



Plantation

# FINANCIAL PERIOD ENDING 31 DECEMBER 2018 RESULTS ANNOUNCEMENT

## Three Months Ended 30 September 2018

23 November 2018

# Financial Highlights

Lower profit attributable to weaker average CPO & PK prices realised, mitigated by improvements in operational efficiencies



<i>in RM'mn (YoY %)</i>	<b>30 SEP 2018</b>	<b>30 SEP 2017</b>	<b>YoY %</b>
<b>Revenue</b>	<b>3,039</b>	<b>3,541</b>	-14%
<b>PBIT</b>	<b>259</b>	<b>1,284</b>	-80%
■ Recurring PBIT	259	512	-49%
■ Non-Recurring PBIT <sup>1</sup>	-	772	
<b>PBT</b>	<b>212</b>	<b>1,239</b>	-83%
<b>PATAMI</b> Attributable to owners of the Company	<b>115</b>	<b>1,019</b>	-89%
■ Recurring PATAMI	115	270	-57%
■ Non-Recurring PATAMI <sup>1</sup>	-	749	
<b>Basic EPS<sup>2</sup></b> (RM'sen)	<b>1.7</b>	<b>15.0</b>	-89%
■ Recurring EPS	1.7	4.0	-58%
■ Non-Recurring EPS	-	11.0	

<sup>1</sup> Non-recurring refers to the gain on sale of land to SD Property of RM677mn and reversal of accrual for donation of RM95mn in the three months ended 30 September 2017




<sup>2</sup> Based on weighted average number of ordinary shares post-listing of SD Plantation



# Financial Highlights (cont'd)

Impact of lower average CPO and PK prices realised on our profit



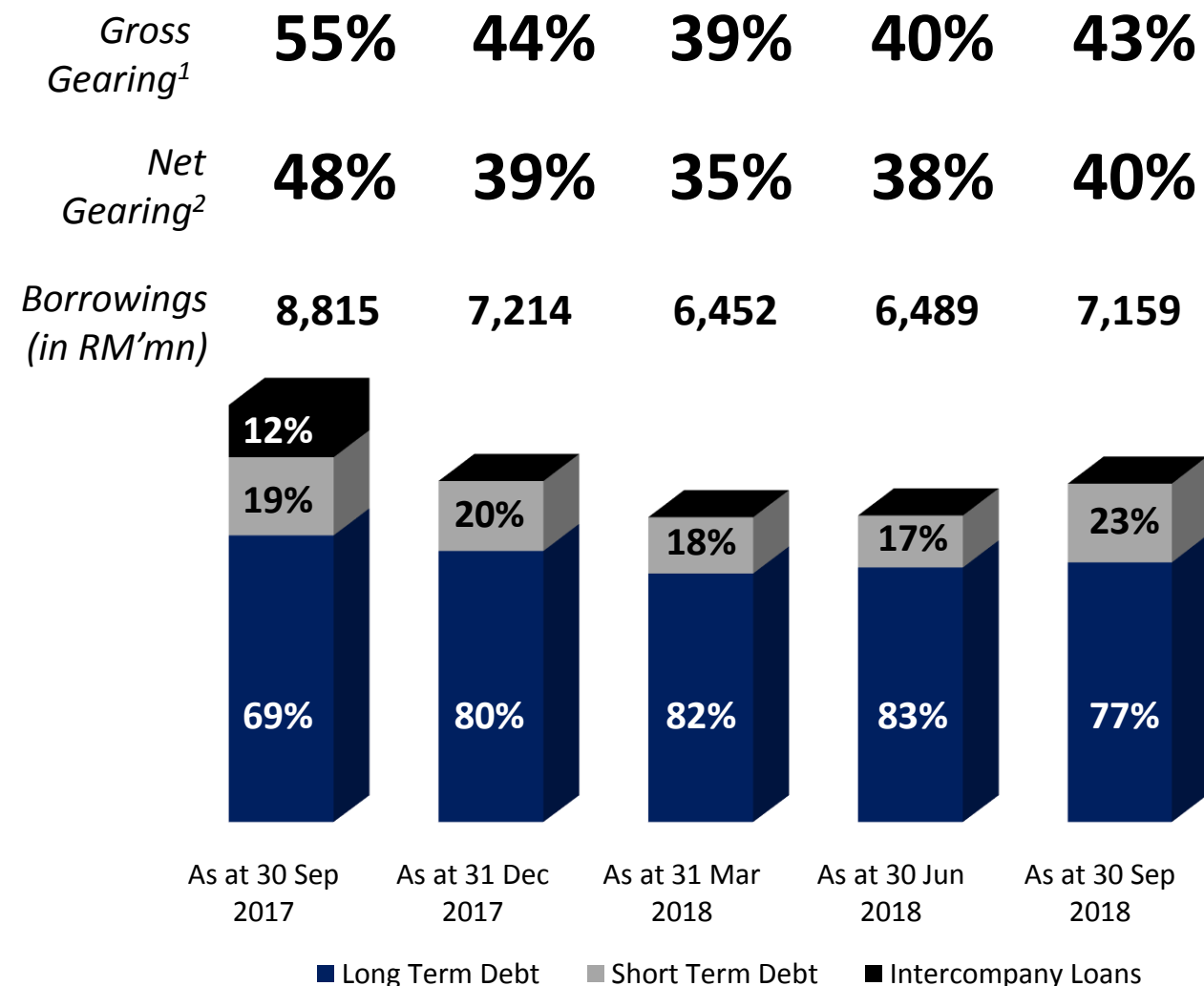
in RM'mn		30 SEP 2018	30 SEP 2017	YoY %	IMPACT ON PBIT	IMPACT ON PATAMI
Recurring PBIT		259	512	-49%	▼ 253	
Recurring PATAMI		115	270	-57%		▼ 155
 MALAYSIA	CPO*	2,223	2,730	-19%	▼ 132	▼ 100
	PK*	1,767	2,162	-18%	▼ 25	▼ 19
 INDONESIA	CPO*	1,803	2,635	-32%	▼ 101	▼ 76
	PK*	1,337	1,901	-30%	▼ 12	▼ 9
 PNG/SI	CPO*	2,289	2,690	-15%	▼ 30	▼ 21
THE IMPACT OF LOWER AVERAGE CPO & PK PRICES REALISED					▼ 300	▼ 225

Note: \* Average selling price realised (in RM/MT palm product)

# Borrowings & Cash Flow



Higher borrowings largely due to the acquisition of the Markham Farming Company Limited (MFCL) for a total cash consideration of ~USD52.6mn (~RM215.6mn), higher working capital funding and foreign exchange movement



**RM391mn**

NET CASH GENERATED  
FROM OPERATING  
ACTIVITIES  
30 Sep 2017: RM541mn  
(-28% YoY)

**-RM681mn**

NET CASH USED IN  
INVESTING ACTIVITIES  
30 Sep 2017: -RM306mn  
(>+100% YoY)

**RM381mn**

NET CASH FROM  
FINANCING ACTIVITIES  
30 Sep 2017: RM281mn  
(+36% YoY)

Gearing as at 30 Sep 2018 increased by RM670mn or 10% compared to 30 June 2018 due to:

- New loan drawdown for the acquisition of MFCL
- Working capital funding, given higher inventory balances (30 Sep 2018: RM2.0bn vs 30 Jun 2018: RM1.6bn)

Internal inventory volume (in MT)	30 Sep 2018	30 Jun 2018	QoQ %
Upstream – CPO	204,947	77,141	+166%
Upstream – PK	36,750	21,161	+74%
Downstream – Refined products	277,454	204,991	+35%
<b>Total</b>	<b>519,151</b>	<b>303,293</b>	<b>+71%</b>

- Foreign exchange movement of RM163mn

**Less: Loan repayments**

<sup>1</sup> Gross Gearing is based on Total Borrowings (including intercompany loans) divided by Total Equity

<sup>2</sup> Net Gearing is based on Total Borrowings (including intercompany loans) less Bank Balances, Deposits & Cash divided by Total Equity

# Credit Ratings

Rating agencies affirmed SD Plantation's credit ratings – A testament to its financial stability



**AAA,  
Stable**

Affirmed on 14 Sep'18

*"The affirmed corporate credit rating is driven by SD Plantation's **sizeable and geographically diversified oil palm plantations that support a strong cash flow generating ability** to provide a healthy buffer against its financial obligations"*

**Fitch**Ratings

**BBB+,  
Stable**

Affirmed on 15 Nov'18

*"SD Plantation's rating reflects **its position** as the world's largest palm-oil producer by planted area, diversified plantation locations and operating integration, which **allows optimum profit retention**"*

  
**MOODY'S**

**Baa1,  
Stable**

Affirmed on 18 Oct'18

*"Malaysian oil palm planters, particularly companies which **comply with tighter sustainability standards of the RSPO**, will have better support in their credit ratings. Among Moody's rated oil palm planter issuers, SD Plantation is **best positioned for sustainable practices** as it is the largest producer globally of certified sustainable palm oil"*

# Financial Performance by Segment

Lower profit contributions arising from lower average CPO and PK prices realised, mitigated by higher FFB production and improved OER

<i>Recurring PBIT in RM'mn (YoY %)</i>	<b>30 SEP 2018</b>	<b>30 SEP 2017</b>	<b>YoY %</b>
<b>Upstream</b>	<b>200</b>	<b>436</b>	<b>-54%</b>
Upstream Malaysia	<b>125</b>	<b>304</b>	<b>-59%</b>
Upstream Indonesia	<b>63</b>	<b>117</b>	<b>-46%</b>
Upstream PNG/SI	<b>30</b>	<b>38</b>	<b>-21%</b>
Upstream Liberia	<b>-18</b>	<b>-23</b>	<b>+22%</b>
<b>Downstream</b>	<b>48</b>	<b>70</b>	<b>-31%</b>
<b>Others<sup>1</sup></b>	<b>11</b>	<b>6</b>	<b>+83%</b>

<sup>1</sup> Others refers to Sime Darby Agri-Bio Sdn Bhd, Sime Darby Research Sdn Bhd, Sime Darby Technology Sdn Bhd, Sime Darby Biotech Lab Sdn Bhd, Sime Darby Seeds Sdn Bhd, as well as investment holding companies, associates and joint ventures

# Operational Performance – Upstream

Improved FFB production from all regions except the Malaysian operations

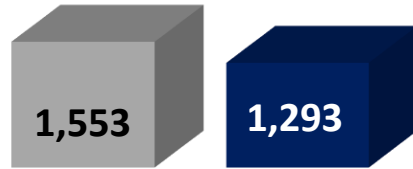
in '000 MT (YoY %)

## FFB PRODUCTION



### MALAYSIA

-17%



30 Sep 2017

30 Sep 2018



### INDONESIA

+27%



30 Sep 2017

30 Sep 2018

- **Malaysia:** Weaker FFB output on the back of a lower production cycle as compared to the bumper harvest experienced last year

- **Indonesia:** Higher production due to our progressive replanting efforts in the previous years showing positive yields

- **PNG/SI:** Favourable weather conditions boosted FFB production

- **Liberia:** Better production growth as more trees come into maturity



### PNG/SI

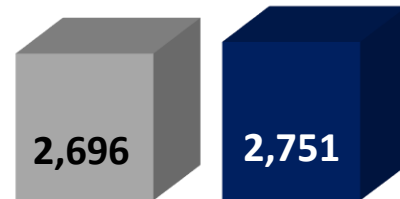
+27%



30 Sep 2017

30 Sep 2018

### TOTAL UPSTREAM +2%



30 Sep 2017

30 Sep 2018



### LIBERIA

+86%



30 Sep 2017

30 Sep 2018

# Operational Performance – Upstream

Overall improvement in OER attributable to the Malaysian operations

## CPO EXTRACTION RATE (OER)

in % (YoY %)



**MALAYSIA**

**+2%**



30 Sep 2017

30 Sep 2018



**INDONESIA**

**-1%**



30 Sep 2017

30 Sep 2018

- **Malaysia:** OER improved as a result of our continuous crop quality improvement
- **Indonesia:** Weaker OER due to an increase in newly matured areas with lower oil to bunch ratio



**PNG/SI**

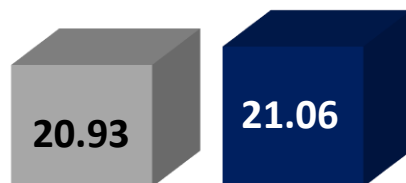
**-3%**



30 Sep 2017

30 Sep 2018

**TOTAL  
UPSTREAM  
+0.6%**



30 Sep 2017

30 Sep 2018



**LIBERIA**

**-6%**



30 Sep 2017

30 Sep 2018

- **PNG/SI and Liberia:** Attributable to crop quality being affected by the longer harvesting intervals as a result of the increase in crop production



# Operational Performance – Upstream

CPO prices remain subdued in view of the challenging business environment

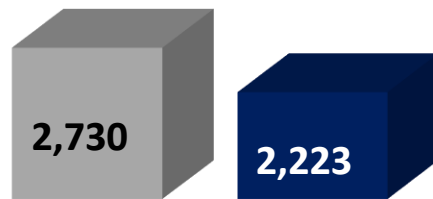
in RM/MT  
(YoY %)

## AVERAGE CPO PRICE REALISED



**MALAYSIA**

**-19%**



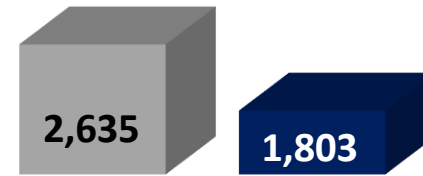
30 Sep 2017

30 Sep 2018



**INDONESIA**

**-32%**



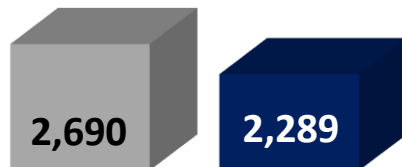
30 Sep 2017

30 Sep 2018



**PNG/SI**

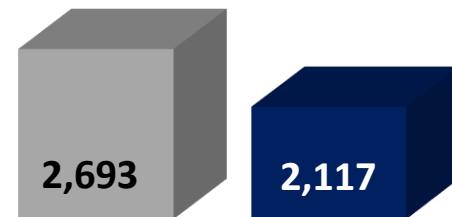
**-15%**



30 Sep 2017

30 Sep 2018

**TOTAL  
UPSTREAM  
-21%**



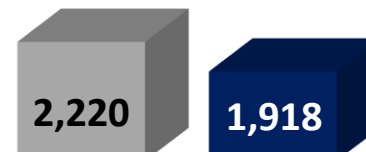
30 Sep 2017

30 Sep 2018



**LIBERIA**

**-14%**



30 Sep 2017

30 Sep 2018

**CPO prices weakened during the period largely due to:**

- The increase in inventory caused by a **seasonal high in production** coupled with **sluggish export demand**

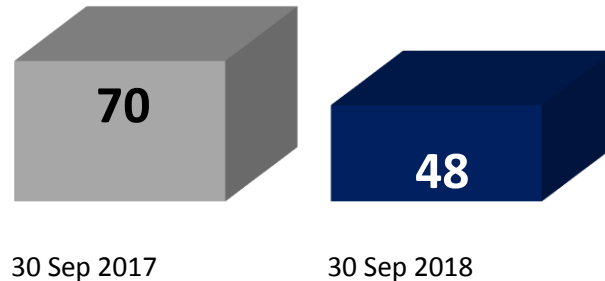
# Financial Performance – Downstream

Weaker contributions from the differentiated products business mitigated by improved performance of the bulk products business

*Recurring PBIT in RM'mn (YoY %)*

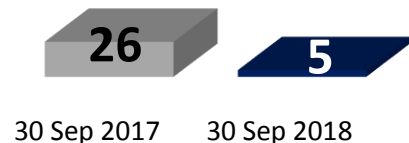
## TOTAL DOWNSTREAM

**-31%**



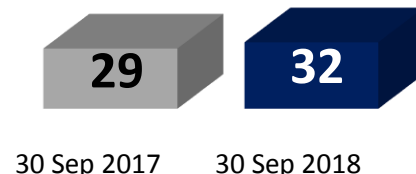
## DIFFERENTIATED

**-81%**



## BULK

**+10%**



## TRADING

**-27%**



The weaker performance was mainly attributable to the **differentiated products business** due to **lower sales volume and margins** in view of:

- Greater competitive environment
- Lower seasonal demand

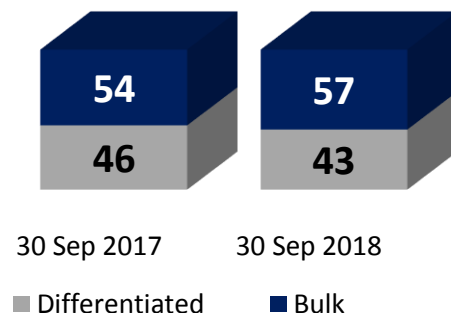
The decline in earnings was partially mitigated by **improved performance from the bulk products business** due to:

- Better margins for palm products in **Indonesia** amid high inventory levels in the country

# Operational Performance – Downstream

Improved capacity utilisation and sales volume largely driven by the bulk products business

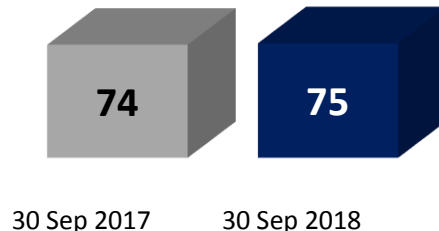
in %



## PRODUCT RATIO

- Higher bulk products as at 30 Sep 2018 due to increased demand from Indonesia

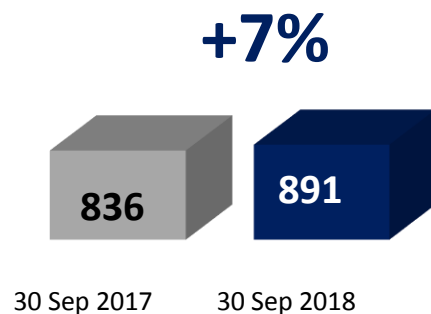
in %



## CAPACITY UTILISATION

- Capacity utilisation increased from 74% to 75% as at 30 Sep 2018

in '000 MT  
(YoY %)








## SALES VOLUME

- Sales volume was 7% higher compared to the previous corresponding period attributable to the bulk products business

# Improving Operational Efficiencies

Our strategic initiatives are yielding positive results

Strategic Priorities	Replanting with Superior Planting Materials		Water Management		Cost Management	
Initiatives To Improve Operational Efficiencies	<ul style="list-style-type: none"><li>SD Premium</li><li>Genome Select</li><li>Super Family Dami</li></ul>		<div> 873 ha irrigated*</div> <div> 10,617 ha irrigated*</div> <div><div></div> 1,157 ha irrigated*</div> <div> 3,584 ha irrigated*</div>		<ul style="list-style-type: none"><li>Labour rationalisation</li><li>Fertiliser cost reduction via precise application</li></ul>	
Progress To-date	FFB Production OER		+2% YoY* +0.6% YoY*		Cost to Customer -6% YoY*	

Note: \* For the three months ended 30 September 2018



# Plantation Of The Future

Moving towards a connected, integrated, automated and sustainable plantation



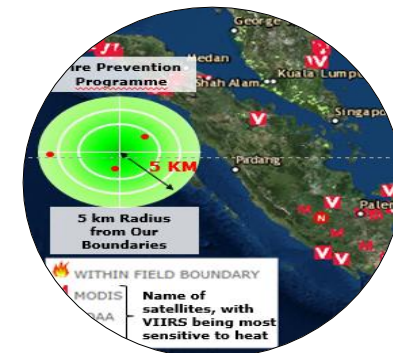
*Loose Fruit Collector*



*Powered Exoskeleton*

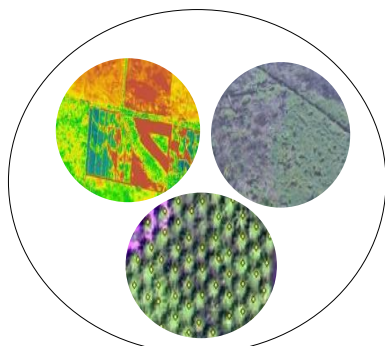


*SD2 System: Two-tier bin system with mechanical buffalo*



*Hotspot Monitoring Dashboard*

## INDUSTRY 4.0 & STRATEGIC INNOVATION



*On-demand aerial analysis  
(e.g. Normalised Vegetation Index (NDVI),  
Aerial Monitoring, Tree Count Census)*



*Value chain analytics*



*Drone Monitoring*



*UAV: Unmanned aerial vehicle*

# Sustainability

Strengthening our position as the world's #1 producer of certified sustainable palm oil (CSPO)



Recognises **companies in Malaysia which have demonstrated extraordinary performance in the field of sustainability** to the long term benefit of the Malaysian society and economy, in line with EU sustainable development values and United Nations Sustainable Development Goals (SDGs)



## BEST SUSTAINABLE PALM OIL LEADER SIME DARBY PLANTATION

*based on initiatives which have made a positive contribution to the environment, communities and societies during the year*

## OUR SUSTAINABILITY CHARTERS

Together, SD Plantation's charters represent our **purpose of creating value in three aspects of sustainability**, namely People (HRC), Planet (RAC) and Prosperity (IPC), and our **commitment to operating in an economically, socially and environmentally responsible manner** whilst balancing the interests of a diverse range of stakeholders



The HRC articulates SDP's **commitment in respecting human rights** in line with the United Nations Guiding Principles on Business and Human Rights



The RAC is a summary of SDP's commitments surrounding **human rights and social development, environment and corporate integrity**



The IPC states SDP's **aspirations across the value chain in achieving prosperity**, via enabling high levels of productivity in delivering sustainable development

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# Appendix

# Summary of Operational Statistics

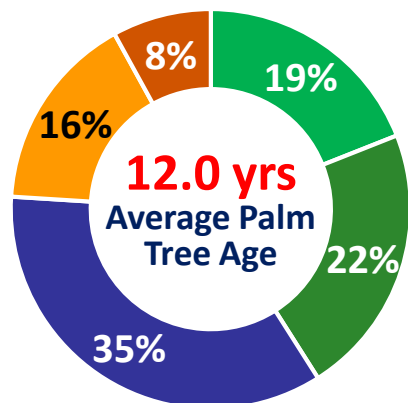
As at 30 September 2018

	Malaysia		YoY %	Indonesia		YoY %	PNG		YoY %	Liberia		YoY %	Group		YoY %
	30 Sep 2018	30 Sep 2017		30 Sep 2018	30 Sep 2017		30 Sep 2018	30 Sep 2017		30 Sep 2018	30 Sep 2017		30 Sep 2018	30 Sep 2017	
FFB Production (mn MT)	1,293	1,553	-17%	919	725	27%	513	404	27%	26	14	86%	2,751	2,696	2%
FFB Yield per mature ha (MT/Ha)	5.24	6.12	-14%	5.72	4.47	28%	6.53	5.29	23%	2.68	1.46	83%	5.55	5.37	3%
CPO Production (Own) (mn MT)	270	317	-15%	193	154	25%	113	92	24%	5.0	3.2	55%	582	566	3%
CPO Production (Total) (mn MT)	329	370	-11%	247	195	27%	146	121	20%	5.2	3.3	56%	727	689	5%
PK Production (Own) (mn MT)	69	78	-12%	45	35	29%	30	24	26%	1.6	0.5	234%	145	137	6%
PK Production (Total) (mn MT)	85	93	-8%	57	44	30%	39	32	22%	1.6	0.5	251%	182	168	8%
CPO Extraction Rate (%)	20.66	20.21	2%	21.04	21.33	-1%	22.11	22.69	-3%	19.44	20.61	-6%	21.06	20.93	0.6%
PK Extraction Rate (%)	5.34	5.07	5%	4.82	4.77	1%	5.84	5.91	-1%	6.09	2.87	112%	5.27	5.11	3%
Average CPO Selling Price (RM/MT)	2,223	2,730	-19%	1,803	2,635	-32%	2,289	2,690	-15%	1,918	2,220	-14%	2,117	2,693	-21%
Average PK Selling Price (RM/MT)	1,767	2,162	-18%	1,337	1,901	-30%	-	-	-	214	1,192	-82%	1,649	2,109	-22%

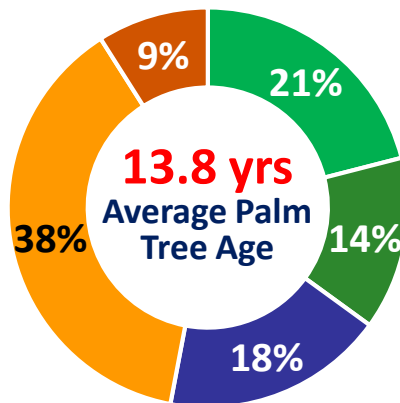
# Breakdown of Age Profile

As at 30 September 2018

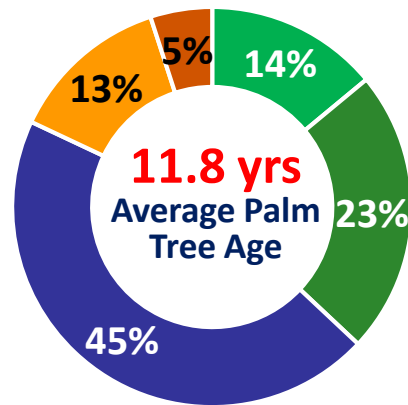
## MALAYSIA



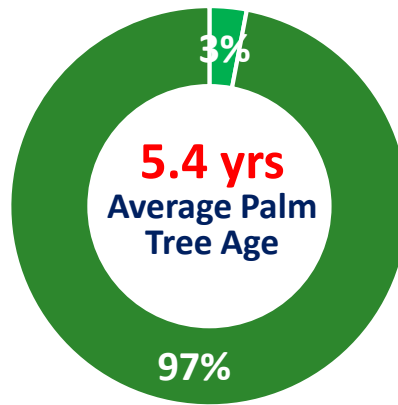
## INDONESIA



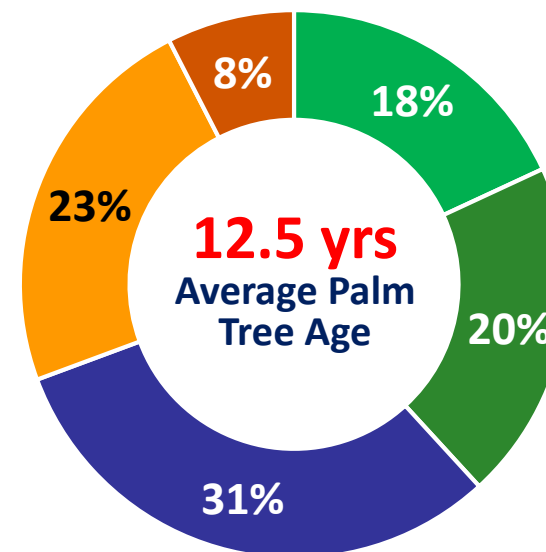
## PNG



## LIBERIA



## GROUP



**SD Plantation has 604,178 ha of oil palm planted area of which 82% is mature and 18% is immature**