

# FGV HOLDINGS BERHAD

FINANCIAL RESULTS BRIEFING

3<sup>rd</sup> Quarter FY2021



1 December 2021



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# TODAY'S AGENDA

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# EXECUTIVE SUMMARY



- The Palm Oil industry continues to face productivity issues due to acute labour shortage and intermittent pandemic-related operational disruption. National CPO production to date is about 9% below last year with palm oils stockpile settling around 1.8 mn MT only, thus maintaining the CPO spot price at above RM5,000/MT.
- In line with the recent announcement by the government to bring in 32,000 foreign workers, we expect productivity improvement starting from 2Q FY2022. Our current foreign workers coverage stands at 70% of the full requirement.
- Our vaccination programme for foreign workers is moving as planned and full completion of 2 doses for all workers is expected very soon.
- Despite those challenges, FGV posted strong YTD operating profit driven by higher palm products' margins, higher gross profit margin in Sugar and better operating profit from Logistics.
- FGV reinforces its commitment towards sustainability agenda, environmental protection and climate action. This is reflected in our commitment to adopt science-based target to become a net-zero business by 2050. FGV is the first food and agribusiness organisation in Malaysia to formalise such commitment.
- Overall in 3Q FY2021, FGV recorded PATAMI of RM399 mn, almost a three-fold increase from RM137 mn recorded last year. For the 9M FY2021, FGV PATAMI improved significantly to RM703 mn from RM15 mn last year.

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# 3Q FY2021 FINANCIAL HIGHLIGHTS

FGV recorded highest Quarterly Operating Profit since listing at RM643 mn in 3Q FY2021 due to surge in CPO Price as well as improved performance by all Sectors QoQ.



Income Statement (RM mn)	3Q FY2021	3Q FY2020	Var	
				%
<b>Revenue</b>	<b>5,316</b>	<b>3,989</b>	33	▲
<b>Operating profit (OP)</b>	<b>643</b>	<b>364</b>	77	▲
Fair value charge in LLA	(107)	(124)	14	▼
Impairment (net)	(7)	(41)	83	▼
<b>EBIT</b>	<b>528</b>	<b>199</b>	>100	▲
Finance costs (net)	(40)	(33)	(21)	▲
Share of results - Associates & JV	20	8	>100	▲
<b>PBT</b>	<b>508</b>	<b>173</b>	>100	▲
Zakat	(0.5)	(0.4)	(25)	▲
Taxation	(107)	(60)	(78)	▲
<b>PAT</b>	<b>401</b>	<b>113</b>	>100	▲
<b>PATAMI</b>	<b>399</b>	<b>137</b>	>100	▲
<b>EPS (sen)</b>	<b>10.9</b>	<b>3.8</b>	>100	▲

Higher Operating Profit mainly attributed by:

- Increased palm products' margins due to higher average CPO price realised.
- Improved average sugar selling prices and gains of liquidation of excess raw sugar hedges.
- Higher throughput volume for transport and storage segment.

## Operating Profit by all Business improved YoY

BUSINESS	3Q FY2021	3Q FY2020	Var %
<b>Plantation</b>	585	374	▲ 56%
<b>Sugar</b>	36	(6)	▲ >100%
<b>Logistics</b>	25	20	▲ 25%
<b>Others</b>	(3)	(24)	▲ 88%
<b>Total</b>	<b>643</b>	<b>364</b>	▲ 77%

# 9M FY2021 FINANCIAL HIGHLIGHTS

FGV Group's Operating Profit for YTD 3Q FY2021 improved significantly to RM1.17 bn largely due to strong CPO Price and better performance from Sugar and Logistics.



Income Statement (RM million)	9M 2021	9M 2020	Var %	
<b>Revenue</b>	<b>13,391</b>	<b>10,067</b>	33	▲
<b>Operating profit (OP)</b>	<b>1,170</b>	<b>430</b>	>100	▲
Fair value charge in LLA	(70)	(257)	73	▼
Impairment (net)	(10)	(49)	80	▼
<b>EBIT</b>	<b>1,089</b>	<b>124</b>	>100	▲
Finance costs (net)	(99)	(109)	9	▼
Share of results - Associates & JV	34	13	>100	▲
<b>PBT</b>	<b>1,024</b>	<b>27</b>	>100	▲
Zakat	(2)	(5)	60	▼
Taxation	(270)	(71)	<100	▲
<b>P/(L)AT</b>	<b>752</b>	<b>(49)</b>	>100	▲
<b>PATAMI</b>	<b>703</b>	<b>15</b>	>100	▲
<b>EPS (sen)</b>	<b>19.3</b>	<b>0.4</b>	>100	▲

Higher Operating Profit mainly attributed by:

- Increased palm products' margins due to higher average CPO price realised.
- Higher gross profit margin in sugar sector.
- Higher throughput volume and handling charges for storage segment.

## Operating Profit by all Business improved YoY

BUSINESS	9M FY2021	9M FY2020	Var %
<b>Plantation</b>	985	444	▲ >100%
<b>Sugar</b>	122	(36)	▲ >100%
<b>Logistics</b>	62	54	▲ 15%
<b>Others</b>	1	(32)	▲ >100%
<b>Total</b>	<b>1,170</b>	<b>430</b>	▲ >100%

# 3Q FY2021: PLANTATION

A significant contribution driven by higher CPO price and improved fertiliser/seeds volume.



PLANTATION	3Q FY2021	3Q FY2020	Var. (%)
<b>REVENUE</b>			
Upstream	3,248	2,334	▲ 39%
Downstream	1,324	872	▲ 52%
R&D and Fertiliser	106	105	▲ 1%
<b>Total Revenue</b>	<b>4,678</b>	<b>3,311</b>	<b>▲ 41%</b>

<b>OPERATING PROFIT</b>			
Upstream	548	356	▲ 54%
Downstream	14	17	▼ 18%
R&D and Fertiliser	23	1	▲ >100%
<b>Total Operating Profit</b>	<b>585</b>	<b>374</b>	<b>▲ 56%</b>
<b>FV charge in LLA</b>	<b>(107)</b>	<b>(124)</b>	<b>▼ 14%</b>

## Upstream

- Higher palm products margins due to higher average CPO price of RM3,798/MT (3Q 2020: RM2,645/MT).
- Improved Rubber processing margin by 12% due to direct sales to end customers.

## Downstream

- Reduced margin realised from CPKO and cooking oil segment due to higher CPO price.

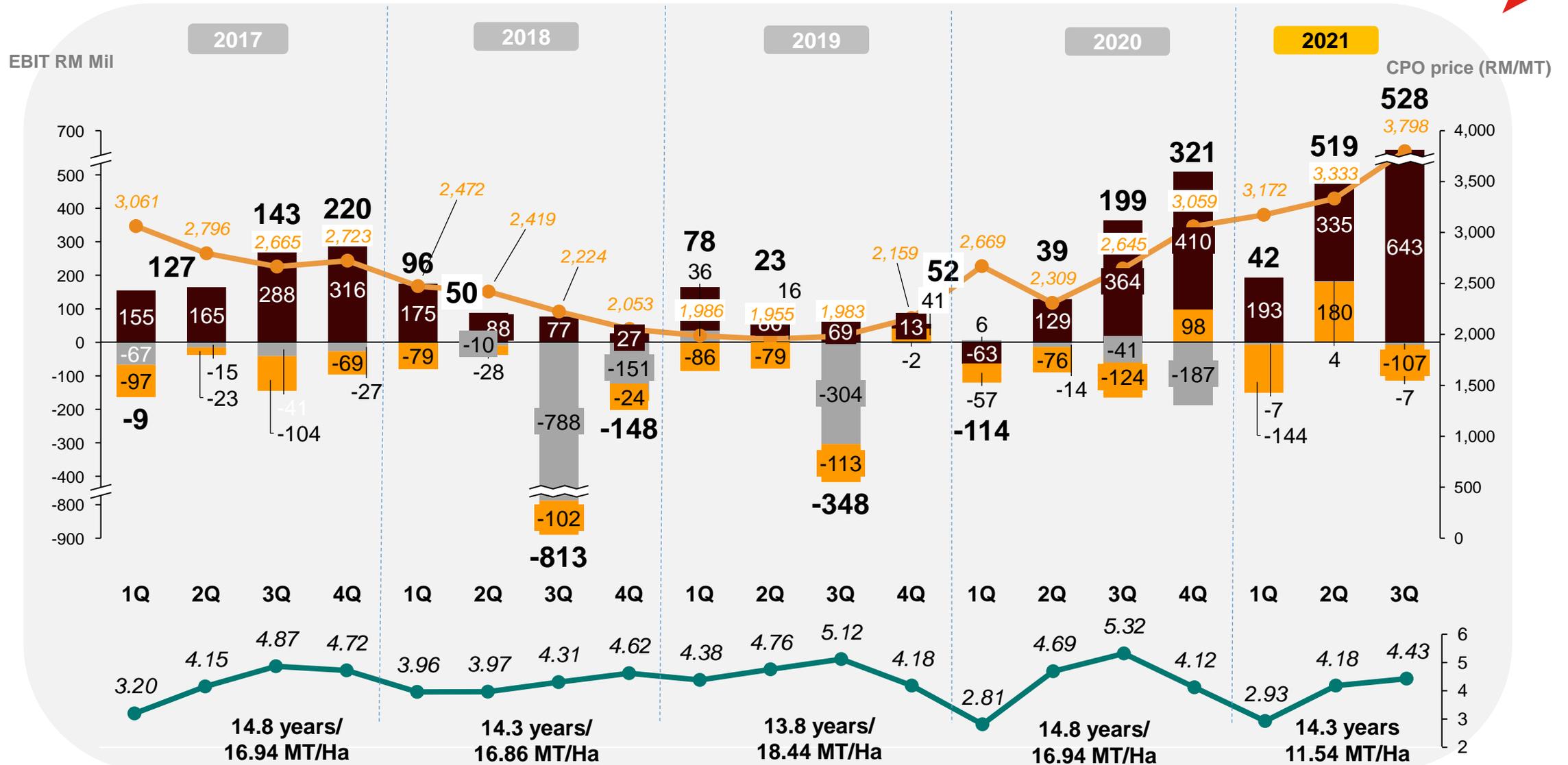
## R&D and Fertiliser

- Improved fertiliser sales volume by 5% due to better demand.
- 24% increase in sales volume and 7% increase in margin for seed products due to better offtake.

# QUARTERLY EBIT vs. CPO PRICE and FFB YIELD



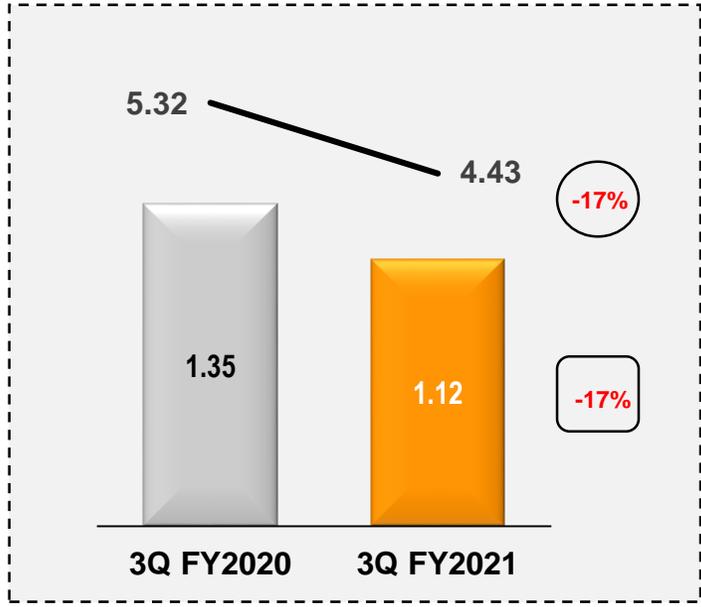
■ OP before LLA and impairment (RM Mil) 
 ■ Impairment (RM Mil) 
 ■ LLA fair value 
 —●— CPO price (RM/MT) 
 —●— FFB Yield per hectare



# 3Q FY2021: UPSTREAM OPERATIONAL PARAMETERS

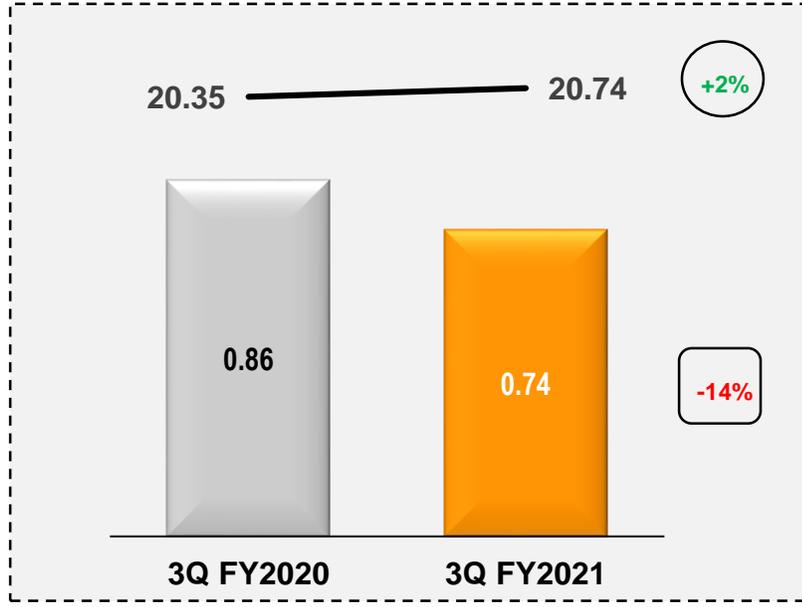


**FFB Production (mn MT) & FFB Yield (MT/Ha)**



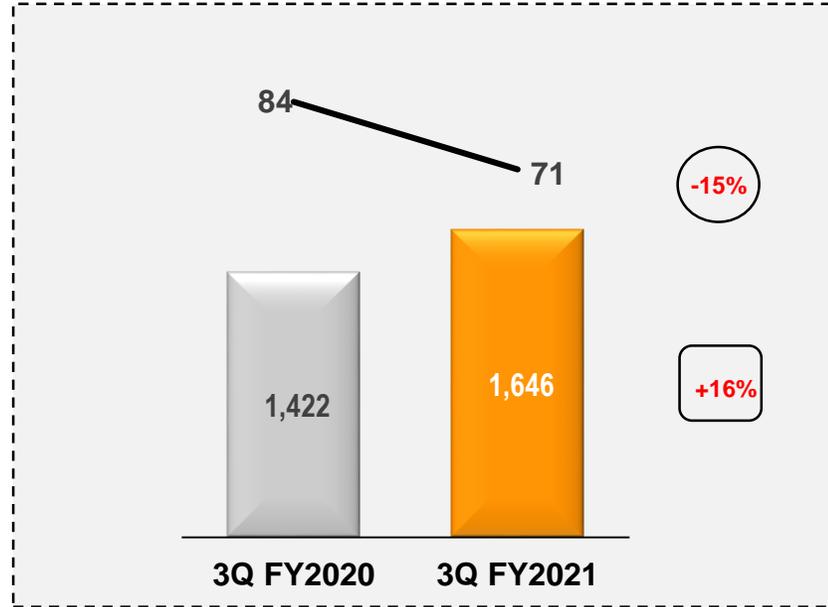
□ FFB Production — Yield

**CPO Production (mn MT) & OER (%)**



□ CPO Production — OER

**CPO Cost Ex-Mill (RM/MT) & Utilisation Factor (%)**



□ CPO Cost Ex-Mill — UF

FFB production and yield decreased by 17% respectively due to:

- Shortage of foreign workers.
- MCO related closure/shutdown.

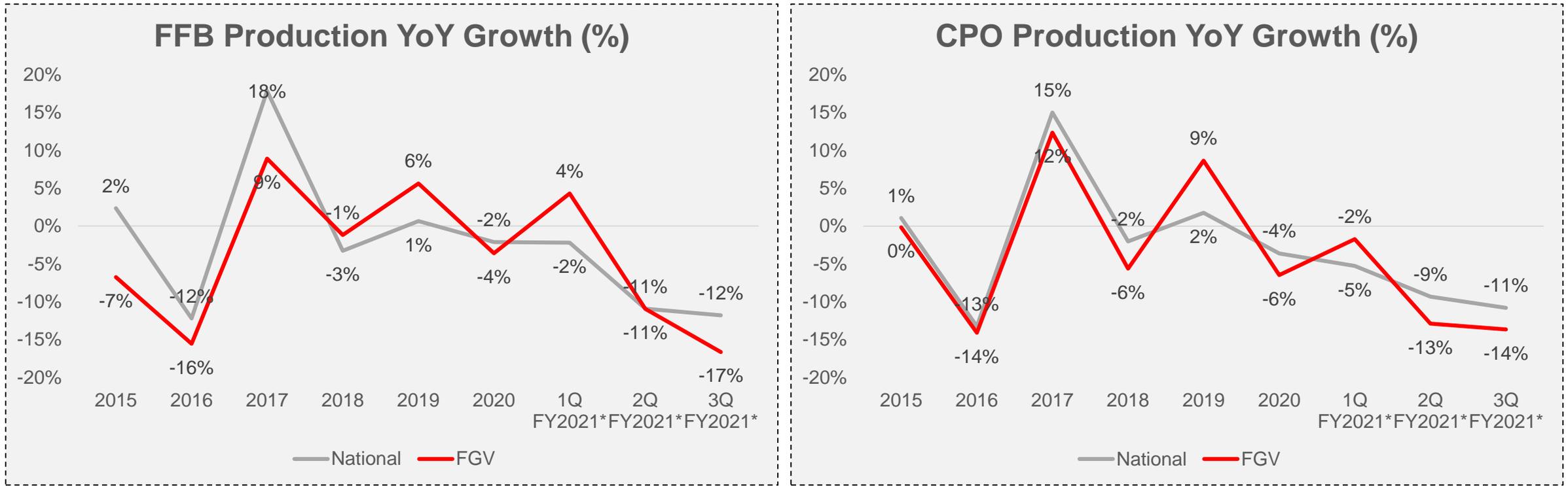
- CPO production decreased by 14% due to lower FFB processed.
- Slight increase in OER due to improved mills performance from stringent process control.

- CPO Cost ex-mill increased by 16% due to higher processing cost as a result of low FFB processed.
- Utilisation factor decreased by 15% due to lower FFB received and mandatory shutdown of selected mills during MCO.

# FGV'S PRODUCTION VS. NATIONAL PRODUCTION GROWTH



Overall, FGV's FFB and CPO productions are in line with national trend.

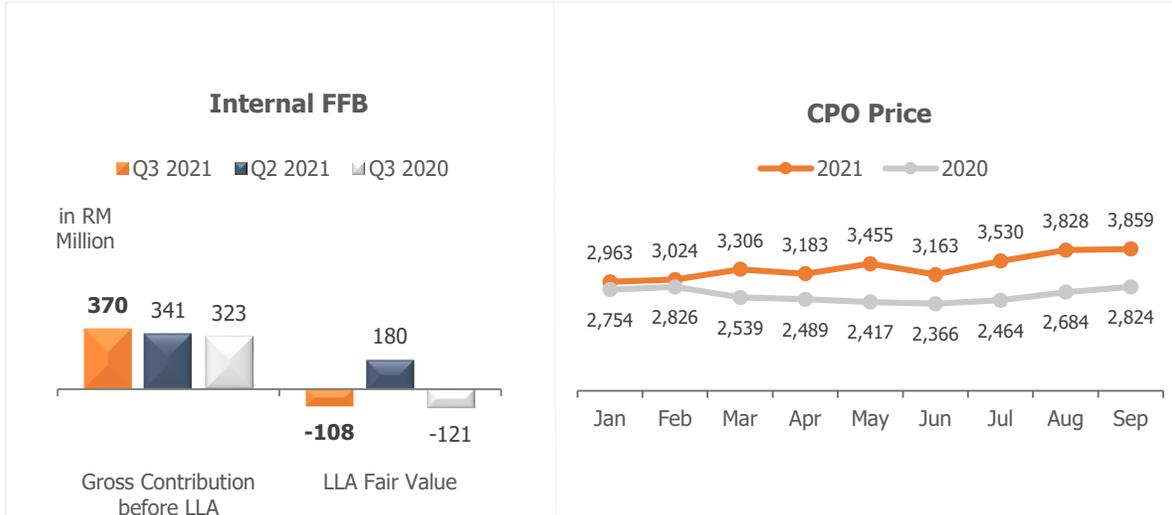


Sources: MPOB, Company internal data  
 \* Against previous corresponding quarter in 2020.

# GROSS CONTRIBUTION FROM INTERNAL FFB VS. EXTERNAL FFB

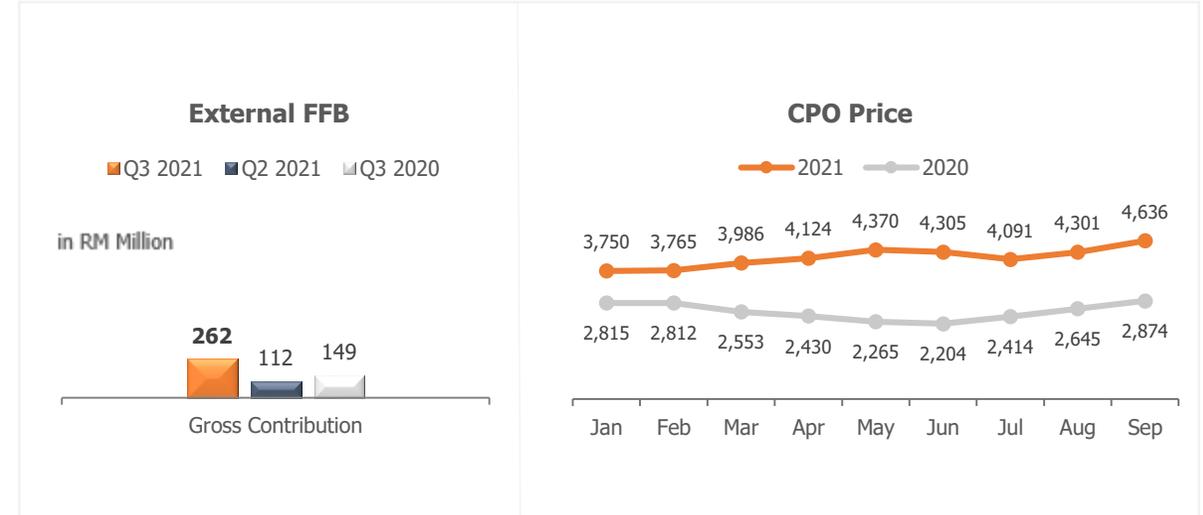


## Internal



- Internal FFB recorded gross contribution from upstream operations before LLA in 3Q 2021 at RM370 mn, an increase of 9% from the preceding quarter (2Q 2021: RM341 mn) and 15% higher than the same quarter last year (3Q 2020: RM323 mn). The increase in the gross contribution is in line with the **increase in CPO price** against the preceding quarter and the same period last year by 14% and 43%, respectively.
- LLA fair value increased to RM108 mn (unaudited) compared to write back of RM180 mn in the preceding quarter but lower than the same period last year by 10% (3Q 2020: RM121 mn). The movement in LLA Fair value is subject to the volatility of main parameters and assumptions used such as CPO & PK Price, yield and graded OER.

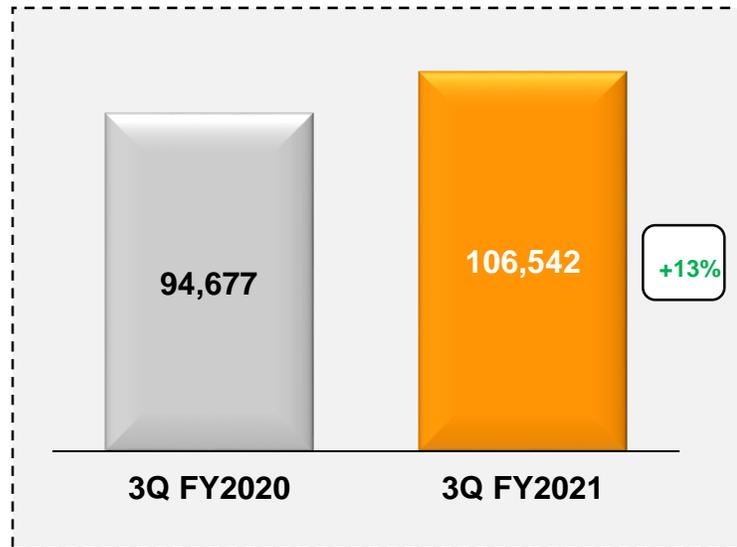
## External



- External FFB recorded higher gross contribution after OER margin compared to preceding quarter by RM150 mn (>100%) to RM262 mn and 75% higher compared to the same period last year (3Q 2020: RM149 mn).
- This is largely contributed by higher FFB processed by 5% (3Q 2021: 3.56 mn mt, 2Q 2021: 3.49 mn mt) coupled with higher OER margin by 91% (3Q 2021: 1.68%, 2Q 2021: 0.88%) compared to the preceding quarter. FFB processed in 3Q 2021 was 15% lower (Q3 2020: 4.21 mn mt) than in the same period last year. However, this negative impact has been offset by a 51% (3Q 2020: 1.11%) increase in OER margin.
- Higher CPO/PPO realised prices in 3Q 2021 of RM4,363/mt and lower COGS have resulted in a larger margin against the same period last year (3Q 2020: RM2,644/mt). Profit margins for the external crop were higher in 3Q 2021, at RM208/mt, an increase of more than 100% over the prior quarter's profit of RM53/mt.
- Additionally, the net unrealised mark-to-market gain for 3Q 2021 was RM9 mn compared to the RM19 mn gain recorded in the preceding quarter.

# 3Q FY2021: DOWNSTREAM OPERATIONAL PARAMETERS

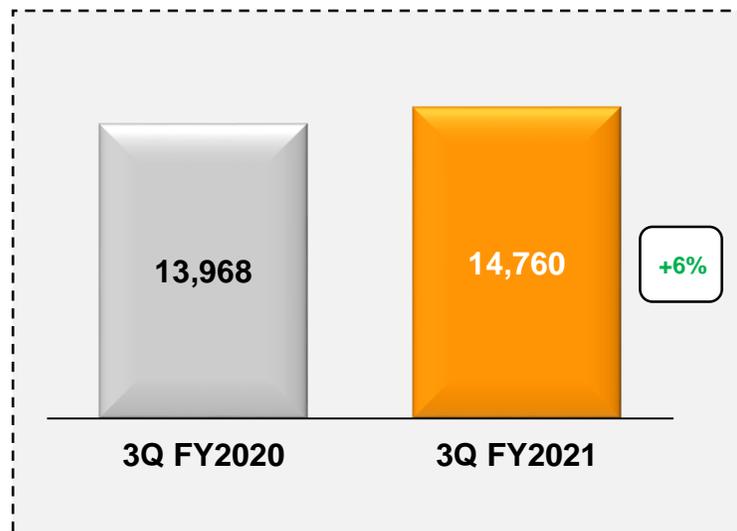
### Oil & Fats Sales Volume (MT)



### 3Q FY2021 vs. 3Q FY2020

- Improved sales volume from the bulk segment primarily under RBD Palm Olein and RBD Palm Stearin category.

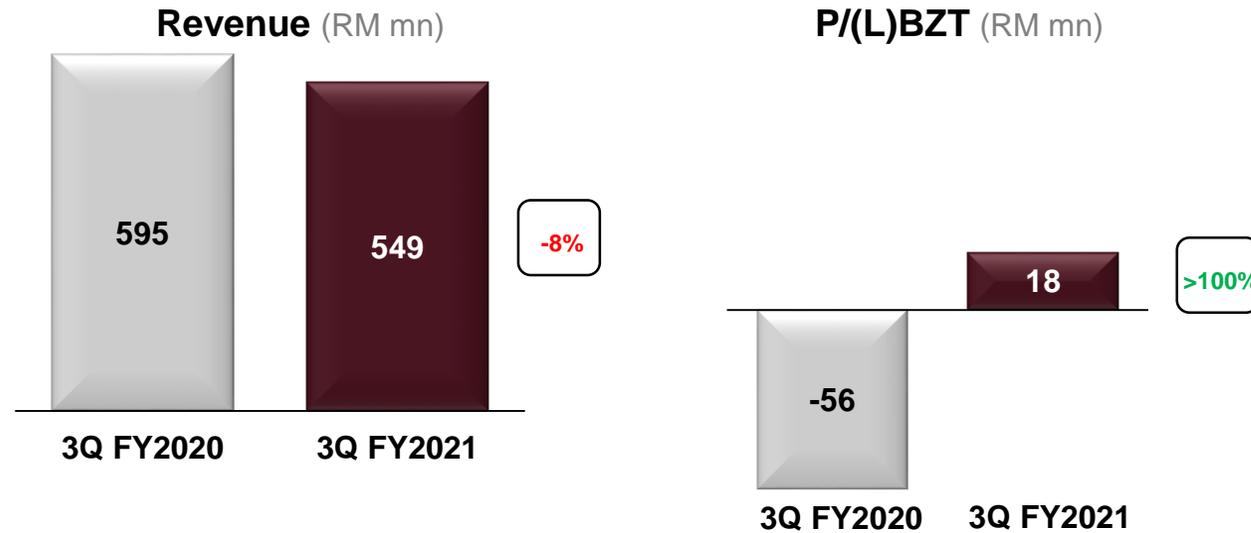
### Biodiesel Sales Volume (MT)



### 3Q FY2021 vs. 3Q FY2020

- Increase in biodiesel volume by 6% due to marginal increase in local mandate by the government.

# 3Q FY2021: SUGAR



## 3Q FY2021 vs. 3Q FY2020

We recorded RM18 mn of PBZT primarily driven by:

- Improved average selling price.
- Gains of liquidation of excess raw sugar hedges.

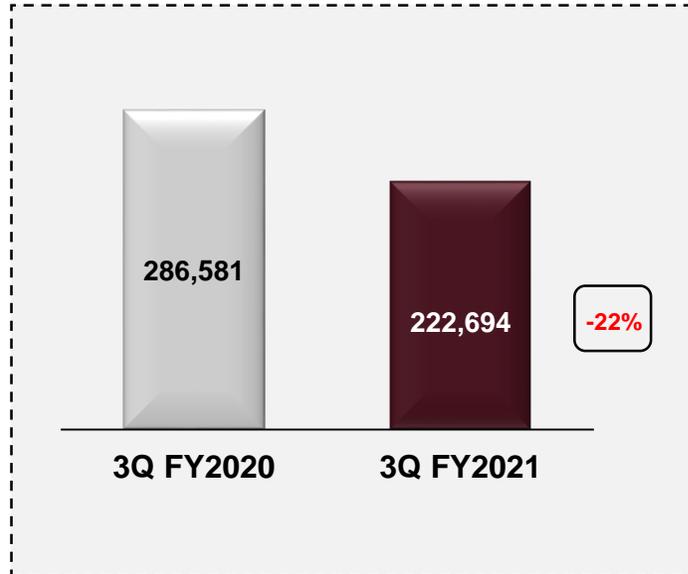
**However, the profit was partially offset by:**

- Lower gross profit margin of 4% due to increased in freight cost which resulted in higher production cost.
- Higher finance costs due to loan modification cost of RM10 mn resulted from advance repayments of RM114 mn.

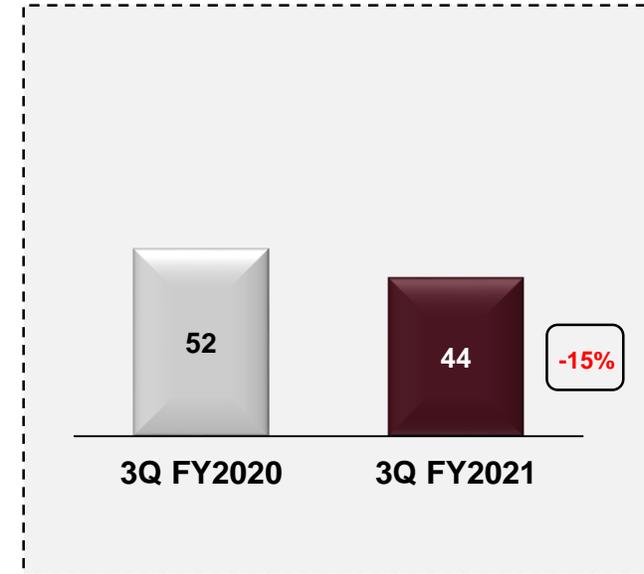
# 3Q FY2021: SUGAR



### Total Sales Volume (MT)



### Utilisation Factor (%)

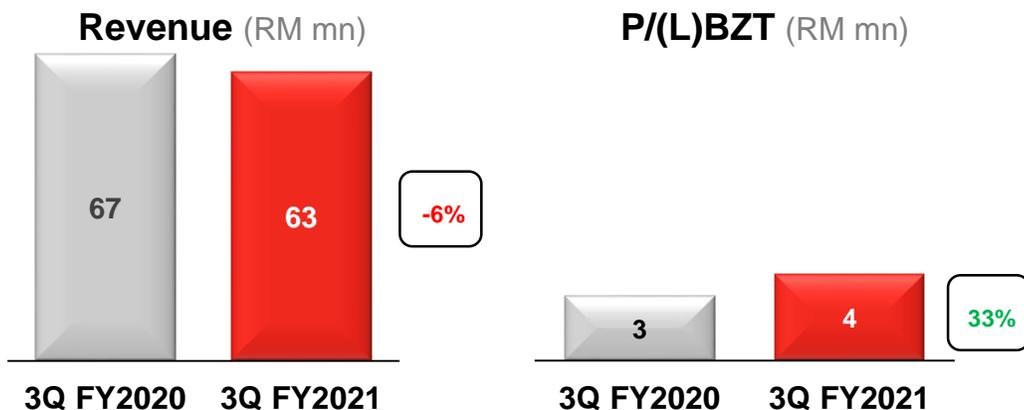


- Lower total sales volume by 22% due to prolonged MCO and total lockdown.
- Lower utilisation factor by 15% due to annual planned maintenance and lower production volume.

# 3Q FY2021: LOGISTICS



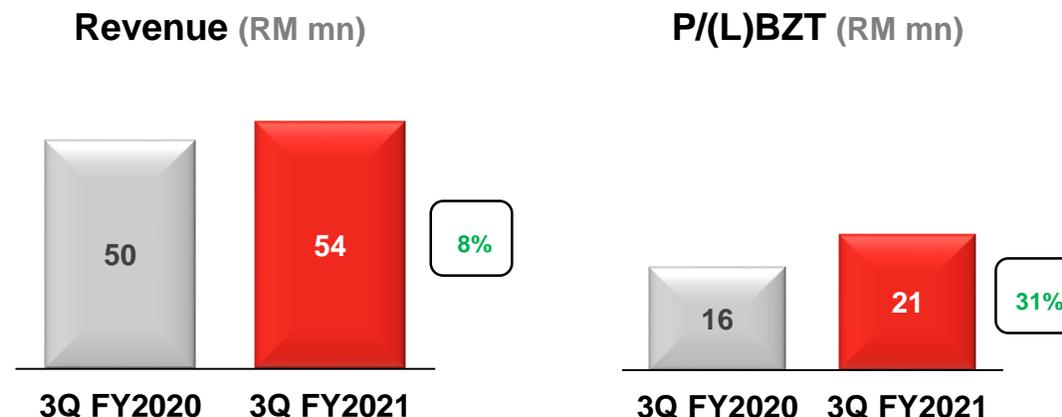
## Transport



Higher PBZT of RM4 mn due to:

- Higher average handling rate but was offset by lower transport volume carried.

## Bulking



Improved PBZT of RM21 mn due to:

- Increase in total throughput and higher handling rate but was offset by the increase in variable operating cost.

### Transport Volume (mn MT)



- Transport volume decreased by 11% due to lower CPO and kernel production.

### Bulking Volume (mn MT)



- Bulking volume increased marginally by 1% due to higher demand from major customers.

# KEY FINANCIAL HIGHLIGHTS



	30.9.2021	31.12.2020	Changes (%)
Cash and Cash Equivalents (RM mn)	1,617	1,729	-6%
Total Borrowings without LLA (RM mn)	4,173	4,293	-3%
Liquidity Ratio (times)	1.12	1.07	+5%
Gearing Ratio* without LLA (times)	0.62	0.70	-11%
EPS (sen)	19.3	4.0	>100%

\*Gearing ratio equals to Borrowings, Loan due to a significant shareholder divided by Total Equity.

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## **A. Affiliation to the Fair Labor Association (FLA)**

- i. FGV continues to focus on enhancing its labour practices under its affiliation with the Fair Labor Association (FLA).
- ii. An Independent External Assessment (IEA) by FLA involving on-the-ground assessments is currently taking place at several FGV's mills and plantations. The outcome of the IEA will be used to develop other initiatives to enhance FGV's labour practices.
- iii. Implementation of FGV-FLA action plan is ongoing to improve labour practices covering various aspects, including recruitment process, human rights training, grievance mechanism and labour standards monitoring systems.

## **B. RSPO**

- i. Verification audits involving six of FGV's complexes were conducted between January and April 2021 by an independent auditor appointed by the RSPO.
- ii. The outcome and findings of the verification audit were deliberated by the RSPO Complaints Panel (CP) in August 2021.
- iii. FGV has followed up regularly with the RSPO Secretariat but is still awaiting the decision by the CP on the RSPO certification suspension.
- iv. To date, FGV has a total of 30 RSPO certified mills.

## **C. Withhold Release Order (WRO) by US Customs and Border Protection (CBP)**

- i. FGV has appointed ELEVATE as the third party assessor to conduct an independent assessment of FGV's operations against the 11 ILO Indicators of Forced Labour.
- ii. Preparatory work for the independent audit has begun in November 2021. The site assessments are expected to occur in the first half of 2022, after which remediation and verification will be carried out.
- iii. FGV plans to submit a petition for the WRO revocation to CBP once the remediation has been completed and verified.

## D. Climate Action

- i. FGV is embarking on a group-wide climate action plan to fight climate changes, in line with its commitment to becoming a net-zero business by 2050.
- ii. FGV has developed an integrated climate action plan based on six key strategic factors: climate governance and risk management, carbon management, operational efficiency, waste management, water management, and climate awareness.
- iii. FGV is Malaysia's first food and agribusiness company to formalise the commitment by signing the United Nations (UN)-backed Science Based Target initiative (SBTi) Business Ambition for 1.5°C pledge, which calls for limiting global warming to 1.5°C.
- iv. Through this commitment, FGV will be adopting science-based targets as its carbon management. Although this is the minimum target that we are committed to, we are finalising our comprehensive GHG Inventory in setting up an ambitious reduction target for the Group.

# BUSINESS UPDATES



## Plantation



- Upstream division has completed 7,573 ha of felling and replanted 521 ha as at 3Q FY2021.
- Current foreign workers coverage is at 70% (2Q FY2021: 74%) of the total requirements.
- Launched 1 new animal feed formulation GOP 8403 (4mm) that is now ready for commercialisation.

## Logistics & Others



- FJB completed 19,400 MT additional capacity, comprising of 10 tanks for vegetable oils, chemicals and renewable products.
- FGV Prodata has been appointed as one of the vendors to expedite installation and support systems for Tenaga Nasional Berhad's (TNB) Advanced Meter Infrastructure (AMI) project for smart meter.

## CPO Price Outlook



- CPO price is expected to be in the range of RM3,750/MT - RM5,250/MT, averaging at RM4,420/MT for FY2021.

## Sugar



- MSM has completed its divestment of MSM Perlis to FGV Integrated Farming for a consideration of RM181 mn.
- Acceleration on Planned Improvement Programme to enhance efficiency and increase utilisation rate for MSM Johor.

## Integrated Farming



- Development of new fresh milk and single serve yoghurt, targeting to launch in January 2022.
- Cash Crops (MD2 pineapple, Cavendish banana and sweet corn) are available at 15 AEON Big and 4 Village Grocer outlets and via online sales channels (Gogopasar & ladang57.com.my)

# THANK YOU

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# MOVEMENT IN LAND LEASE LIABILITY



RM million	Q1 2021	Q2 2021	Q3 2021	2021	Q1 2020	Q2 2020	Q3 2020	Q4 2020	2020
At the start of the period	4,213.8	4,267.1	3,998.1	4,213.8	4,316.1	4,312.5	4,327.5	4,405.3	4,316.1
Total payments made during the period	(90.5)	(88.6)	(111.0)	(290.1)	(60.9)	(60.9)	(45.9)	(93.1)	(260.8)
Recurring income statement charges/(credits)	99.7	94.9	112.6	307.2	84.3	101.7	103.7	99.3	389.0
Total income statement charges/(credits) from revisions in projections	44.1	(275.3)	(5.6)	(236.8)	(27.0)	(25.8)	20.0	(197.7)	(230.5)
Total charges/(credits) to the income statement	143.8	(180.4)	107.0	70.4	57.3	75.9	123.7	(98.4)	158.5
<b>Closing LLA liability balance</b>	<b>4,267.1</b>	<b>3,998.1</b>	<b>3,994.1</b>	<b>3,994.1</b>	<b>4,312.5</b>	<b>4,327.5</b>	<b>4,405.3</b>	<b>4,213.8</b>	<b>4,213.8</b>

Total charges/(credits) to Income Statement

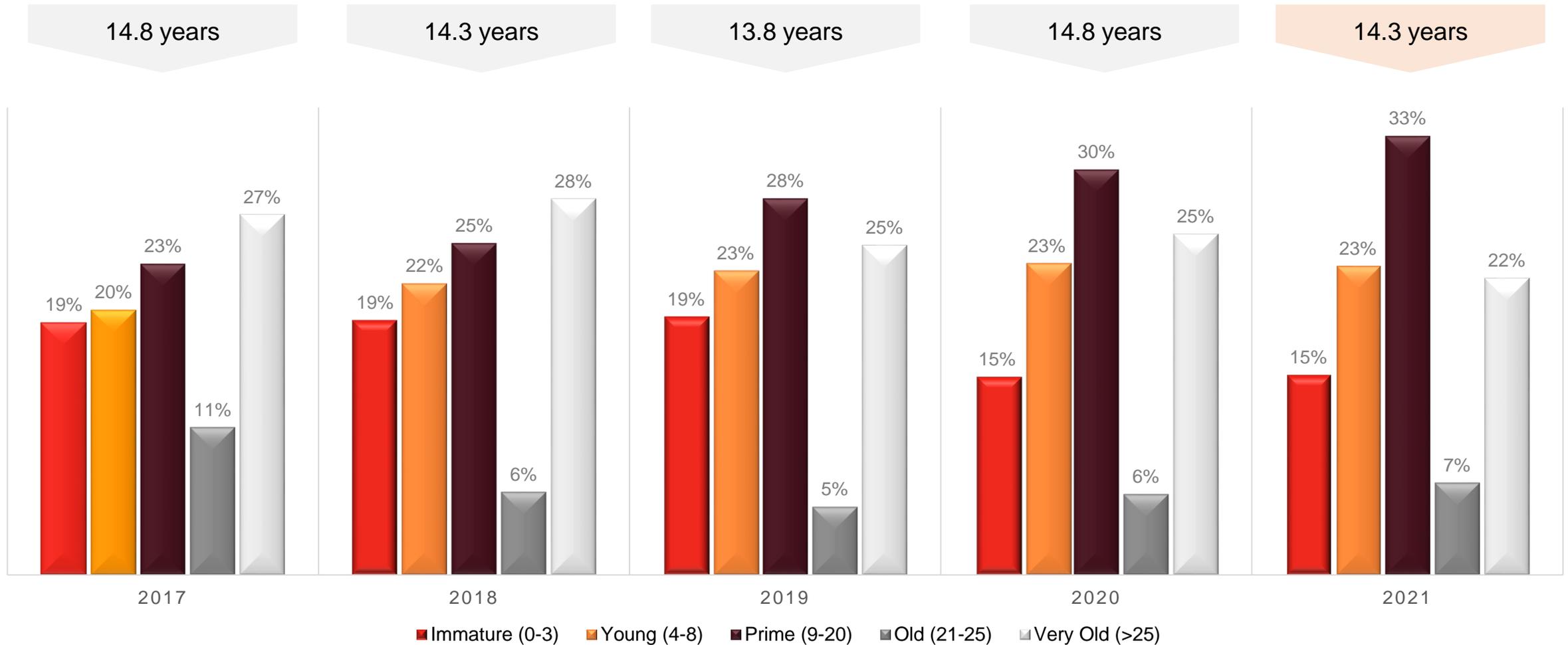
RM million	YTD Q3 2021	YTD Q3 2020
Unwinding of discounts	289.3	301.1
Under accrual for current quarter	17.9	(11.4)
Revisions in projections and other adjustments	(236.8)	(32.8)
<b>Total charges/(credits) to the Income Statement</b>	<b>70.4</b>	<b>256.9</b>

# AGE PROFILE

FGV's current age profile in 2021 has improved with a bigger area of prime oil palm and a reduction in old palm trees compared to 2020.



### FGV's Palm Age Profile (Years)



# 9M FY2021 OPERATIONAL HIGHLIGHTS



	9M FY2021	9M FY2020	YOY
FFB Production ('000 MT)	2,922	3,246	-10%
FFB Yield (MT/Ha)	11.53	12.84	-10%
CPO Production ('000 MT)	1,949	2,179	-11%
PK Production ('000 MT)	485	553	-12%
OER (%)	20.35	20.17	1%
KER (%)	5.06	5.12	-1%
Avg. PK Price (RM/MT)	2,531	1,430	+77%
Avg. CPO Price (RM/MT)	3,475	2,536	+37%
CPO Cost Ex-mill (RM/MT)	1,756	1,584	+11%
Lauric Sales Vol. (MT)	-	170,427	<100%
CPKO Sales Vol. (MT)	182,802	58,447	>100%
Oleochemical Sales Vol. ('000 lbs)	216,882	217,953	-1%