



## FGV Holdings Berhad

(5222 | FGV MK) Main | Plantation

### Slow And Steady

#### KEY INVESTMENT HIGHLIGHTS

- **Earnings returned to black**
- **Plantation business: profit jumped on higher FFB output**
- **Sugar subsegment turned into the red**
- **Earnings estimate: Maintained**
- **Maintain NEUTRAL with a revised TP of RM1.31**

**Earnings improved on better output.** In 2QFY24, FGV's PATAMI surged to RM86.4m while core PATAMI registered higher at RM30.6m (>100%qoq, >100%yoy), mainly due decent performance from both plantation and logistics subsegment. Upstream division posted earnings expansion on better FFB and CPO output on top of the lower cost of production, while downstream subsegment; Oils & Fats Division recorded a higher margin, primarily due to the increased contribution from Bulk commodities. In contrast, the sugar business sank into the red on higher cost of production and competitive sugar market. Overall, the results came in broadly within/below our and consensus expectation at 45%/17% of full year estimates.


**Plantation and Downstream division.** During the quarter, upstream's earnings surprisingly surged by double digits, to RM172.0m (>100%yoy). A part of the profit was supported by higher CPO production (+29.8%) and decent average CPO price realized at RM4,103/mt (+2.6%yoy), with CPO costs ex-mill narrowed to high at RM2,701 (2QFY23: RM2,947/Mt).

Meanwhile, a recovery in downstream profitability continued, albeit slower than expected c. RM94.2m (-5.0%yoy), margins were squeezed particularly in the export market, due to intense price competition and the low ceiling price imposed in April 2024. Lower margins registered from the chemical segment despite stronger overall sales volumes (+26.0yoy).

**Sugar division.** The sugar segment now reversed to -RM30.0m (>100%yoy) losses mainly due to a +14% increase in production costs, resulted from higher NY11, forex rate, and freight costs. Additionally, sales volume declined by -4%yoy due to lower demand from the wholesale and export segments.

**Logistic and Support division.** The bulking segment continued to gain decent earnings at RM32.0m (+28.0%yoy) on Bulking volume rose by +5.0%yoy, driven by increased CPO production and stronger demand for oleochemical and acid oils.

**Earnings forecast.** Maintained.

**Maintain NEUTRAL.** Our **NEUTRAL** call remains with a revised **TP** of **RM1.31** (previously RM1.14) as we rollover valuation year to FY25 BV/PS of 1.64 pegged to 0.8x P/BV - nearly the -1SD of 2y historical average. 

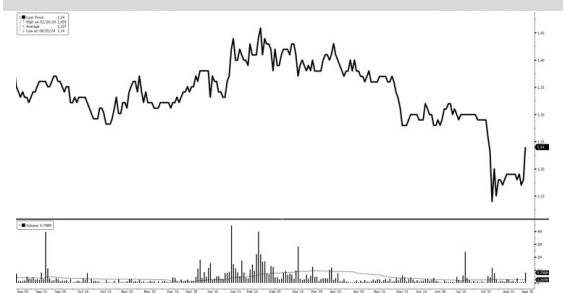
### Maintain NEUTRAL

**Revised Target Price: RM1.31**  
(Previously RM1.14)

#### RETURN STATISTICS

|  |             |
|--|-------------|
| Price @ 27 <sup>th</sup> Aug 2024 (RM) | 1.24        |
| Expected share price return (%)        | +5.5        |
| Expected dividend yield (%)            | +3.0        |
| <b>Expected total return (%)</b>       | <b>+8.5</b> |

#### SHARE PRICE CHART



| Price performance (%) | Absolute | Relative |
|-----------------------|----------|----------|
| 1 month               | -3.9     | -6.2     |
| 3 months              | -3.1     | -9.5     |
| 12 months             | -12.7    | -23.7    |

#### INVESTMENT STATISTICS

| FYE Mar          | 2024E    | 2025F    | 2026F    |
|------------------|----------|----------|----------|
| Revenue          | 22,491.5 | 22,151.7 | 21,938.7 |
| EBITDA           | 955.8    | 1,054.5  | 1,083.4  |
| Operating profit | 198.3    | 274.2    | 280.2    |
| Core PATMI       | 81.7     | 131.0    | 140.6    |
| Core EPS         | 2.2      | 3.6      | 3.9      |
| DPS              | 3.0      | 2.0      | 2.0      |
| Dividend Yield % | 2.4      | 1.6      | 1.6      |

#### KEY STATISTICS

|                                  |               |
|----------------------------------|---------------|
| FBM KLCI                         | 1,652.29      |
| Issue shares (m)                 | 3648.15       |
| Estimated free float (%)         | 10.24         |
| Market Capitalisation (RM'm)     | 4,523.71      |
| 52-wk price range                | RM1.1 - RM1.6 |
| 3-mth average daily volume (m)   | 0.27          |
| 3-mth average daily value (RM'm) | 0.34          |
| Top Shareholders (%)             |               |
| FELDA                            | 81.91         |
| KERAJAAN NEGERI PAHANG           | 5.00          |
| UBS                              | 1.99          |

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**FGVH: 2Q24 RESULTS SUMMARY**

| FYE Dec (RM'm)             | Quarterly |         |         |      |      | Cumulative |          |      |
|----------------------------|-----------|---------|---------|------|------|------------|----------|------|
|                            | 2QFY23    | 1QFY24  | 2QFY24  | QoQ  | YoY  | 1HFY23     | 1HFY24   | YoY  |
| <b>Income Statement</b>    |           |         |         |      |      |            |          |      |
| Revenue                    | 4,494.8   | 4,544.6 | 5,515.7 | 21.4 | 22.7 | 9,087.4    | 10,060.3 | 10.7 |
| Operating profit after LLA | 58.6      | 152.9   | 236.0   | 54.4 | >100 | 167.4      | 388.8    | >100 |
| Net Finance cost           | -21.4     | -20.0   | -28.3   | 41.3 | 32.1 | -45.1      | -48.4    | 7.2  |
| PBZT                       | 14.4      | 49.7    | 140.7   | >100 | >100 | 74.3       | 190.4    | >100 |
| Zakat                      | -0.3      | -0.5    | -1.5    | >100 | >100 | -0.8       | -2.0     | >100 |
| Tax expense                | -32.3     | -45.9   | -54.5   | 18.6 | 68.4 | -83.6      | -100.4   | 20.0 |
| PAT                        | -18.2     | 3.3     | 84.8    | >100 | >100 | -10.2      | 88.1     | >100 |
| PATMI                      | -31.6     | -13.5   | 86.4    | >100 | >100 | -19.5      | 72.9     | >100 |
| Core PATMI                 | -70.2     | 6.0     | 30.6    | >100 | >100 | -100.0     | 36.6     | >100 |
| Core EPS                   | -1.9      | 0.2     | 0.8     | >100 | >100 | -2.7       | 1.0      | >100 |
| Operating margin (%)       | 0.7       | 1.5     | 3.1     | 1.6  | 2.4  | 1.2        | 2.3      | 1.2  |
| PBZT margin (%)            | 0.3       | 1.1     | 2.6     | 1.5  | 2.2  | 0.8        | 1.9      | 1.1  |
| Core PATAMI margin (%)     | -1.6      | 0.1     | 0.6     | 0.4  | 2.1  | -1.1       | 0.4      | 1.5  |

**SEGMENTAL BREAKDOWN & OPERATIONAL STATS.**

| FYE Dec (RM'm)            | Quarterly |         |         |       |      | Cumulative |         |      |
|---------------------------|-----------|---------|---------|-------|------|------------|---------|------|
|                           | 2QFY23    | 1QFY24  | 2QFY24  | QoQ   | YoY  | 1HFY23     | 1HFY24  | YoY  |
| <b>Revenue</b>            |           |         |         |       |      |            |         |      |
| Plantation                | 3,636.5   | 3,523.9 | 4,560.2 | 29.4  | 25.4 | 7,533.3    | 8,084.1 | 7.3  |
| Sugar                     | 746.2     | 906.9   | 832.6   | -8.2  | 11.6 | 1,334.6    | 1,739.5 | 30.3 |
| Logistics and Others      | 99.6      | 106.7   | 116.5   | 9.2   | 16.9 | 196.5      | 223.2   | 13.6 |
| <b>Profit after LLA</b>   |           |         |         |       |      |            |         |      |
| Plantation                | 13.0      | -39.4   | 179.0   | >100  | >100 | 69.7       | 139.7   | >100 |
| Sugar                     | -5.4      | 75.8    | -20.2   | NM    | NM   | -29.3      | 55.5    | >100 |
| Logistics and Others      | 23.2      | 31.2    | 38.2    | 22.6  | 65.0 | 60.7       | 69.4    | 14.3 |
| <b>Profit Margin %</b>    |           |         |         |       |      |            |         |      |
| Plantation                | 0.4       | -1.1    | 3.9     | 5.0   | 3.6  | 0.9        | 1.7     | 0.8  |
| Sugar                     | -0.7      | 8.4     | -2.4    | -10.8 | -1.7 | -2.2       | 3.2     | 5.4  |
| Logistics and Others      | 23.3      | 29.2    | 32.8    | 3.6   | 9.6  | 30.9       | 31.1    | 0.2  |
| <b>Operational Stats.</b> |           |         |         |       |      |            |         |      |
| FFB Production '000       | 779.0     | 736.0   | 962.0   | 30.7  | 23.5 | 1,595.0    | 1,698.0 | 6.5  |
| CPO Production '000       | 571.0     | 569.0   | 741.0   | 30.2  | 29.8 | 1,158.0    | 1,310.0 | 13.1 |
| OER %                     | 20.8      | 20.6    | 20.5    | -0.5  | -1.7 | 20.3       | 20.5    | 1.2  |
| Avg CPO realised 'RM/Mt   | 4,000     | 3,907   | 4,103   | 5.0   | 2.6  | 3,995      | 4,020   | 0.6  |

Source: FGVH, MIDFR

## FINANCIAL SUMMARY

| Income Statement (RM'm) | 2022A    | 2023A    | 2024E    | 2025F    | 2026F    |
|-------------------------|----------|----------|----------|----------|----------|
| Revenue                 | 25,561.5 | 19,359.2 | 22,491.5 | 22,151.7 | 21,938.7 |
| EBITDA                  | 2,624.8  | 1,165.2  | 955.8    | 1,054.5  | 1,083.4  |
| Operating profit        | 1,906.7  | 403.1    | 198.3    | 274.2    | 280.2    |
| PBZT                    | 1,955.2  | 336.4    | 193.4    | 254.4    | 260.4    |
| PAT                     | 1,268.6  | 112.4    | 125.5    | 161.4    | 165.6    |
| Core PATMI              | 1,498.6  | -72.1    | 81.7     | 131.0    | 140.6    |
| Core EPS (sen)          | 41.1     | -2.0     | 2.2      | 3.6      | 3.9      |
| PER (x)                 | 3.0      | n.m.     | 55.4     | 34.5     | 32.2     |
| DPS (sen)               | 11.0     | 3.0      | 3.0      | 2.0      | 2.0      |
| Dividend yield (%)      | 12.1     | 2.4      | 1.6      | 1.6      | 1.6      |

| Balance Sheet (RM'm)    | 2022A    | 2023A    | 2024E    | 2025F    | 2026F    |
|-------------------------|----------|----------|----------|----------|----------|
| PPE                     | 7,728.0  | 7,908.3  | 7,740.4  | 7,551.0  | 7,340.1  |
| Right-of-use assets     | 2,150.8  | 2,195.9  | 2,164.1  | 2,130.9  | 2,096.4  |
| Investment properties   | 73.8     | 66.1     | 58.3     | 50.5     | 42.8     |
| Non-current assets      | 12,049.2 | 12,332.5 | 11,712.5 | 11,538.3 | 11,342.1 |
| Inventories             | 2,361.4  | 1,626.9  | 1,499.4  | 1,476.8  | 1,462.6  |
| Receivables             | 1,615.1  | 1,333.7  | 1,499.4  | 1,476.8  | 1,462.6  |
| Current assets          | 6,061.4  | 4,950.2  | 5,857.9  | 6,061.4  | 6,336.0  |
| Total Assets            | 18,110.6 | 17,282.8 | 17,570.4 | 17,599.7 | 17,678.2 |
| Contract liabilities    | 109.4    | 91.7     | 91.7     | 91.7     | 91.7     |
| Borrowings              | 1,881.6  | 2,269.4  | 2,269.4  | 2,269.4  | 2,269.4  |
| Current liabilities     | 5,165.7  | 4,241.4  | 4,444.3  | 4,421.7  | 4,407.4  |
| Borrowings              | 844.1    | 1,163.4  | 1,163.4  | 1,163.4  | 1,163.4  |
| Lease liabilities       | 293.7    | 351.9    | 351.9    | 351.9    | 351.9    |
| Non-current liabilities | 5,060.3  | 5,459.4  | 5,459.4  | 5,459.4  | 5,459.4  |
| Equity                  | 7,884.7  | 7,582.0  | 7,598.0  | 7,650.0  | 7,742.7  |
| Liabilities & equity    | 18,110.7 | 17,282.8 | 17,570.4 | 17,599.7 | 17,678.2 |

| Cash Flow (RM'm)          | 2022A   | 2023A    | 2024E   | 2025F   | 2026F   |
|---------------------------|---------|----------|---------|---------|---------|
| Cash flow from operations | 1,781.8 | 1,321.8  | 998.7   | 908.3   | 926.0   |
| Cash flow from investing  | -832.5  | -1,089.9 | -550.0  | -550.0  | -550.0  |
| Cash flow from financing  | -291.9  | -401.3   | -109.4  | -109.4  | -73.0   |
| Net cash flow             | 657.4   | -169.3   | 339.3   | 248.8   | 303.0   |
| Net cash/(debt) b/f       | 1,967.2 | 2,624.6  | 2,455.3 | 2,794.5 | 3,043.4 |
| Net cash/(debt) c/f       | 2,624.6 | 2,455.3  | 2,794.5 | 3,043.4 | 3,346.4 |

Source: Bloomberg, MIDFR

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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