UOBKayHian

Company – Results | Malaysia

Wednesday, 12 August 2026

SD Guthrie (SDG MK)

1H26: Within Expectations; Land Monetisation Gaining Momentum

Highlights

- SDG's 1H26 results were broadly in line with core earnings, at 44% of our full-year forecast, supported by stronger CPO prices and improved downstream performance.
- The group has announced two proposed outright land disposals worth a combined RM500m, supporting industrial development's earnings pipeline.
- We raise our 2026-28 earnings forecasts by 10%/8%/8% as we think SDG is highly likely to meet its RM700m earnings target for the industrial division.
- Maintain BUY with a higher target price of RM7.65 (previously RM7.25), pegged to 20x 2027F PE.

2Q26 Results

Year to 31 Dec (RMm)	2Q26	2Q25	qoq%	Yoq%	1H26	yoy%
Revenue	4,943	5,169	5.4	(4.4)	9,633	(3.5)
EBIT	176	358	30.3	8.3	1,518	(4.2)
Upstream	627	660	18.5	(5.0)	1,156	(18.2)
Downstream	136	126	24.8	7.9	245	18.4
Industrial Development	529	-			689	
Profit Before Tax	1,279	783	62.3	63.3	2,067	30.7
Net Profit	987	496	76.3	95.4	1,547	44.3
Core Net Profit (excl. gain on land disposal)	533	496	28.4	7.5	948	(4.2)
Margin						
EBIT	17.4	15.3	23.6	13.3	15.8	1.8
Core net profit	10.8	9.6	21.8	12.4	9.8	(0.7)

Source: SD Guthrie, UOB Kay Hian

Analysis

- **Within expectations.** SD Guthrie's (SDG) 1H26 net profit of RM1,547m (+44% yoy) was broadly in line with expectations, accounting for 61%/65% of our and consensus full-year estimates, underpinned by a RM529m gain from land disposal in 2Q26. Excluding the disposal gain, 1H26 core net profit came in at RM948m (-0.7% yoy), representing 44% of our full-year core earnings forecast.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	19,831	20,895	24,922	24,994	25,361
EBITDA	4,102	4,487	5,507	5,205	5,307
Operating profit	2,649	3,048	3,916	3,614	3,716
Net profit (rep./act.)	1,527	2,503	2,761	2,650	2,668
Net profit (adj.)	1,527	1,949	2,166	2,055	2,073
EPS	22.5	28.2	39.9	38.3	38.6
PE (x)	24.9	19.8	14.0	14.6	14.5
P/B (x)	1.9	1.9	1.9	1.9	1.9
EV/EBITDA (x)	14.4	13.1	9.8	10.0	9.5
Dividend yield (%)	2.5	2.7	3.0	2.9	2.9
Net margin (%)	7.7	12.0	11.1	10.6	10.8
Net debt/(cash) to equity(%)	22.8	25.7	24.6	23.7	23.7
Interest cover (x)	34.5	71.2	84.4	85.1	89.5
ROE (%)	8.3	13.8	15.2	14.6	14.7
Consensus net profit	n.a	n.a	2,388	2,492	2,347
UOBKH/Consensus (x)	n.a	n.a	1.16	1.06	1.14

Analyst(s)

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BUY (Maintained)

Share Price	RM6.91
Target Price	RM7.65
Upside	10.7%
Previous TP	RM7.25

Stock Data

Sector	Consumer Staples
Bloomberg ticker	SDG MK
Shares issued (m)	6,915.7
Market cap (RMm)	47,790.0
Market cap (US$m)	10,995.3
3-mth avg daily t'over (US$m)	20.2

Price Performance (%)

52-week high/low				RM6.95/RM4.85
1mth	3mth	6mth	1yr	YTD
7.1	8.6	19.1	40.7	22.3

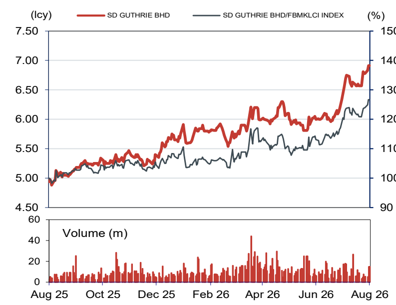
Major Shareholders (%)

Amanah Saham Nasional Bhd	40.4
Employees Provident Fund	18.4

Balance Sheet Metrics

FY26 NAV/Share (RM)	2.80
FY26 Net Debt/Share (RM)	0.57

Price Chart



Source: Bloomberg

Company Description

The largest oil palm plantation company in Malaysia.

Source: SD Guthrie, Bloomberg, UOB Kay Hian

- 2Q26 net profit rose to RM533m (+7.5% yoy), driven by firmer CPO prices of RM4,283 per tonne (+3% yoy) and an improvement in downstream earnings (+8% yoy). This more than offset higher operating costs in Malaysia's upstream operations, mainly due to accelerated upkeep and maintenance activities, which partly contributed to lower upstream EBIT (-5% yoy).
- SDG declared a higher interim dividend of 11.8 sen per share (1H25: 10.35 sen), which translates into a 50% payout ratio.
- **Malaysia FFB production set for recovery in 2H26.** The group's FFB production declined 2% yoy in 1H26, mainly dragged by Malaysian estates (-4% yoy) affected by prolonged dry weather conditions earlier this year. However, management highlighted a strong recovery in Malaysian output in June, which is expected to sustain through the peak production season in Aug-Oct 26. Overall, SDG guided for a slight positive yoy growth in FFB production, with Malaysia expected to be the key growth driver in 2H26. This is broadly in line with our 2.5% FFB growth assumption for 2026.
- **Weather risk remains a key concern for 2027 production.** Management remains cautious on the FFB production outlook for 2027, particularly for its Indonesian estates with the increasing likelihood of a strong El Nino. Indonesia's rainfall outlook points to drier conditions in Aug-Sep 26 while Malaysia is still expected to receive adequate rainfall. SDG projects that the production hit will materialise in 2H27 or 1H28.
- **Mixed downstream outlook.** The bulk and trading segments are expected to sustain their positive performance, supported by favourable market conditions and stronger margins. However, the differentiated segment is likely to remain soft in the near term amid margin pressure and weaker demand from key customers, particularly in the FMCG sector.
- **Accelerating land monetisation.** SDG recognised a RM529m gain in 2Q26 from the disposal of 935 acres in Kulai to its Eco World JV (EBP8), bringing cumulative land disposal gains to RM689m in 1H26. We believe SDG could exceed its RM500m-700m annual industrial development earnings target in 2026 if it completes the disposal of the 1,000-acre Bukit Kerayong land, announced in Jul 26.
- **Strong pipeline supports visibility of recurring land monetisation gains**. The group has announced two proposed outright land disposals: a) 557 acres in Kulai for RM418m to Sime Darby Property, and b) 170 acres in Kluang for RM82.8m to a private developer. The group has also earmarked more than 10,000 acres of land for this new venture, currently at various stages of planning and execution. Given the accelerating pace of land monetisation and the sizeable development pipeline, we believe SDG is well positioned to reach the upper end of its earnings target over the next two years. We have therefore raised our earnings assumption for the industrial development segment from RM500m to RM700m p.a..

Valuation/Recommendation

- **Maintain BUY with a higher target price of RM7.65** (previously RM7.25), pegged to 20x 2027F PE (+0.5SD) on our revised earnings forecast.

Earnings Revision/Risk

- **We raise our 2026-28 earnings forecasts by 10%/8%/8% respectively,** reflecting a higher assumption for industrial development earnings, which we have raised from RM500m to RM700m p.a. over the next three years.
- We expect core earnings to trend sequentially higher in 2H26, in tandem with the peak production cycle and recovering Malaysian estate yields, alongside support from firmer CPO prices.

FFB Production

FFB Production ('000 MT)	2Q FY2026	1H FY2026
Upstream Malaysia	**1,146**	**2,101**
	2Q FY2025: 1,222 (-6%)	*1H FY2025: 2,193 (-4%)*
Upstream Indonesia	**651**	**1,155**
	2Q FY2025: 574 (13%)	*1H FY2025: 1,135 (2%)*
Upstream PNG and SI	**494**	**945**
	2Q FY2025: 490 (1%)	*1H FY2025: 963 (-2%)*
Total	**2,291**	**4,201**
	2Q FY2025: 2,286 (0.2%)	*1H FY2025: 4,291 (-2%)*

Source: SD Guthrie

Downstream PBIT

Recurring PBIT (RM'mn)	2Q FY2026	1H FY2026
Downstream		
Differentiated	**38**	**97**
	2Q FY2025: 93 (-59%)	*1H FY2025: 147 (-34%)*
Bulk	**43**	**64**
	2Q FY2025: -3 (>100%)	*1H FY2025: 10 (>100%)*
Trading	**74**	**115**
	2Q FY2025: 56 (32%)	*1H FY2025: 82 (40%)*
Others*	**(14)**	**(29)**
	2Q FY2025: (19) (26%)	*1H FY2025: (32) (9%)*
Total PBIT	**141**	**247**
	2Q FY2025: 126 (12%)	*1H FY2025: 207 (19%)*
JV Companies	**(5)**	**(2)**
	2Q FY2025: 0 (>100%)	*1H FY2025: (5) (60%)*
Grand Total PBIT	**136**	**245**
	2Q FY2025: 126 (8%)	*1H FY2025: 202 (21%)*

Source: SD Guthrie

Key Assumption

	2026F	2027F	2028F
FFB growth (% yoy)	2.5	3.0	3.0
CPO prices (RM/mt)	4,500	4,400	4,400
Downstream margin (%)	3.0	3.2	3.5
Industrial earnings (RMm)	700	700	700

Source: UOB Kay Hian

Environmental, Social, Governance (ESG) Updates

Environmental
- SDG announced that additional biogas plants would be built in Kedah and Negeri Sembilan. This allows it to work towards its carbon reduction target of 40% by 2030 (current: 18%).
Social
- The US Customs and Border Protection says palm oil produced by SDG is no longer "being mined, produced, or manufactured wholly or in part with the use of convict, forced, or indentured labour".
Governance
- Transparent governance along with an Anti-Bribery and Anti-Corruption Policy. - Placed 1st in Sustainable Palm Oil Transparency Toolkit rankings for 2025, rising from 3rd place in 2024.

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	20,895	24,922	24,994	27,361
EBITDA	4,487	5,507	5,205	5,307
Deprec. & amort.	1,439	1,591	1,591	1,591
EBIT	3,048	3,916	3,614	3,716
Associate contributions	-9	-6	51	54
Net interest income/(expense)	-63	-65	-61	-59
Pre-tax profit	3,530	3,845	3,604	3,711
Tax	-842	-855	-802	-891
Minorities	-185	-229	-152	-152
Net profit	2,503	2,761	2,650	2,668
Net profit (adj.)	1,949	2,166	2,055	2,073

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	19,341	19,750	20,160	20,569
Other LT assets	4,582	4,724	4,724	4,724
Cash/ST investment	624	863	630	152
Other current assets	7,196	7,174	6,850	7,253
Total assets	31,743	32,511	32,364	32,698
ST debt	546	361	177	177
Other current liabilities	5,364	6,227	6,236	6,543
LT debt	4,713	4,676	4,676	4,676
Other LT liabilities	271	271	271	271
Shareholders' equity	20,470	20,470	20,470	20,470
Minority interest	401	506	534	562
Total liabilities & equity	31,765	32,511	32,364	32,698

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	3,598	4,437	3,917	3,670
Pre-tax profit	3,530	3,210	2,965	3,070
Tax	-842	-855	-802	-891
Deprec. & amort.	1,439	1,591	1,591	1,591
Working capital changes	-510	325	-8	-273
Other operating cashflows	-19	167	171	173
Investing	-1,668	-1,184	-1,196	-1,184
Capex (maintenance)	-2,125	-2,000	-2,000	-2,000
Investments	-365	2	2	2
Proceeds from sale of assets	711	800	800	800
Others	111	14	2	14
Financing	-1,943	-3,009	-2,948	-2,958
Dividend payments	-1,346	-1,519	-1,458	-1,468
Issue of shares	0	0	0	0
Proceeds from borrowings	-95	0	0	0
Loan repayment	-502	10	10	10
Others/interest paid	-13	245	-227	-472
Net cash inflow (outflow)	625	624	863	630
Beginning cash & cash equivalent	12	-6	-6	-6
Changes due to forex impact	624	863	630	152
Ending cash & cash equivalent	3,598	4,437	3,917	3,670

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	21.5	22.1	20.8	19.4
Pre-tax margin	16.9	15.4	14.4	13.6
Net margin	12.0	11.1	10.6	9.8
ROA	8.3	9.1	8.7	8.7
ROE	13.8	15.2	14.6	14.7
Growth				
Turnover	5.4	19.3	0.3	9.5
EBITDA	9.4	22.7	(5.5)	2.0
Pre-tax profit	12.5	8.9	(6.3)	3.0
Net profit	15.7	10.3	(4.0)	0.7
Net profit (adj.)	15.7	10.3	(4.0)	0.7
EPS	27.1	41.7	(4.0)	0.7
Leverage				
Debt to total capital	25.2	24.0	23.1	23.1
Debt to equity	25.7	24.6	23.7	23.7
Net debt/(cash) to equity	22.6	20.4	20.6	23.0
Interest cover	71.2	84.4	85.1	89.5