SD Guthrie

Stellar 3Q Earnings

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OUTPERFORM ↔

Price : RM6.00

Target Price : RM7.20 ↔

After trailing in 1HFY26, SDG's 9MFY26 core net profit (CNP) inched up 1% YoY but still fell short of our estimate, coming in at 67% of Kenanga but 88% of consensus* full-year estimates. Upstream EBIT surged in 3Q on better FFB production and firmer CPO prices. Downstream and property saw dull performance. We are trimming FY26 core EPS (CEPS) by 5% to 31.7 sen as strong 4Q is still likely but slightly (2%) lower full year selling price. No change to FY27 CPO prices and CEPS. Our TP of RM7.20 and OUTPERFORM call is maintained, which had been upgraded from Market Perform during Budget 2027 after the share price corrected.

3QFY26. Excluding disposal gains (RM84m), FX loss (RM8m) and fair value gain (RM3m), CNP rose to RM694m (+39% QoQ, +38% YoY) on strong FFB harvest of 2.48m MT (+8% QoQ, +8% YoY) helped by firmer CPO price of RM4,340 per MT (+1% QoQ, +3% YoY). Upstream EBIT rose 49% QoQ/YoY. Downstream EBIT dipped to RM100m (-26% QoQ, -35% YoY) on tighter margins.

9MFY26. The strong 3Q helped offset an otherwise lacklustre 1HFY26 which had been due to accelerated manuring and upkeep cost earlier in the year. 9MFY26 CNP climbed back to RM1,541m (+1% YoY) as upstream saw better harvest (+1.3% YoY) and PK price (+2.3%) eventhough CPO price slipped marginally (-0.8%). Despite the weak 3Q, 9MFY26 downstream EBIT managed to hit RM345m (-3% YoY). Likewise, though 3Q gains were minimal (RM84m), 9MFY26 saw RM795m in disposal gains or a 62% jump YoY.

Net debt fell 14% QoQ from RM7.22b in 2QFY26 to RM6.17b (33% net gearing). As is the group's practice, no 3Q dividend was declared.

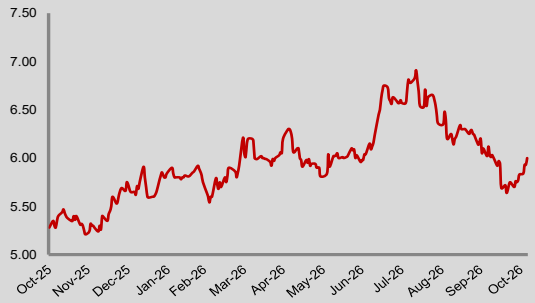
Upstream is likely to face some seasonality but FY27 prospects are still strong. Softer CPO prices and seasonally slower FFB production may weigh down 4QFY26 earnings by 5-8% but we still expect FY26 CNP to be 10% higher than FY25. FY27 should be an even stronger year as the dryness in Indonesia and PNG in the past 3-4 months due to a very strong El Nino is expected to pull down yields in FY27 hence uplift CPO prices. We maintain our FY27 CNP along with an expected CPO price of RM4,700 and a 3% dip in FFB production. However, we are toning down FY26 average CPO price from RM4,450 per MT to RM4,400 in view of the still high inventory levels in Malaysia which are expected to dampen 4QFY26 prices. Otherwise, firm bio-diesel demand due to the Middle East conflict and the impact of Black Sea shipping disruption on sunflower exports are prompting greater reliance on palm oil.

Downstream. SDG's trading arm should gain from ongoing CPO price volatility but overall FY26-27 margins are expected to stay tight from competition. Higher bio-diesel admixture will lift plant utilization but regulated margin means they are capped.

Renewable energy (RE). SDG is participating in a 24.5% stake in a 100MW solar project in Sarawak and a 33.5% stake in 680MW solar-cum-battery project in Perak with Gamuda Bhd (OP; TP:RM5.30) and Gentari Sdn Bhd. Negotiations for both proposals are expected to complete only in FY27. In any case, given current EPCC bottleneck RE income is expected to stay limited until FY28/29.

**Assuming consensus PATMI of RM2,543m includes RM795m of disposal gain, adjusted FY26 consensus CNP is RM1,748m hence 9MFY26 actual CNP of RM1,541m is 88% of consensus CNP.*

Share Price Performanon ce



KLCI	1,635.86
YTD KLCI chg	-2.6%
YTD stock price chg	4.7%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SDG MK EQUITY
Market Cap (RM m)	41,494.3
Shares Outstanding	6,915.7
52-week range (H)	7.00
52-week range (L)	5.18
3-mth avg daily vol:	11,265,971
Beta	58%

Major Shareholders

Amanah Saham Nasional	39.7%
Employees Provident Fund	17.6%
Kumpulan Wang Persaraan	7.6%

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	20,895	22,586	24,381
EBIT	3,845	4,283	4,310
PBT	3,530	4,145	4,222
Net Profit (NP)	**2,503**	**3,012**	**3,091**
Core NP	**1,989**	**2,194**	**2,291**
Consensus	-	2,543	2,643
Earnings Revision	-	-5%	0%
Core EPS (sen)	28.8	31.7	33.1
Core EPS Growth (%)	32.5	10.3	4.5
NDPS (sen)	18.1	22.0	22.0
BV/Share (RM)	2.64	2.90	3.19
Core PER (x)	20.9	18.9	18.1
Price/BV (x)	2.3	2.1	1.9
Net Gearing (x)	0.2	0.1	0.0
Dividend Yield (%)	3.0	3.7	3.7

Industrial property. We are expecting SDG to report disposal gains of RM1b this financial year. So far in 9MFY26, SDG has reported RM772m of gains. The following are the land agreements and sales SDG has announced but disposal gain is recognized only when proceeds are received not when agreements turn unconditional.

SDG Industrial Property Projects Announced Thus Far

Site	Acres	Partner(s)	Stage
Malaysian Vision Valley 2.0 (MVV 2.0)			
1. Bukit Pelandok	1,195	EcoWorld, NS Corporation, MBI — ECW 55%, SDGLV 30%, NS Corp 15%	✓
2. Port Dickson	300	MBI	✓
Johor-Singapore SEZ (JS-SEZ)			
3. Kulai	935	EcoWorld, PDT — SDGLV 45%, ECW 45%, PDT 10%	✓
4. Kulai	5,000	PDT	✓
Kulim Industrial Corridor			
5. Kulim	1,000	KTPC	✓
Kerian Integrated Green Industrial Park (KIGIP)			
6. Tali Ayer	1,000	KIGIP	✓

Site	Acres	Partner(s)	Stage
Selangor Industrial Corridors			
7. Sepang	2,500	MBI	✓
8. Carey Island	Up to 5,000	MBI	✓
9. Carey Island	2,000	Sime Darby Property — 50:50 JV	✓
10. Bukit Kerayong	1,000	Sime Darby Property — 50:50 JV	✓
11. Carey Island	470	Permodalan Negeri Selangor Berhad	✓
12. Bukit Kerayong	1,624	YTL Power, Bumi Assets Sdn Bhd — SDG 30%, BKIV 35%, BASB 35%	✓

Outright Disposals		Buyer	
1. Port Dickson	300	MBI	✓
2. Kulai	253	MSR-GE	✓
3. Kluang	170	Private Developer	✓
4. Kulai	557	Sime Darby Property	✓
5. Seberang Perai	264	NEXIS X SDN BHD	✓

Legends: ✓ MOU signed; ✓ JVA / SHA signed; ✓ SPA Execution; ✓ Unconditional SPA; ✓ SPA Completion/ Disposal Proceeds Received; ☐ Material events post 3Q FY2026

Source: Company, Kenanga Research

Indonesian agrarian reform. On 22 Sept 2026, the Indonesian parliament (Dewan Perwakilan Rakyat) passed the Agrarian Reform Law which requires holders of Hak Guna Usaha (HGUs) or plantation permits to surrender at least 20% of land for redistribution or equivalent 20% profit-sharing arrangement. SDG explained similar regulations have been around since 2007 hence the group has submitted to the authorities that it has either set aside more than 20% of land area or through a combination of Plasma, Kredit Koperasi Primer Anggota (palm oil smallholder schemes) and/or Fasilitasi Pembangunan Kebun Masyarakat (communal plantation development). SDG is now waiting for the authorities to revert.

Forecasts. Revising down FY26 CEPS by 5% from 33.6 sen to 31.7 sen on lower CPO price estimate of RM4,400 instead of RM4,450 previously. No change to FY27 expected CPO price of RM4,700 and CEPS of 33.1 sen.

Valuations. Maintained TP at RM7.20 based on 20x FY27 PER which is the past 5-year average PER for large integrated planters. The adoption of PER rather than our usual PBV for the sector is due to rising non-plantations contribution hence the adoption of PER for IOI and PPB as well. There is a 5% adjustment to our TP based on a 4-star ESG rating as appraised by us (see Page 4).

Investment case. SDG has rich defensive balance sheet, the value in which is currently being unlocked through its industrial property tie ups. Further out into FY28/29, contributions from renewable energy should start trickling in. Ongoing push for higher upstream productivity will need time while upstream acquisition/expansion may have to wait as dividend payout and debt repayment are likely to command higher priority for another 2-3 years. All in, rich balance sheet, growing earnings base and improving ROE while valuation is now more attractive following share price correction. Maintain **OUTPERFORM** 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.

Results Highlights

FYE Dec (RM m)	*3Q26*	*2Q26*	*QoQ*	*3Q25*	*YoY*	*9MFY26*	*9MFY25*	*YoY*
Revenue	**5,393**	**4,943**	**+9%**	**5,411**	**-0%**	**15,026**	**15,397**	**-2%**
Gross Profit	1,007	651	+55%	729	+38%	2,273	2,203	+3%
EBIT	**1,065**	**746**	**+43%**	**791**	**+35%**	**1,065**	**2,368**	**-55%**
Net Interest Expenses	(35)	(34)	+3%	(13)	+169%	(88)	(53)	+66%
Associates & JVs	(10)	80	-113%	42	-124%	73	36	+103%
EI (to be excluded. fr N Profit)	79	487	-84%	431	-82%	779	482	+62%
Pretax Profit	**1,099**	**1,279**	**-14%**	**1,251**	**-12%**	**3,166**	**2,833**	**+12%**
Taxation	(310)	(267)	+16%	(271)	+14%	(761)	(688)	+11%
Perpetual Sukuk	-	-	N.A.	(31)	-100%	(28)	(93)	-70%
MI	(16)	(25)	-36%	(14)	+14%	(57)	(45)	+27%
Net Profit	**773**	**987**	**-22%**	**935**	**-17%**	**2,320**	**2,007**	**+16%**
Core Net Profit	**694**	**500**	**+39%**	**504**	**+38%**	**1,541**	**1,525**	**+1%**
EPS (sen)	11.2	14.3	-22%	13.5	-17%	33.5	29.0	+16%
Core EPS (sen)	**10.0**	**7.2**	**+39%**	**7.3**	**+38%**	**22.3**	**22.1**	**+1%**
DPS (sen)	-	11.18	N.A.	-	-	11.18	7.75	+44%
GP %	19%	13%		13%		15%	14%	
EBIT %	20%	15%		15%		7%	15%	
PBT %	20%	26%		23%		21%	18%	
Tax %	28%	21%		22%		24%	24%	
CPO (RM / MT)	4,340	4,283	+1%	4,210	+3%	4,259	4,292	-1%
PK (RM / MT)	3,342	3,436	-3%	3,125	+7%	3,299	3,226	+2%
FFB Production (MT)	2,480	2,292	+8%	2,303	+8%	6,681	6,594	+1%

Source: Company, Kenanga Research

Segmental Breakdown

FYE Dec (RM m)	*3Q26*	*2Q26*	*QoQ*	*3Q25*	*YoY*	*9MFY26*	*9MFY25*	*YoY*
Segmental Revenue:								
Upstream	603	584	+3%	767	-21%	1,710	2,090	-18%
Downstream	4,762	4,327	+10%	4,615	+3%	13,235	13,242	-0%
Others	28	32	-13%	29	-3%	81	65	+25%
Group Revenue	**5,393**	**4,943**	**+9%**	**5,411**	**-0%**	**15,026**	**15,397**	**-2%**
Segmental PBT:								
Upstream	935	627	+49%	627	+49%	2,091	2,040	+2%
Downstream	100	136	-26%	154	-35%	345	356	-3%
Others	99	550	-82%	483	-80%	818	490	+67%
Net Interest Expenses	(35)	(34)	+3%	(13)	+169%	(88)	(53)	+66%
Group Pretax Profit	**1,099**	**1,279**	**-14%**	**1,251**	**-12%**	**3,166**	**2,833**	**+12%**

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.
Stocks Under Coverage																	
GENTING PLANTATIONS BHD	OP	5.02	6.40	27.5%	4,502.0	Y	12/2026	49.8	57.8	26.2%	16.0%	10.1	8.7	0.9	8.8%	28.0	5.6%
HAP SENG PLANTATIONS HOLDINGS	OP	2.22	3.00	35.1%	1,775.3	Y	12/2026	18.9	20.1	8.6%	6.5%	11.7	11.0	0.8	6.1%	9.0	4.1%
IOI CORP BHD	OP	4.42	5.40	22.2%	27,780.6	Y	06/2027	24.0	25.1	19.5%	5.1%	18.4	17.6	2.1	12.6%	11.0	2.5%
KUALA LUMPUR KEPONG BHD	OP	21.12	25.80	22.2%	23,520.5	Y	09/2026	125.6	163.9	15.8%	30.4%	16.8	12.9	1.7	-1.6%	60.0	2.8%
PPB GROUP BHD	OP	8.87	13.40	51.1%	12,602.6	Y	12/2026	103.3	116.2	8.6%	12.5%	8.6	7.6	0.5	6.3%	45.0	5.1%
SD GUTHRIE BHD	OP	6.00	7.20	20.0%	41,494.3	Y	12/2026	33.6	34.1	16.7%	1.7%	17.9	17.6	2.1	16.5%	16.0	2.7%
TA ANN HOLDINGS BHD	UP	5.75	5.00	-13.0%	2,532.6	Y	12/2026	53.9	60.7	11.2%	12.8%	10.7	9.5	1.3	12.3%	40.0	7.0%
TSH RESOURCES BHD	OP	1.14	1.85	62.3%	1,383.7	Y	12/2026	14.2	17.0	-7.4%	19.6%	8.0	6.7	0.7	9.1%	5.0	4.4%
UNITED MALACCA BHD	OP	6.09	7.00	14.9%	1,277.5	Y	04/2027	79.6	68.8	6.8%	-13.6%	7.6	8.8	0.7	10.1%	30.0	4.9%
UNITED PLANTATIONS BHD	OP	30.10	37.00	22.9%	18,727.5	Y	12/2026	118.6	141.4	-9.2%	19.2%	25.4	21.3	6.8	26.3%	120.0	4.0%
SECTOR AGGREGATE					**116,869**					**14.7%**	**10.7%**	**14.9**	**13.5**	**1.2**	**8.9%**		**4.3%**

Source: 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.***

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