

# FELDA GLOBAL VENTURES HOLDINGS BERHAD

Financial Results Briefing

1<sup>st</sup> Quarter for the Financial Period Ended 31 March 2017



Presented by:

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31/05/2017

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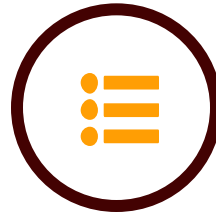
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**Q1 2017 RESULT SUMMARY**



**2017 PLAN UPDATES**



**BUSINESS OUTLOOK**




**FINANCIAL HIGHLIGHTS**




**OPERATIONAL OVERVIEW**

# Q1 2017 RESULT SUMMARY



 FINANCIAL	Q1'17	Q4'16	QOQ	Q1'16*	YOY
Revenue (RM mil)	<b>4,323</b>	5,154	▼ 16%	3,755	▲ 15%
Operating Profit (RM mil)	<b>89</b>	49	▲ 82%	(21)	▲ >100%
Profit/Loss Before Tax (RM mil)	<b>(31)</b>	217	▼ <100%	(82)	▲ 62%
P/(LATAMI) (RM mil)	<b>2.5</b>	112	▼ 98%	(81)	▲ >100%
Core Profit/Loss (RM mil)	<b>0.5</b>	(95)	▲ >100%	(76)	▲ >100%

\* Restated

 OPERATIONAL	Q1'17	Q4'16	QOQ	Q1'16*	YOY
FFB Production ('000 MT)	<b>804</b>	935	▼ 14%	781	▲ 3%
OER (%)	<b>19.82</b>	20.73	▼ 4%	20.56	▼ 4%
CPO Production ('000 MT)	<b>566</b>	736	▼ 23%	485	▲ 16%
Avg. CPO Production Cost, Ex-mill (RM)	<b>1,739</b>	1,512	▲ 15%	1,824	▼ 5%

## CORE BUSINESS



- Palm Upstream Cluster recorded a PBT of RM65.8 mil compared to an LBT of RM96.8 mil in Q1 2016
- FFB production increased by 3% YoY, producing 0.8 mil MT of FFB in Q1 2017
- Increased CPO production by 16% to 0.56 mil MT, with higher average CPO price of RM3,061/MT compared to RM2,303/MT last year
- Average CPO production cost (ex-mill) has reduced to RM1,739/MT as compared to RM1,824/MT in Q1 2016

## DOWNSTREAM AND TRADING



- Improved engagement with major local retailers and B2B with export customers
- FGV R&D is currently working on few innovative projects for Downstream such as specialty oils and grainy vanaspati

## SUGAR BUSINESS



- The refinery in Tanjung Langsat, Johor is 45% completed and is on track to begin its operations in 2018
- Government has increased sugar price for consumer market by 11 cent due to the hike in imported raw sugar price

## GROWTH IN ADJACENT FIELDS



- Construction in progress of additional 31,000 MT bulking and storage facilities in Terminal 2 and 4, Pasir Gudang are expected to be ready in Q4 2017

## STRENGTHEN FINANCIAL POSITION AND RATIONALISATION



- In Q1 2017, our cash reserves increased by 1% from RM1,854 bil to RM1,871 bil
- Rationalisation of 2 palm oil mills, 2 rubber processing plants and 1 palm oil refinery have been completed in Q1 2017
- Lowered administrative cost expenses of RM39.17 mil, a 15% reduction from Q1 2016

# BUSINESS OUTLOOK



1

## FFB Production

- FGV is on track to achieve our FFB target of 4.5 mil MT by end of 2017
- We anticipate a greater rebound in the Q2 and Q3 2017

2

## CPO and Sugar Price

- For 2H 2017, we expect CPO price to be traded in the range of RM2,550 – 2,750 per MT
- Raw sugar price is estimated in the range of US\$0.15 – 0.19 per lb in 2H 2017

3

## Key Terms with JV Partners

- In the process of negotiating the partnership agreement terms with JV partner to enhance participation, supervision and governance

4

## New Products and Destination Market

- Produce high margin products that cumulatively will generate substantial income
- Pursue growth strategy through collaboration or strategic partnership that are synergistic and value accretive to the shareholders

5

## Plantation Enhancement

- Work towards diversifying our source of labour, improve our labour facilities and engagement
- Invest in new mechanisation tools to improve harvesting and evacuation productivity

# Q1 2017 FINANCIAL HIGHLIGHTS



**Better results mainly due to better performances of Palm Upstream operations, lower CPO production cost and reduced administrative expenses**

Income Statement (RM million)	2017	2016 (Restated)	Changes %	
Revenue	4,323	3,755	15%	●
Cost of sales	(3,947)	(3,488)	-13%	●
Gross profit	376	267	41%	●
Operating profit/(loss)	89	(21)	>100%	●
LLA liabilities (Fair value changes)	(98)	(90)	-9%	●
Associates & JV	10	75	-87%	●
<b>LBT (&amp; zakat)</b>	<b>(31)</b>	<b>(82)</b>	<b>62%</b>	●
<b>NET LOSS</b>	<b>(31)</b>	<b>(78)</b>	<b>60%</b>	●
<b>P/(LATAMI)</b>	<b>2</b>	<b>(81)</b>	<b>&gt;100%</b>	●
EPS (sen)	0.1	(2.2)	>100%	●

- The **Group revenue increased by 15%** mainly due to:
  - **Higher average price of:**
    - i) CPO (2017: RM3,061/MT, 2016: RM2,303/MT)
    - ii) RBDPKO (2017: RM7,148/MT, 2016: RM3,952/MT)
    - iii) CPKO (2017: RM6,958/MT, 2016: RM4,059/MT)
 The higher pricing of CPO helped compensate for a decline in CPO sales in 2017 by 22%.
  - **Higher sugar sales volume** for domestic segment by 19%.
- Other than stated above, the **Group recorded a lower loss** before tax mainly due to:
  - **Higher CPO production** by 16% resulting in **lower CPO production cost (ex-mill)** by 5% (2017: RM1,739/MT, 2016: RM1,824/MT); and
  - **Lower administrative expenses** by 15%;
- The improvement in the result was offsetted by :
  - **Higher raw sugar cost** of RM2,697/MT (2016: RM2,139/MT);
  - **Impairment of receivables** and **provision for litigation loss** in Plantation Sector amounted to RM29.61 million and RM32.79 million respectively;
  - **Lower share of results from joint ventures** due to higher unrealized foreign exchange gain recorded in the first quarter last year.



## Q117 VS Q416 FINANCIAL HIGHLIGHTS

Lower performance in Q1 2017 due to fair value charge in LLA, lower FFB production, higher raw sugar cost and impairment of receivables and provision for litigation loss.

Income Statement (RM million)	Q1 2017	Q4 2016	Changes %	
Revenue	4,323	5,154	-16%	●
Cost of sales	(3,947)	(4,758)	17%	●
Gross profit	376	396	-5%	●
Operating profit	89	49	81%	●
LLA liabilities (Fair value changes)	(98)	139	<100%	●
Associates & JV	10	31	-68%	●
<b>(L)/PBT (&amp; zakat)</b>	<b>(31)</b>	<b>217</b>	<b>&lt;100%</b>	●
<b>NET (LOSS)/PROFIT</b>	<b>(31)</b>	<b>92</b>	<b>&lt;100%</b>	●
<b>PATAMI</b>	<b>2</b>	<b>112</b>	<b>-98%</b>	●
EPS (sen)	0.1	3.1	<100%	●

- **The Group recorded 16% lower revenue** compared to Q4 2016 due to:
  - Lower volume of CPO sold by 36% (Q1 2017: 0.35 million MT, Q4 16: 0.57 million MT) despite higher average CPO price realised of RM3,061/MT (Q4 2016: RM2,835/MT); and
  - Decrease in sales volume of refined sugar from domestic market.
- **The Group recorded loss** before tax mainly due to:
  - **Lower revenue**;
  - **Fair value charge in LLA** of RM97.50 million compared to fair value gain of RM139 million in Q4 2016;
  - **Lower FFB production** of 804,000 compared to 935,000 recorded last year (FFB yield of 2.91 MT/ha, Q4 2016: 3.46 MT/ha);
  - **Continuous higher raw sugar cost**; and
  - **Impairment of receivables and provision for litigation loss** amounted to RM62.40 million in Plantation Sector.
- The lower profit was **mitigated by higher margin achieved** as a result of surge in average price in RBDPKO and CPKO in Q1 2017.



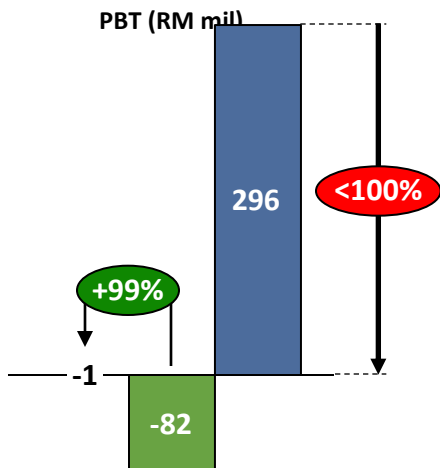
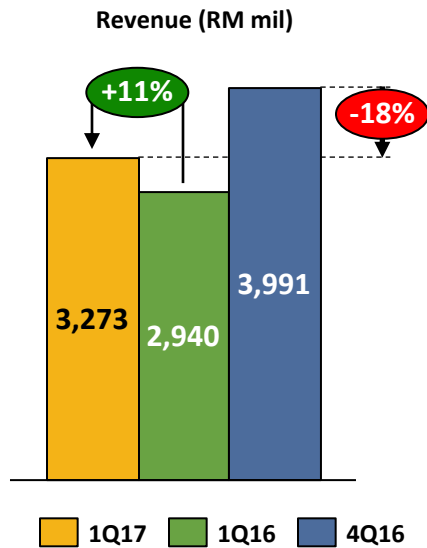
## Note:

1. Commencing 2017, reportable segments consist of 3 main Sectors namely:
  - Plantation;
  - Logistics and Others (LO); and
  - Sugar.
2. The results for previous year (2016) has been restated due to:
  - Change in the reportable segments mentioned in (1) above;
  - Change in accounting policy for bearer plants as the effects was only reported in Q4 2016; and
  - Group consolidation adjustments are allocated to each sector to reflect the overall performance of the Sector.

# PLANTATION SECTOR



Lower loss due to increase in average CPO price realised, higher margin in downstream operation, lower CPO production cost ex-mill, but offset with impairment of receivables and provision for litigation loss.



## YoY Results Overview

- **Higher revenue and lower loss** recorded in 2017 mainly due to:
  - Higher average CPO price of RM3,061/MT compared to RM2,303/MT in 2016
  - Price for RBDPKO and CPKO surged to 81% and 71% respectively;
  - Higher CPO production by 16%, from 485,000 to 565,000 MT in 2017 in tandem with higher FFB production resulting in lower CPO production cost (ex-mill) to RM1,739/MT (2016: RM1,824/MT);
- The improvement in the results was partly set off with:
  - Decrease in CPO sales volume by 22% to 349,000 MT (2016: 449,000 MT);
  - OER achieved was lower at 19.82% compared to 2016 at 20.56%;
  - Lower estate yield of 2.91 MT/ha compared to 2.94 MT/ha last year; and
  - Impairment of receivables and provision for litigation loss amounted to RM62.4 million.

## QoQ Results Overview

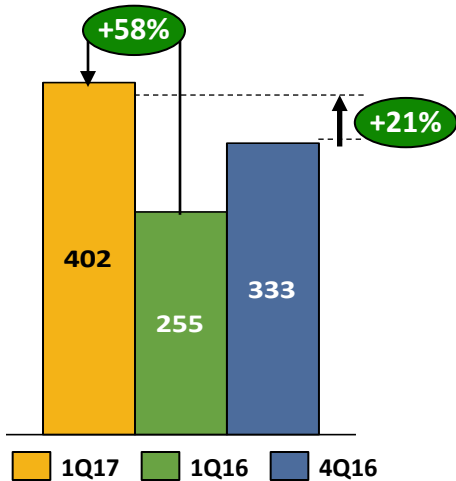
- **Lower revenue** in Q1 2017 due to decrease in CPO sales volume by 38% to 349,000 MT (Q4 2016: 565,000 MT) despite higher average CPO price of RM3,061/MT (Q4 2016: RM2,835/MT).
- **Decreased in profit** due to:
  - a) Fair value charge in LLA of RM97.50 million compared to fair value gain of RM139 million in Q4 2016;
  - b) Impairment of receivables and provision for litigation loss amounted to RM62.4 million;
  - c) Lower CPO production by 23% in tandem with lower FFB production of 0.8 million MT (Q4 2016: 0.93 million MT); and
  - d) OER achieved was lower at 19.82% in current quarter compared to 20.73% achieved in Q4 2016.
- **The lower profit was mitigated by higher margin of RBDPKO and CPKO** as a result of higher average price for:
  - i) RBDPKO (RM7,148/MT, Q4 2016: RM6,090/MT)
  - ii) CPKO (RM6,958/MT, Q4 2016: RM6,592/MT)

# LOGISTICS AND OTHERS SECTOR

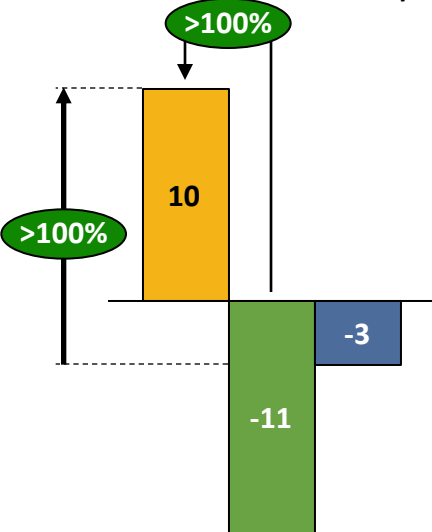


Improved profit due to higher tonnage carried in tandem with increase in CPO production

Revenue (RM mil)



PBT (RM thousand)



## YoY Results Overview

- Q1 2017 results was better than Q1 2016 due to:
  - Higher tonnage carried by Group's transport operation in tandem with the increase in CPO production volumes;
  - Higher income from IT services.
- The results was partly offset by:
  - Lower profit from bulking group due to lower handling rate despite higher throughput handled.

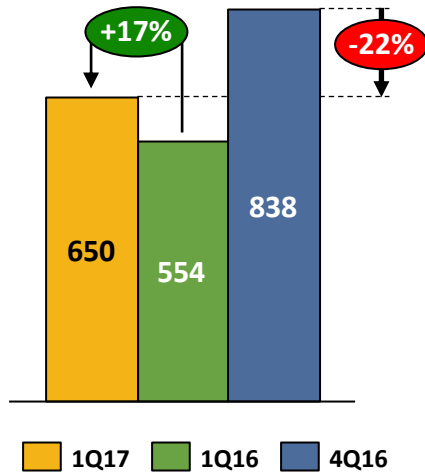
## QoQ Results Overview

- Better results in Q117 was due to fair value gain in derivatives for rubber operation.
- The profit was partially offset by the lower margin of rubber in current quarter.

# SUGAR SECTOR

Loss incurred in Q1 2017 due to higher raw sugar material cost and weakening Ringgit

Revenue (RM mil)



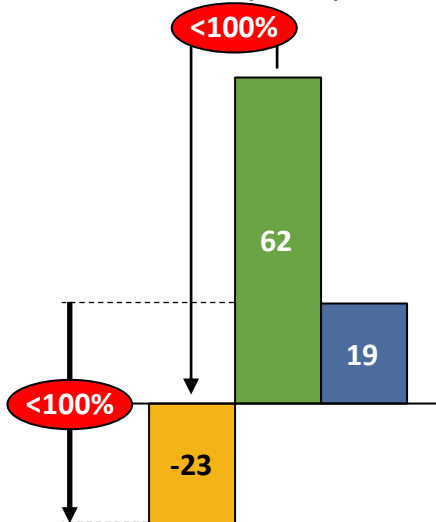
## YoY Results Overview

- The **revenue** of sugar cluster was 17% higher as sugar domestic sales increased by 19% and increase in selling price effective 1 March 2017.
- **Lower PBT** due to higher average raw sugar cost and weakening Ringgit compared to Q1 last year.

## QoQ Results Overview

- Lower profit due to lower demand of refined sugar from domestic and industries market coupled with higher raw sugar material cost

PBT (RM mil)



[Refer MSMH's slides for details](#)

## MOVEMENT OF LAND LEASE LIABILITY IN FGVPM



RM million	Q1 2017	Q1 2016	Q2 2016	Q3 2016	Q4 2016	2016
At the start of the period	4,407.6	4,627.2	4,654.2	4,608.1	4,639.01	4,627.2
Total payments made during the period	(76.1)	(62.7)	(58.4)	(74.3)	(92.6)	(287.9)
Recurring income statement charges/(credits)	94.4	91.0	107.1	103.7	96.0	397.8
<b>Total income statement charges/(credits) from revisions in projections</b>	3.1	(1.3)	(94.9)	1.7	(235.0)	(329.5)
Total charge/(credit) to the income statement	97.5	89.7	12.2	105.4	(139.0)	68.3
<b>Closing LLA liability balance</b>	4,429.0	4,654.2	4,608.1	4,639.1	4,407.60	4,407.60

Total (credit)/charge to Income Statement

RM million	2017	2016
Fixed lease consideration	61.1	61.1
Discounting effect	14.9	28.5
Revisions in projections and other adjustments	21.5	0.1
<b>Total (credit)/charge to the Income Statement</b>	97.5	89.7

# CORE PROFIT



Group recorded Core Profit of RM0.5 mil in Q1 2017 compared to RM75.6 mil loss in Q1 2016.

Core Profit Reconciliation	Q1 2017	Q1 2016 (Restated)
	RM million	RM million
<b>LATAMI</b>	2.5	(81.1)
LLA charge, net of tax	74.1	68.2
<i>Total adjustment</i>	74.1	68.2
<b>Adjusted P/(LATAMI)</b>	76.6	(12.9)
<i>less: LLA cash paid</i>	(76.1)	(62.7)
<b>CORE PROFIT/(LOSS)</b>	<b>0.5</b>	<b>(75.6)</b>

#### CORE PROFIT DEFINITION :

Core net profit relates to the net profit after minority interests excluding one-off item (that are not recurring). The purpose is to find out the recurring operating profit of the group. The non-recurring will include items like (1) non operational related forex gains; (2) one-off gain from sale of shares/assets; (3) LLA and (4) potentially any one-off provisions or gains etc,

**THANK YOU**

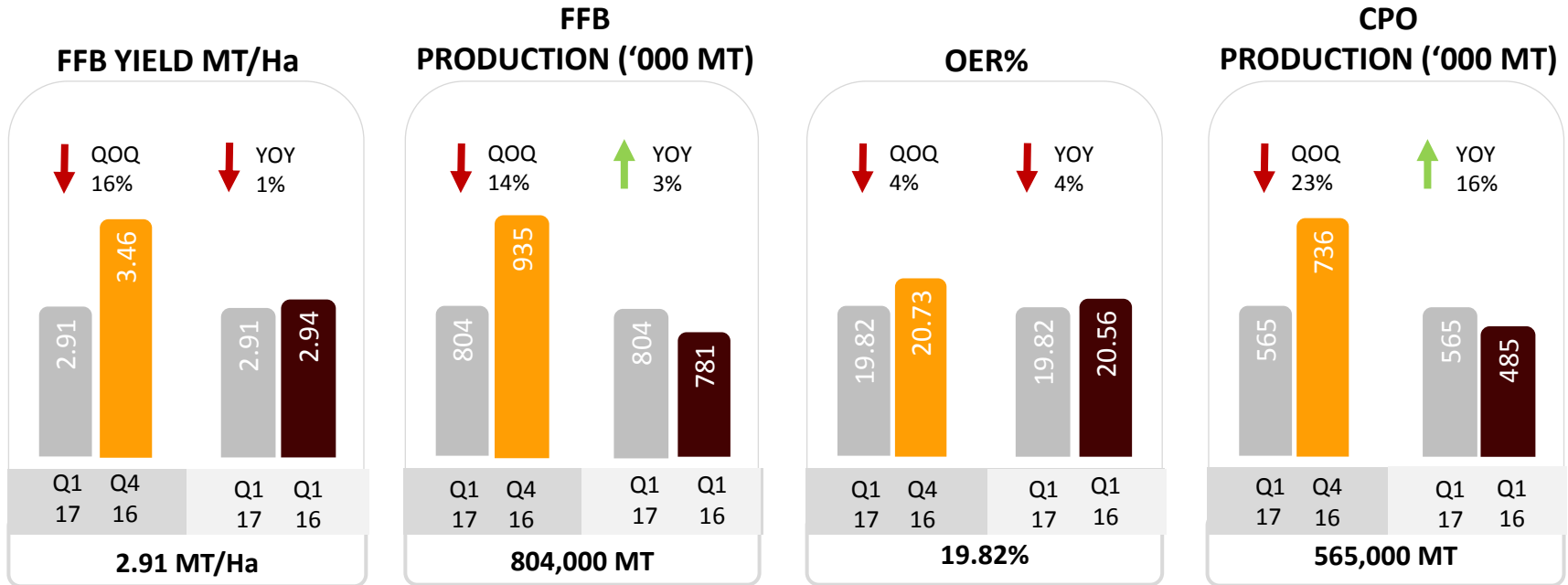


# PLANTATION HIGHLIGHTS



	Q1'17	Q4'16	QoQ %	Q1'16	YoY %	YTD		YoY %
						Mar 17	Mar 16	
FFB Prod ('000 MT)	804	935	-14%	781	3%	804	781	3%
FFB Yield (MT/Ha)	2.91	3.46	-16%	2.94	-1%	2.91	2.94	-1%
CPO Production ('000 MT)	566	737	-23%	485	16%	566	485	16%
PK Production ('000 MT)	149.4	182	-18%	127.2	17%	149.4	127.2	17%
OER (%)	19.82	20.73	-4%	20.56	-4%	19.82	20.56	-4%
KER (%)	5.24	5.12	2%	5.39	-3%	5.24	5.39	-3%
Avg. PK Price (RM/MT)	3,081	2,951	4%	2,038	51%	3,081	2,038	51%
Avg. CPO Price (RM/MT)	3,127	2,835	10%	2,338	34%	3,127	2,338	34%
Avg CPO Prod. Cost Ex-mill (RM/MT)	1,739	1,512	15%	1,824	-5%	1,739	1,824	-5%

# OPERATIONAL HIGHLIGHTS : PLANTATION



## PLANTATION

- The yield is slightly lower due to new maturing area of 18,000 Ha
- Lower OER due to higher rainfall affecting fruit quality and oil synthesis at the ripening stage

## REPLANTING

### 2017 Replanting Target

- 14,000 Ha

### 2017 Replanting Progress (YTD: March 2017)

- Felling : 4,500 Ha
- Replanting : <100 Ha

### 2017 Replanting Cost

- Q1 2017 : RM 48 mil
- 2017 (B) - RM 287 mil

## EBITDA 2017 VS 2016



The Group achieved higher EBITDA of RM173 mil vs RM138 mil in 2016

Reconciliation	2017	2016 (Restated)	Changes
	RM million	RM million	%
<u>EBITDA Reconciliation</u>			
Operating profit/(loss) before LLA	89	(21)	>100%
<i>add: Share of results</i>	10	75	-87%
<i>add : Depreciation</i>	168	171	-2%
<i>Others – other gains</i>	(18)	(24)	25%
EBITDA (exclude LLA)	<b>249</b>	<b>201</b>	<b>24%</b>
<i>less: LLA Cash Paid</i>	(76)	(63)	-21%
<b>EBITDA (after cash LLA)</b>	<b>173</b>	<b>138</b>	<b>25%</b>

## KEY FINANCIAL RATIOS



	UOM	31-Mar-17	31-Dec-16	Changes	Changes
Total Assets	RM million	20,794	21,027	-1%	●
Total Liabilities	RM million	12,632	12,829	2%	●
Cash and Cash Equivalents	RM million	1,873	1,854	1%	●
Net Tangible Assets (NTA) per Share	RM	1.15	1.16	-1%	●
Earning per Share (EPS)	sen	0.1	0.9	-89%	●
Return on Shareholders' Fund (ROSF)	%	0.04	0.54	-93%	●
Liquidity Ratio		1.16	1.17	-1%	●
Gearing Ratio *		1.78	1.72	3%	●
Gearing Ratio (excluding LLA)		1.02	0.96	6%	●

\* Gearing ratio equals to Borrowings, Loan due to a significant shareholder, LLA liability (in Current Liabilities and Non-Current Liabilities) divided by Shareholders' Fund.

## PERFORMANCES BY SECTOR



Clusters	REVENUE			PBT		
	2017	2016	Var	2017	2016	Var
	RM'000	RM,000	%	RM'000	RM'000	%
<b>Plantation</b>	<b>3,273,477</b>	<b>2,939,552</b>	<b>11%</b>	<b>-904</b>	<b>-82,165</b>	<b>99%</b>
<b>Sugar</b>	<b>649,726</b>	<b>553,833</b>	<b>17%</b>	<b>-23,162</b>	<b>61,600</b>	<b>&lt;100%</b>
<b>Logistics and Others</b>	<b>401,924</b>	<b>255,301</b>	<b>57%</b>	<b>9,753</b>	<b>-11,287</b>	<b>&gt;100%</b>
Others *	-1,922	6,763	<100%	-16,943	-49,974	-66%
<b>Total Sector Results</b>	<b>4,323,205</b>	<b>3,755,449</b>	<b>15%</b>	<b>-31,256</b>	<b>-81,826</b>	<b>62%</b>

\* Others consist of Investment Holding Companies and Group Consolidation adjustments