



FGV Holdings Berhad

(5222 | FGV MK) Main | Plantation

Unfavourable Results Continue

KEY INVESTMENT HIGHLIGHTS


- **Below Expectation**
- **Plantation business: profit dragged by CPO price effects and low demand for Oleo and CPKO**
- **Sugar operating loss reduced to only -RM32.0m (vs 3QFY22: -RM71.0m)**
- **Earnings estimate: Maintained**
- **Maintain SELL with an unchanged TP of RM1.06**

Below expectation. In 3QFY23, FGV's top and bottom-line remain subdued as the revenue declined to RM4.90b (+9.2%qoq, -20.6%yoy) while core PATAMI sank into the red at -RM23.0m as opposed profit RM250.0m in prior year. The deviation was largely driven by weakness in operating profit coming from the plantation segment as well as ongoing loss of sugar business. During the quarter, effective tax rate of 44.8% (above Malaysia's 24% rates) due to certain expenses which were not allowable and deferred tax assets not recognised on losses in certain subsidiaries.

Plantation Operation. The operating profit segment reduced to RM122.9m (>100%qoq, -70.9%yoy) versus RM421.9m in 3QFY22, dampened by the i) lower ASP of CPO prices realized at RM3,879/Mt (vs: 3QFY22: RM4,830/Mt), ii) squeezed in margin in lower FFB processed, as external crops declined resulted an increase of CPO cost of production, iii) lower profit margin achieved from downstream business, due to higher refining and processing costs where demand for Oleochemical and CPKO has been reduced substantially.

Operational front, FFB production fell to 1.0m Mt from 1.1m Mt, while yield also eased to 3.73 Mt/Ha (vs: 3QFY22 3.93 Mt/Ha). The decline in production (-7%yoy) and yield (-5%yoy) was largely due to lower average bunch weight because of lower fertilizer application on the back of many years of labour shortages. Meanwhile, the CPO costs ex-mill continued high at RM2,780 (2QFY23: RM3,018/Mt) on combination of higher upkeep and maintenance, manuring, and labour costs.

Sugar Operation. The sugar segment's operating loss was reduced to only -RM32.0m from -RM71.0m in the previous year thanks to the better control of its input cost following better procurement has been executed amid improved hedging activities carried away. A +18.0%yoy rise in sugar average selling price and an increased average utilization rate of 52% have helped to mitigate the losses.

Maintain Sell. We maintain our earnings estimate at this juncture due to a delay in FFB output to 4QFY23 and the possibility of earnings rebounding hereafter. Our **SELL** call remains with an unchanged **TP** of **RM1.06** based on our PER of 20.0x on FY24F EPS of 5.3sen. Across the downstream subsector, most of its peers are having negative margin for Oleochemical and refinery, and FGV is unfortunately in the same boat. 

Maintain SELL

Unchanged Target Price: RM1.06

RETURN STATISTICS

Price @ 29 th Nov 2023 (RM)	1.34
Expected share price return (%)	-20.7
Expected dividend yield (%)	+2.00
Expected total return (%)	-18.7

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	3.1	2.8
3 months	-2.9	-1.1
12 months	0.0	3.0

INVESTMENT STATISTICS

FYE Mar	2023E	2024F	2025F
Revenue	20,609.1	21,779.6	20,613.2
EBITDA	1,103.5	1,216.8	1,198.0
Operating profit	260.1	345.5	298.7
Core PATAMI	153.5	193.9	150.0
Core EPS	4.2	5.3	4.1
DPS	2.0	3.0	2.0
Dividend Yield %	1.4	2.1	1.4

KEY STATISTICS

FBM KLCI	1,446.0
Issue shares (m)	3648.2
Estimated free float (%)	10.4
Market Capitalisation (RM'm)	5,925.0
52-wk price range	RM1.3 - RM1.63
3-mth average daily volume (m)	0.28
3-mth average daily value (RM'm)	0.38
Top Shareholders (%)	
FELDA	81.9
KERAJAAN NEGERI PAHANG	5.0
UBS	2.5

FGVH: 3Q23 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly							
	3Q22	2Q23	3Q23	QoQ	YoY	9M22	9M23	Ytd
Income Statement								
Revenue	6,182.3	4,494.8	4,907.0	9.2	-20.6	19,463.1	13,994.5	-28.1
Operating profit after LLA	385.0	31.1	115.9	>100	-69.9	1,506.9	223.6	-85.2
Net Finance cost	-10.4	-21.4	-22.6	5.2	>100	-66.4	-67.7	2.0
PBZT	385.5	14.4	82.8	>100	-78.5	1,486.8	157.0	-89.4
Zakat	-6.0	-0.3	-17.6	>100	>100	-34.9	-18.4	-47.3
Tax expense	-162.5	-32.3	-41.8	29.3	-74.3	-512.6	-125.5	-75.5
PAT	217.0	-18.2	23.4	>100	-89.2	939.3	13.2	-98.6
PATMI	241.7	-31.6	50.7	>100	-79.0	984.9	31.2	-96.8
Core PATMI	250.3	-70.2	-23.0	NM	NM	1,045.5	-121.9	NM
Core EPS	6.9	-1.9	-0.6	NM	NM	28.7	-3.3	NM
Operating margin (%)	6.2%	0.7%	2.4%	1.7%	-3.9%	7.7%	1.6%	-6.1%
PBZT margin (%)	6.2%	0.3%	1.7%	1.4%	-4.5%	7.6%	1.1%	-6.5%
Core PATAMI margin (%)	4.0%	-1.6%	-0.5%	1.1%	-4.5%	5.4%	-0.9%	-6.2%

SEGMENTAL BREAKDOWN & OPERATIONAL STATS.

FYE Dec (RM'm)	Quarterly							
	3Q22	2Q23	3Q23	QoQ	YoY	9M22	9M23	Ytd
Revenue								
Plantation	5,399.5	3,636.5	3,954.6	8.7	-26.8	17,275.3	11,487.9	-33.5
Sugar	665.0	746.2	806.7	8.1	21.3	1,885.1	2,141.3	13.6
Logistics and Others	109.4	99.6	136.0	36.6	24.4	277.9	332.6	19.7
Profit after LLA								
Plantation	421.9	13.0	122.9	>100	-70.9	1,534.5	192.7	-87.4
Sugar	-66.5	-5.4	-20.9	NM	NM	-110.2	-50.2	NM
Logistics and Others	38.1	23.2	41.6	79.5	9.1	74.1	102.3	38.0
Profit Margin %								
Plantation	7.8%	0.4%	3.1%	2.8%	-4.7%	8.9%	1.7%	-7.2%
Sugar	-10.0%	-0.7%	-2.6%	-1.9%	7.4%	-5.8%	-2.3%	3.5%
Logistics and Others	34.9%	23.3%	30.6%	7.3%	-4.3%	26.7%	30.8%	4.1%
Operational Stats.								
Avg CPO realized (RM / Mt)	4,830	4,000	3,879	-3.0	-19.7	4,989	3,948	-20.9
FFB Production (Mt / Ha)	1,077.0	779.0	1,000.0	28.4	-7.1	2,861.0	2,595.0	-9.3
OER %	20.4%	20.8%	20.9%	-	-	20.4%	20.5%	-

Source: FGVH, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	19,565.9	25,561.5	20,609.1	21,779.6	20,613.2
EBITDA	2,544.0	2,722.2	1,103.5	1,216.8	1,198.0
Operating profit	1,778.8	1,906.7	260.1	345.5	298.7
PBZT	1,714.0	1,955.2	272.5	343.4	281.7
PAT	1,175.6	1,268.6	184.5	237.7	180.4
Core PATMI	549.7	1,498.6	153.5	193.9	150.0
EPS (sen)	15.1	41.1	4.2	5.3	4.1
PER (x)	8.9	3.3	31.9	25.2	32.6
DPS (sen)	8.0	15.0	2.0	3.0	2.0
Dividend yield (%)	6.0	11.2	1.5	2.2	1.5

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
PPE	7,674.392	7,727.964	7,214.490	6,947.039	6,654.588
Right-of-use assets	2,196.084	2,150.803	2,221.638	2,230.065	2,235.592
Investment properties	81.531	73.779	56.951	44.661	32.371
Non-current assets	12,079.959	12,049.194	11,673.163	11,470.852	11,225.063
Inventories	1,914.403	2,361.423	1,373.939	1,451.972	1,374.216
Biological assets	113.791	86.698	86.698	86.698	86.698
Receivables	1,346.150	1,615.069	1,373.939	1,451.972	1,374.216
Current assets	5,876.435	6,061.432	5,710.712	6,155.820	6,394.809
Total Assets	17,956.394	18,110.626	17,383.875	17,626.672	17,619.872
Contract liabilities	132.340	109.359	109.359	109.359	109.359
Loans due to a significant shareholder	2.514	333.316	333.316	333.316	333.316
Current liabilities	4,813.145	5,165.663	4,598.573	4,676.606	4,598.850
Borrowings	1,033.140	844.066	844.066	844.066	844.066
Lease liabilities	294.581	293.738	293.738	293.738	293.738
Non-current liabilities	5,956.731	5,060.278	5,060.278	5,060.278	5,060.278
Equity	7,186.518	7,884.685	7,725.024	7,889.788	7,960.744
Liabilities & equity	17,956.394	18,110.626	17,383.875	17,626.672	17,619.872

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
Cash flow from operations	1,175.578	1,268.601	184.538	237.727	180.402
Cash flow from investing	-569.263	-600.000	-600.000	-600.000	-600.000
Cash flow from financing	-1,087.9	-291.9	-547.2	-73.0	-109.4
Net cash flow	284.7	867.6	467.2	289.0	394.5
Net cash/(debt) b/f	1,967.2	2,834.8	3,302.0	3,591.0	3,985.5
Net cash/(debt) c/f	2,031.666	2,899.262	3,366.478	3,655.520	4,050.021

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology