SD Guthrie (SDG MK)

3Q26: Within Expectations; Upstream Lifts Core Profit By 39%

Highlights

- SDG reported 3Q26 net profit of RM773m (-17% yoy, -22% qoq) on smaller land sale gains. Excluding one-off items, core net profit rose 39% yoy and 30% qoq to RM693m, led by upstream operations.
- 9M26 core net profit of RM1.64b (+10% yoy) is in line at 73% of our full-year forecast. We raise 2026 core net profit forecast by 3%, mainly to reflect net savings from the redeemed perpetual sukuk, and keep 2027's estimates unchanged.
- Maintain BUY with an unchanged target price of RM8.30, based on 19x 2027F PE.

3Q26 Results Summary

Year to 31 Dec (RMm)	3Q26	3Q25	qoq %	yoy %	9M26	yoy %
Revenue	5,393	5,411	9.1	(0.3)	15,026	(2.4)
PBIT	1,134	1,264	(13.6)	(10.3)	3,254	12.8
Upstream	935	631	49.1	48.2	2,091	2.5
Midstream	99	123	(16.8)	(19.5)	286	28.8
Downstream	1	31	(94.1)	(96.8)	59	(56.0)
Industrial Development	81	432	(84.7)	(81.3)	770	78.2
Profit Before Tax	1,099	1,251	(14.1)	(12.2)	3,166	11.8
Net Profit	773	935	(21.7)	(17.3)	2,320	15.6
Core Net Profit (excl. one-offs)	693	497	30.0	39.4	1,641	10.4
Margin (%)						
PBIT	21.0	23.4	(5.5)	(2.3)	21.7	2.9
Core net profit	12.8	9.2	2.1	3.7	10.9	1.3

Note: Core net profit excludes land gains and other one-off items
Source: SD Guthrie, UOB Kay Hian

Analysis

- **Upstream drove the quarter.** Upstream PBIT rose 48% yoy to RM935m. Indonesian PBIT nearly quadrupled to RM264m as FFB output rose 23% yoy, with newer areas reaching prime age after accelerated replanting. Malaysian PBIT rose 26% to RM517m on 4% higher FFB output and a 6% higher realised CPO price of RM4,548/tonne. Papua New Guinea (PNG) and the Solomon Islands PBIT were flat at RM154m as dry weather cut output by 2%.
- **Midstream and downstream softens.** Midstream PBIT fell 20% yoy to RM99m on inventory provisions in bulk refining after CPO prices eased, although trading rose 35% to RM88m. Downstream PBIT was only RM1m (3Q25: RM31m) on weaker margins in Asia Pacific and Europe and losses at the Emery JV.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	19,831	20,895	24,922	26,158	27,775
EBITDA	4,102	4,487	5,535	5,658	5,322
Operating profit	2,649	3,048	3,945	4,068	3,732
Net profit (rep./act.)	1,527	2,503	2,837	3,019	2,711
Net profit (adj.)	1,527	1,949	2,231	2,414	2,105
EPS (sen)	22.5	36.2	41.0	43.7	39.2
PE (x)	26.8	16.6	14.7	13.8	15.4
P/B (x)	2.0	2.0	2.3	2.3	2.3
EV/EBITDA (x)	11.4	10.4	8.6	8.3	8.9
Dividend yield (%)	2.7	3.0	3.4	3.6	3.3
Net margin (%)	7.7	12.0	11.4	11.5	9.8
Net debt/(cash) to equity (%)	22.8	22.6	23.5	23.2	22.9
Consensus net profit	-	-	2,720	2,699	2,530
UOBKH/Consensus (x)	-	-	1.04	1.12	1.07

Source: SD Guthrie, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	RM6.00
Target Price	RM8.30
Upside	38.3%

Stock Data

Sector	Consumer Staples
Bloomberg ticker	SDG MK
Shares issued (m)	6,915.7
Market cap (RMm)	41,494.3
Market cap (US$m)	10,229.8
3-mth avg daily t'over (US$m)	14.7

Price Performance (%)

52-week high/low				RM7.00 /RM5.18
1mth	3mth	6mth	1yr	YTD
(2.3)	(11.8)	(4.6)	11.8	4.4

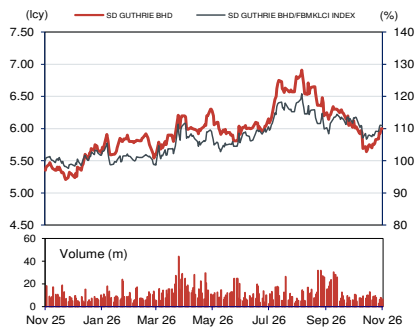
Major Shareholders (%)

Permodalan Nasional Bhd (incl. ASNB)	39.7
Employees Provident Fund	17.6

Balance Sheet Metrics

NAV/Share, Sep-26 (RM)	2.70
Net Debt/Share, Sep-26 (RM)	0.87

Price Chart



Source: Bloomberg

Company Description

SD Guthrie is one of the world's largest producers of certified sustainable palm oil, with 232 estates across Malaysia, Indonesia, Papua New Guinea and the Solomon Islands, and 10 refineries. It is also developing industrial parks and renewable energy projects on its Malaysian land bank.

- **Land gains lumpy, not slowing.** Industrial development PBIT was RM81m (3Q25: RM432m) from a single outright sale. 9M26 land gains of RM770m already exceed our RM700m full-year assumption, and after the quarter, the Byram (RM253m) and Port Dickson (RM89m) sales turned unconditional and the RM241m Penang land compensation was settled.
- **Higher tax rate, lower gearing.** The effective tax rate rose to 28% (3Q25: 22%) on withholding tax on dividends from foreign subsidiaries and RM17m of Pillar Two global minimum tax. Net gearing fell to 31% from 37% at end-June, as RM1.14b of operating cash flow and RM581m of disposal proceeds cut net borrowings by RM1.04b to RM5.99b.
- **El Niño impact still ahead.** Management said 9M26 rainfall at its Indonesian estates was lower yoy. Kalimantan has had little rain since July, and only about 65% of the Indonesian fertiliser programme has been applied. The yield effect usually appears 6-18 months later. At the analyst briefing, management guided for production growth in Malaysia in 2027; we remain more cautious at the group level and continue to expect a small decline in 2027 FFB output.
- **Indonesian policy risk is manageable for now.** The agrarian reform law passed on 22 September requires at least 20% of plantation land, or an equivalent profit share, for communities.
- **Land pipeline.** About 22,000 acres sit in the co-development pipeline. Beyond 4Q26, the Bukit Kerayong sale to the YTL Power/Bumi Assets JV (RM586m gain) is due to complete in 1Q27 and the Kulai sale to Sime Darby Property (RM418.5m) has received shareholder approval.

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of RM8.30,** based on 19x 2027F PE on reported EPS of 43.7 sen, which includes RM500m of land gains. The multiple is unchanged.
- **Undemanding valuation.** At RM6.02, SDG trades at 14.7x 2026F and 13.8x 2027F PE, with 37.9% upside to our target price.

Earnings Revision/Risk

- **2026 forecasts raised, while those for 2028 are cut.** We raise 2026 core net profit forecast by 3% to RM2,231m, mainly because the RM2.2b perpetual sukuk was redeemed in March, removing RM96m of distributions this year, partly offset by higher finance costs on replacement borrowings. Our 2027 net profit forecast is broadly unchanged as higher fertiliser and wage cost assumptions offset the full-year sukuk saving. We cut our 2028 net profit forecast by 8.6% to align with our RM4,500/tonne CPO assumption (previously RM4,600).
- **Risks. a**) A deeper El Niño impact on 2027-28 output, especially in Kalimantan, b) lower CPO prices while Malaysian stocks stay high, c) delays in the completion of land sales, d) stricter implementation of Indonesia's agrarian reform and export rules.

Share Price Catalyst

- a) Recognition of 4Q26 land transactions: Penang compensation (RM241m), Byram (RM253m) and Port Dickson (RM89m).
- b) Completion of the Bukit Kerayong sale to the YTL Power/Bumi Assets JV in 1Q27, with a RM586m gain.
- c) A CPO price recovery into 2027 as El Niño reduces output. Our 2027 CPO price forecast is RM4,700/tonne.

Environmental, Social, Governance (ESG) Updates

Environmental

- Fire management: 2,411 fires confirmed in Indonesia in 9M26, of which 99% were outside SDG's concessions (31 within). SDG runs 67 firefighting teams (1,005 trained personnel) and monitors a 5km radius around its operations.
- Renewable energy: 15MW first solar PV plant commissioned in Dec 25; 100MW Similajau (Bintulu) project, 24.5% stake, target COD: Dec 29; term sheet signed on 28 Sep 26 for a 680MWac hybrid solar and battery project supplying a US technology company's data centres (33.5% indirect stake). Aspiration: 1GW of solar capacity.

Social

- Indonesia's agrarian reform law (22 Sep 26) requires 20% of plantation land, or equivalent profit sharing, for communities. Regulations are pending implementation; SDG is in dialogue with government agencies, communities and smallholders.
- Community fire-prevention programmes cover 186,000ha and engage about 100,000 people across 34 villages.

Governance

- Contingent liability: Indonesia's forestry task force (Satgas PKH) has alleged land overlaps at several Indonesian subsidiaries. SDG holds valid HGU titles; verification is ongoing and no sanction has been issued to date.
- The RM2.2b perpetual sukuk was redeemed on 24 Mar 26, funded mainly by Sustainability-Linked Sukuk Wakalah.

Source: SD Guthrie, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	19,831	20,895	24,922	26,158	27,775
EBITDA	4,102	4,487	5,535	5,658	5,322
Deprec. & amort.	1,453	1,439	1,591	1,591	1,591
EBIT	2,649	3,048	3,945	4,068	3,732
Associate contributions	(28)	(9)	(6)	51	54
Net interest income/(expense)	(119)	(63)	(115)	(121)	(109)
Pre-tax profit	2,502	3,530	3,823	3,997	3,676
Tax	(796)	(842)	(855)	(913)	(901)
Minorities & perp. sukuk	(179)	(185)	(132)	(65)	(65)
Net profit	1,527	2,503	2,837	3,019	2,711
Net profit (adj.)	1,527	1,949	2,231	2,414	2,105

Balance Sheet

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Fixed assets	19,365	19,341	19,750	20,160	20,569
Other LT assets	4,954	4,582	4,724	4,724	4,724
Cash/ST investment	625	624	898	879	718
Other current assets	520	7,196	6,505	5,399	5,365
Total assets	32,047	31,743	31,878	31,162	31,376
ST debt	1,809	546	361	177	177
Other current liabilities	237	5,364	6,227	6,410	6,596
LT debt	3,537	4,713	6,274	5,530	5,530
Other LT liabilities	233	271	271	271	271
Shareholders' equity	20,718	20,470	18,239	18,239	18,239
Minority interest	443	401	505	536	563
Total liabilities & equity	32,047	31,765	31,878	31,162	31,376

Cash Flow

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Operating	3,013	3,598	4,517	4,334	3,999
Pre-tax profit	2,502	3,530	3,823	3,954	3,578
Tax	(796)	(842)	(850)	(904)	(859)
Deprec. & amort.	1,453	1,439	1,591	1,591	1,591
Working capital changes	(378)	(510)	325	(163)	(166)
Other operating cashflows	113	(19)	213	235	247
Investing	(630)	(1,668)	(1,184)	(1,196)	(1,184)
Capex (maintenance)	(2,096)	(2,125)	(2,000)	(2,000)	(2,000)
Investments	0	(365)	2	2	2
Proceeds from sale of assets	1,452	711	800	800	800
Others	14	111	14	2	14
Financing	(1,621)	(1,943)	(3,053)	(3,151)	(2,971)
Dividend payments	(1,127)	(1,346)	(1,563)	(1,661)	(1,481)
Issue of shares	0	0	0	0	0
Proceeds from borrowings	0	(95)	0	0	0
Others/interest paid	6	(502)	10	10	10
Net cash inflow (outflow)	762	(13)	280	(13)	(155)
Beginning cash & cash equivalent	830	625	624	898	879
Changes due to forex impact	(6)	12	(6)	(6)	(6)
Ending cash & cash equivalent	1,586	624	898	879	718

Key Metric

Year to 31 Dec (%)	2024	2025	2026F	2027F	2028F
Profitability					
EBITDA margin	20.7	21.5	22.2	21.3	18.8
Pre-tax margin	12.6	16.9	15.3	15.0	12.9
Net margin	7.7	12.0	11.4	11.5	9.7
ROA	5.1	8.3	9.4	10.2	9.0
ROE	8.3	13.8	16.7	17.7	15.8
Growth					
Turnover	7.6	5.4	19.3	5.7	5.5
EBITDA	25.4	9.4	23.4	1.4	(7.0)
Pre-tax profit	(9.1)	41.1	8.3	3.4	(9.5)
Net profit	(17.9)	63.9	13.5	6.3	(10.8)
Net profit (adj.)	88.1	27.6	15.2	15.5	(12.6)
EPS	88.0	61.2	13.5	6.3	(10.8)
Leverage					
Debt to total capital	25.3	25.2	35.4	30.4	30.4
Debt to equity	25.8	25.7	36.4	31.3	31.3
Net debt/(cash) to equity	22.8	22.6	31.5	26.5	27.4
Interest cover (x)	34.5	71.2	47.9	46.3	47.8

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