core NP	**1,501**	**1,752**	**1,710**
Consensus	1,422	1,603	-
Earnings Revision	-	+5%	NEW
Core EPS (sen)	21.7	25.3	24.7
Core EPS Growth (%)	73.7	16.7	-2.4
NDPS (sen)	15.0	15.0	15.0
BV/Share (RM)	2.73	2.90	3.01
Core PER (x)	22.9	19.6	20.1
Price/BV (x)	1.8	1.7	1.7
Net Gearing (x)	0.2	0.1	0.1
Dividend Yield (%)	3.0	3.0	3.0

at Bukit Pelandok near Enstek. Some of the MOUs/agreements should conclude in the coming 6-12 months with contribution likely from FY26 onwards.

- Renewable energy. SDG has allocated RM16m in assets to develop biogas at its palm oil mills, solar farms as well as leasing out land to third party solar farm developers. The unit is still making small losses before tax of RM4m but should see better contribution from FY26/FY27 onwards as SDG secures or leases land for solar development.

Forecasts. FY25 CNP net profit forecast is raised by 5% on higher CPO prices assumption of RM4,200 per MT (up from RM4,000 previously). We also introduce FY26F numbers on slightly lower CPO price of RM4,000 per MT as we expect current CPO price premium to soyabean oil prices to normalise by then.

Valuations. We are nudging up our TP slightly from to RM4.65 from RM4.60 but still based on 1.6x PBV which is at a discount to average 2x for large integrated peer due to SDG's lower 5-year average ROE of 8% vs. 10% of its peers. Ongoing efforts to raise return are thus positively viewed but execution risks remain and meaningful contribution to the bottom line takes 2-3 years. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 3).

Investment case. With some of its estates ripe for property development, SDG is defensive and undervalued from an asset point of view but long-term expansion plans and productivity management strategies would be viewed positively; though the timing and actual impact on earnings are less clear; hence, we are keeping our **MARKET PERFORM** call.

Risks to our call include: (i) Western hostility towards palm oil on sustainability and bio-diversity issues, (ii) impact of weather and labour shortages on production, (iii) weak CPO and palm kernel prices, and (iv) cost inflation.

Results Highlights

FYE Dec (RM m)	*4Q24*	*3Q24*	*QoQ*	*4Q23*	*YoY*	*FY24*	*FY23*	*YoY*
Revenue	**5,257**	**5,267**	**-0%**	**5,280**	**-0%**	**19,831**	**18,428**	**+8%**
Gross Profit	782	700	+12%	351	+123%	2,474	1,609	+54%
EBIT	**843**	**729**	**+16%**	**400**	**+111%**	**2,623**	**1,891**	**+39%**
Net Interest Expenses	(23)	(32)	-28%	(41)	-44%	(119)	(175)	-32%
Associates & JVs	(28)	5	-660%	15	-287%	(28)	40	-170%
EI (to be excluded. fr N Profit)	287	417	-31%	21	+1267%	663	996	-33%
Pretax Profit	**1,079**	**1,119**	**-4%**	**395**	**+173%**	**3,139**	**2,752**	**+14%**
Taxation	(263)	(304)	-13%	(151)	+74%	(796)	(719)	+11%
Perpetual Sukuk	(31)	(31)	-	(31)	-	(124)	(124)	-
MI	(13)	(18)	-28%	(13)	-	(55)	(49)	+12%
Net Profit	**772**	**766**	**+1%**	**200**	**+286%**	**2,164**	**1,860**	**+16%**
Core Net Profit	**485**	**349**	**+39%**	**179**	**+171%**	**1,501**	**864**	**+74%**
EPS (sen)	11.2	11.1	+1%	2.9	+286%	31.3	26.9	+16%
Core EPS (sen)	**7.0**	**5.0**	**+39%**	**2.6**	**+171%**	**21.7**	**12.5**	**+74%**
DPS (sen)	11.7	-		6.1	+94%	16.4	15.0	+9%
GP %	15%	13%		7%		12%	9%	
EBIT %	16%	14%		8%		13%	10%	
PBT %	21%	21%		7%		16%	15%	
Tax %	24%	27%		38%		25%	26%	
CPO (RM / MT)	4,477	3,949	+13%	3,688	+21%	4,101	3,772	+9%
PK (RM / MT)	2,966	2,450	+21%	1,742	+70%	2,418	1,751	+38%
FFB Production (MT)	2,307	2,288	+1%	2,394	-4%	8,769	8,705	+1%

Source: Company, Kenanga Research

Segmental Breakdown

FYE Dec (RM m)	*4Q24*	*3Q24*	*QoQ*	*4Q23*	*YoY*	*FY24*	*FY23*	*YoY*
Segmental Revenue:								
Upstream	682	438	+56%	539	+27%	2,219	2,169	+2%
Downstream	4,561	4,792	-5%	4,725	-3%	17,504	16,137	+8%
Others	14	37	-62%	16	-13%	108	122	-11%
Group Revenue	**5,257**	**5,267**	**-0%**	**5,280**	**-0%**	**19,831**	**18,428**	**+8%**
Segmental PBT:								
Upstream	994	1,032	-4%	255	+290%	2,692	2,282	+18%
Downstream	103	130	-21%	183	-44%	579	600	-4%
Others	5	(11)	-145%	(2)	-350%	(13)	45	-129%
Net Interest Expenses	(23)	(32)	-28%	(41)	-44%	(119)	(175)	-32%
Group Pretax Profit	**1,079**	**1,119**	**-4%**	**395**	**+173%**	**3,139**	**2,752**	**+14%**

Source: Company, Kenanga Research

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net. Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
PLANTATION																	
GENTING PLANTATIONS BHD	OP	5.78	6.30	9.0%	5,185.6	Y	12/2025	40.2	42.4	18.2%	5.6%	14.4	13.6	0.9	12.20%	25	4.3%
HAP SENG PLANTATIONS HLDNGS	OP	1.98	2.70	36.4%	1,583.4	Y	12/2025	18.9	16.7	1.7%	-11.7%	10.5	11.9	0.7	7.20%	13	6.6%
IOI CORP BHD	OP	3.76	4.30	14.4%	23,325.9	Y	06/2025	22.2	23.2	28.2%	4.8%	17.0	16.2	1.9	11.30%	11	2.9%
KUALA LUMPUR KEPONG BHD	MP	21.14	21.00	-0.7%	23,542.8	Y	09/2025	117.1	134.9	73.1%	15.2%	18.0	15.7	1.5	9.40%	50	2.4%
PPB GROUP BHD	OP	10.96	16.50	50.5%	15,591.7	Y	12/2024	83.4	121.9	3.7%	46.1%	13.1	9.0	0.5	4.40%	45	4.1%
SD GUTHRIE BHD	MP	4.97	4.65	-6.4%	34,371.1	Y	12/2025	25.3	24.7	16.7%	-2.4%	24.3	20.6	1.8	11.60%	15	3.0%
TA ANN HOLDINGS BHD	MP	3.87	4.00	3.4%	1,704.6	Y	12/2025	37.8	39.9	-11.0%	5.6%	10.2	9.7	0.9	9.80%	35	9.0%
TSH RESOURCES BHD	OP	1.23	1.40	13.8%	1,659.2	Y	12/2025	11.6	11.1	21.4%	-3.8%	17.7	15.6	0.8	7.20%	3	2.4%
UNITED MALACCA BHD	OP	5.10	6.30	23.5%	1,069.8	Y	04/2025	39.0	40.0	31.7%	2.6%	13.1	12.7	0.7	5.30%	12	2.4%
Simple Average					**108,034.0**					**23.0%**	**11.9%**	**17.7**	**15.0**	**1.1**	**8.70%**		**4.1%**

Source: Bloomberg, Kenanga Research

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	☆	
	Corporate Social Responsibility	★	★	★	☆	
	Management/Workforce Diversity	★	★	★		
	Accessibility & Transparency	★	★	★		
	Corruption-Free Pledge	★	★	★	☆	
	Carbon-Neutral Initiatives	★	★	★		
SPECIFIC	Biodiversity Conservation	★	★	★		
	Sustainable Planting	★	★	★	☆	
	Guest Labour Welfare	★	★	★	★	
	Supply Chain Auditing	★	★	★		
	Occupational Health & Safety	★	★	★	★	
	Waste Disposal & Pollution Control	★	★	★	☆	
	OVERALL	★	★	★		

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.

Published by:

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