

08 August 2025

SD Guthrie

Good 1H, Higher Interim Dividends

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SDG reported good 1HFY25 results which exceeded Kenanga's expectation but within consensus estimates. 2H profits are expected to stay healthy on firm palm oil prices despite seasonally stronger harvest. SDG is pushing into solar and aggressively into industrial property but more material recurring earnings are likely from FY26 onwards. Upgraded FY25–26F core EPS (CEPS) by 16% and 6% respectively. We are thus lifting our TP from RM4.65 to RM4.80, on 1.6x FY26 PBV from previously FY25 PBV, but maintain our MARKET PERFORM recommendation.

1HFY25 core earnings amounted to about 63% of our and 59% of consensus full-year estimates. 1HFY25 core net profit (CNP) jumped 57% YoY to RM1,018m after adjusting for net disposal gain (RM78m), foreign exchange loss (RM15m) and fair value loss (RM9m). Upstream EBIT surged 112% YoY on stronger CPO price (+10%) and better FFB production (+3%) as 2Q harvest recovered to offset flood affected 1Q output. Cost dipped to RM2,445 per MT (-7% YoY) as higher PK price (+60%) helped offset higher wages. Downstream margins stayed positive but weak at 2% or half of that a year ago, on higher costs

2QFY25. SDG's 2Q harvest recovered by a strong 14% QoQ to 2.286m MT (+4% YoY) which helped normalise 1H output after a soft 1Q harvest due to floods in Johor, Sabah and Sarawak. However, CPO prices dipped to RM4,146 per MT (-9% QoQ, +3% YoY) and so did PK price (-3% QoQ, +50% YoY), which offset strong 2Q harvest, dampening upstream EBIT QoQ by 12% to RM660m though still up by 61% YoY. After a particularly weak 1Q, 2Q downstream revenue and margin picked up QoQ from 2% in 1Q to 3% but still below the 5% reported a year ago in 2QFY24.

SDG ended 2QFY25 with net debt of RM6.86b (38% net gearing), down marginally QoQ from RM7.025b (39% net gearing). An interim 1HFY25 DPS of 7.75 sen was declared which is within our full-year DPS expectation of 17.0 sen

Outlook: Slightly easier 2H but expect good FY25 earnings still. After selling at premium prices to soyabean oil in 1QCY25, CPO prices have eased in 2Q and are set to soften further in 2H but still staying firm thanks to tight global edible oil supply in CY25 and increasingly likely in CY26 even with a higher supply outlook.

Upstream CPO prices of RM4,100–4,000 per MT are expected over FY25–26 respectively. Labour cost has risen but healthy PK prices are keeping overall costs manageable. FFB output is also improving YoY while fertiliser cost is down thanks to a stronger MYR.

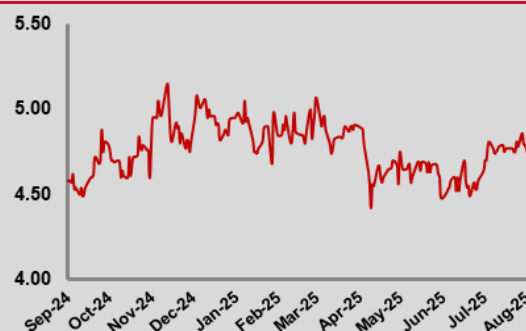
Downstream demand and margins are expected to stay weak in FY25 with modest recovery in FY26 amidst subdued global economic growth.

Renewable energy (RE). SDG started leasing less productive land to solar farms back in 2017. Today, it is aiming to be a fully-fledged solar business vertical with 1GW of capacity (which may require RM2–3b in capex, possibly more if battery storage is involved). Thus far, SDG has yet to win any LSS5 project but is expected to continue bidding for other LSS projects as well as direct supply to buyers (e.g. under the Corporate Renewable Energy Supply Scheme). Regardless, material solar contribution is more likely to commence only in FY28 at the earliest due to EPCC tightness over the next 12–18 months.

MARKET PERFORM ↔

Price : RM4.77
Target Price : RM4.80 ↑

Share Price Performance



| | |
|---------------------|----------|
| KLCI | 1,547.28 |
| YTD KLCI chg | -5.7% |
| YTD stock price chg | -3.6% |

Stock Information

| | |
|----------------------|---------------|
| Shariah Compliant | Y |
| Bloomberg Ticker | SDG MK EQUITY |
| Market Cap (RM m) | 32,988.0 |
| Shares Outstanding | 6915.71 |
| 52-week range (H) | 5.19 |
| 52-week range (L) | 4.33 |
| 3-mth avg daily vol: | 2,664,478 |
| Beta | 44% |

Major Shareholders

| | |
|-------------------------|-------|
| Amanah Saham Nasiona | 53.2% |
| Employees Provident | 16.9% |
| Kumpulan Wang Persaraan | 7.4% |

Summary Earnings Table

| FYE Dec (RM m) | 2024A | 2025F | 2026F |
|------------------------|--------------|--------------|--------------|
| Turnover | 19,831 | 21,273 | 20,896 |
| EBIT | 3,258 | 3,191 | 3,106 |
| PBT | 3,139 | 3,388 | 3,030 |
| Net Profit (NP) | 2,164 | 2,367 | 2,110 |
| Core NP | 1,501 | 1,867 | 1,810 |
| Consensus | - | 1,733 | 1,753 |
| Earnings Revision | - | 16% | 6% |
| Core EPS (sen) | 21.7 | 27.0 | 26.2 |
| Core EPS Growth (%) | 73.7 | 24.4 | -3.0 |
| NDPS (sen) | 15.0 | 17.0 | 15.0 |
| BV/Share (RM) | 2.67 | 2.85 | 3.00 |
| Core PER (x) | 22.0 | 17.7 | 18.2 |
| Price/BV (x) | 1.8 | 1.7 | 1.6 |
| Net Gearing (x) | 0.2 | 0.1 | 0.1 |
| Dividend Yield (%) | 3.1 | 3.6 | 3.1 |

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Industrial property. In just over a year, SDG has entered into two land sales, signed five MoUs and started a viability study to develop an integrated green industrial park.

- In April 2025, SDG sold 1,195 acres for RM573m cash in Bukit Pelandok to a JV involving Eco World Development Group Bhd (55% equity), NS Corporation Sdn Bhd (15%) and SDG itself (30%). SDG is likely to conclude the sale in 3QFY25.
- In June 2025, a sale of 300 acres for RM89m cash to Menteri Besar Incorporated of Negeri Sembilan (MBNS) was announced along with an MoU to jointly develop another 300 acres with MBNS. Altogether, the 600 acres will form part of the 1,420-acre Port Dickson Free Zone.
- An MoU to JV with TH Property and extend TH Property's "techpark@enstek" halal manufacturing hub involving 464 acres was announced a year ago in August 2024.
- In November 2024, an MoU with AME Elite Consortium Bhd (AME, Non-Rated) was announced involving the development of a 641-acre green integrated industrial park at Ladang Kulai, Johor.
- An MoU to JV with Sime Darby Property (SIMEPROP: OP; TP RM1.79) to develop a 2,000-acre industrial and logistics hub on Carey Island was announced in June 2025.
- In July 2025, SDG announced another Carey Island MoU, this time in partnership with the Selangor state government (via a 100% subsidiary of the state, Permodalan Negeri Selangor Bhd). The MoU aims to develop 470 acres of Carey Island into an education-cum-technology park as well as a halal food security hub.
- Due diligence to develop the Kerian Integrated Green Industrial Park (KIGIP) venture with parent PNB, involving a 660-acre solar farm and 340-acre industrial park.

We welcome SDG's entry into the industrial property space. It should enhance the group earnings, cash flows and potentially ROEs as well while the risk is managed by partnering with established players. However, the timing of development is still not clear as the projects are still at their infancy. Nonetheless, we expect some development profits of RM20–30m to trickle in by FY27 then eventually grow to RM100–150m p.a. over the subsequent years.

Forecasts. We are keeping average CPO prices of RM4,100 per MT in FY25 and RM4,000 in FY26 but toning down upstream costs largely on: (a) better FFB yields, (b) still elevated PK prices, and (c) weaker fertiliser prices. As such, we are revising up FY25–26 CEPS by 16% to 27.0 sen and 6% to 26.2 sen.

Valuations. TP is upgraded from RM4.65 to RM4.80 based on 1.6x FY26 PBV (vs. FY25 PBV previously) which is comparable to recent integrated peer ratings. Ongoing efforts to raise returns 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 biodiversity issues, (ii) impact of weather and labour shortages on production, (iii) weak CPO and palm kernel prices, and (iv) cost inflation.

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| Results Highlights | | | | | | | | |
|----------------------------------|--------------|--------------|-------------|--------------|-------------|---------------|---------------|-------------|
| FYE Dec (RM m) | 2Q25 | 1Q25 | QoQ | 2Q24 | YoY | 1HFY25 | 1HFY24 | YoY |
| Revenue | 5,169 | 4,817 | +7% | 4,965 | +4% | 9,986 | 9,307 | +7% |
| Gross Profit | 735 | 739 | -1% | 598 | +23% | 1,474 | 992 | +49% |
| EBIT | 746 | 831 | -10% | 601 | +24% | 1,659 | 1,032 | +61% |
| Net Interest Expenses | (21) | (19) | +11% | (34) | -38% | (40) | (64) | -38% |
| Associates & JVs | 2 | (8) | -125% | 9 | -78% | (6) | (5) | +20% |
| El (to be excluded. fr N Profit) | 56 | (5) | -1220% | 19 | +195% | (31) | (22) | +41% |
| Pretax Profit | 783 | 799 | -2% | 595 | +32% | 1,582 | 941 | +68% |
| Taxation | (234) | (183) | +28% | (136) | +72% | (417) | (229) | +82% |
| Perpetual Sukuk | (31) | (31) | - | (31) | - | (62) | (62) | - |
| MI | (13) | (18) | -28% | (13) | - | (31) | (24) | +29% |
| Net Profit | 505 | 567 | -11% | 415 | +22% | 1,072 | 626 | +71% |
| Core Net Profit | 449 | 572 | -22% | 396 | +13% | 1,018 | 648 | +57% |
| EPS (sen) | 7.3 | 8.2 | -11% | 6.0 | +22% | 15.5 | 9.1 | +71% |
| Core EPS (sen) | 6.5 | 8.3 | -22% | 5.7 | +13% | 14.7 | 9.4 | +57% |
| DPS (sen) | 7.75 | - | N.A. | 4.65 | +67% | 7.75 | 4.65 | +67% |
| GP % | 14% | 15% | | 12% | | 15% | 11% | |
| EBIT % | 14% | 17% | | 12% | | 17% | 11% | |
| PBT % | 15% | 17% | | 12% | | 16% | 10% | |
| Tax % | 30% | 23% | | 23% | | 26% | 24% | |
| CPO (RM / MT) | 4,146 | 4,576 | -9% | 4,029 | +3% | 4,339 | 3,961 | +10% |
| PK (RM / MT) | 3,247 | 3,342 | -3% | 2,166 | +50% | 3,292 | 2,056 | +60% |
| FFB Production (MT) | 2,286 | 2,005 | +14% | 2,194 | +4% | 4,291 | 4,173 | +3% |

Source: Company, Kenanga Research

| Segmental Breakdown | | | | | | | | |
|----------------------------|--------------|--------------|------------|--------------|-------------|---------------|---------------|-------------|
| FYE Dec (RM m) | 2Q25 | 1Q25 | QoQ | 2Q24 | YoY | 1HFY25 | 1HFY24 | YoY |
| Segmental Revenue: | | | | | | | | |
| Upstream | 730 | 593 | +23% | 659 | +11% | 1,323 | 1,099 | +20% |
| Downstream | 4,419 | 4,208 | +5% | 4,281 | +3% | 8,627 | 8,151 | +6% |
| Others | 20 | 16 | +25% | 25 | -20% | 36 | 57 | -37% |
| Group Revenue | 5,169 | 4,817 | +7% | 4,965 | +4% | 9,986 | 9,307 | +7% |
| Segmental PBT: | | | | | | | | |
| Upstream | 660 | 753 | -12% | 411 | +61% | 1,413 | 666 | +112% |
| Downstream | 126 | 76 | +66% | 225 | -44% | 202 | 346 | -42% |
| Others | 18 | (11) | -264% | (7) | N.A. | 7 | (7) | N.A. |
| Net Interest Expenses | (21) | (19) | +11% | (34) | -38% | (40) | (64) | -38% |
| Group Pretax Profit | 783 | 799 | -2% | 595 | +32% | 1,582 | 941 | +68% |

* Include non-recurring net loss of RM5m in 1QFY25 and net gain of RM287m in 4QFY24

Source: Company, Kenanga Research

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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 | 4.90 | 5.70 | 16.3% | 4,396.1 | Y | 12/2025 | 44.2 | 44.7 | 29.9% | 1.2% | 11.1 | 11.0 | 0.8 | 13.2% | 25.0 | 5.1% |
| HAP SENG PLANTATIONS HLDNGS | OP | 1.95 | 2.40 | 23.1% | 1,559.4 | Y | 12/2025 | 15.1 | 15.7 | -18.9% | 4.2% | 13.0 | 12.4 | 0.7 | 5.7% | 11.0 | 5.6% |
| IOI CORP BHD | OP | 3.73 | 4.10 | 9.9% | 23,139.8 | Y | 06/2025 | 20.6 | 22.0 | 19.0% | 6.9% | 18.1 | 16.9 | 1.8 | 10.5% | 10.0 | 2.7% |
| KUALA LUMPUR KEPONG BHD | MP | 19.10 | 21.00 | 9.9% | 21,270.9 | Y | 09/2025 | 116.9 | 145.3 | 67.2% | 24.3% | 16.3 | 13.1 | 1.4 | 9.4% | 50.0 | 2.6% |
| PPB GROUP BHD | MP | 9.30 | 10.50 | 12.9% | 13,230.2 | Y | 12/2025 | 130.1 | 133.7 | 24.3% | 2.8% | 7.1 | 7.0 | 0.5 | 6.5% | 45.0 | 4.8% |
| SD GUTHRIE BHD | MP | 4.77 | 4.80 | 0.6% | 32,988.0 | Y | 12/2025 | 27.0 | 26.2 | 24.4% | -3.0% | 17.7 | 18.2 | 1.7 | 12.4% | 17.0 | 3.6% |
| TA ANN HOLDINGS BHD | MP | 3.90 | 3.90 | 0.0% | 1,717.8 | Y | 12/2025 | 38.1 | 42.0 | 0.9% | 10.2% | 10.2 | 9.3 | 0.9 | 9.1% | 35.0 | 9.0% |
| TSH RESOURCES BHD | OP | 1.14 | 1.30 | 14.0% | 1,482.3 | Y | 12/2025 | 10.8 | 11.1 | 13.5% | 3.0% | 10.5 | 10.2 | 0.7 | 6.7% | 3.0 | 2.6% |
| UNITED MALACCA BHD | OP | 5.24 | 6.00 | 14.5% | 1,099.2 | Y | 04/2026 | 51.7 | 53.6 | -6.8% | 3.6% | 10.1 | 9.8 | 0.7 | 7.0% | 12.0 | 2.3% |
| Simple Average | | | | | 100,883.6 | | | | | 26.6% | 5.9% | 14.0 | 13.2 | 1.0 | 8.9% | | 4.3% |

Source: Bloomberg, Kenanga Research

| | Criterion | Rating | | | | |
|-----------------|------------------------------------|--------|---|---|---|--|
| GENERAL | Earnings Sustainability & Quality | ★ | ★ | ★ | ☆ | |
| | Corporate Social Responsibility | ★ | ★ | ★ | ☆ | |
| | Management/Workforce Diversity | ★ | ★ | ★ | | |
| | Accessibility & Transparency | ★ | ★ | ★ | | |
| | Corruption-Free Pledge | ★ | ★ | ★ | ☆ | |
| | Carbon-Neutral Initiatives | ★ | ★ | ★ | | |
| | OVERALL | | ★ | ★ | ★ | |
| 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

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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.**

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