

# **FGV HOLDINGS BERHAD**

*(Formerly known as Felda Global Ventures Holdings Berhad)*

## **FINANCIAL RESULTS BRIEFING**

**Financial Year Ended 31 Dec 2018**

**Thursday, 28 February 2019**



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-  **FY2018 Result Summary**
-  **Business and Turnaround Plan Updates**
-  **Moving Forward Plan**



# FY2018 RESULT SUMMARY

# FY2018 FINANCIAL RESULT SUMMARY



FINANCIAL (RM mil)	Q4'18	Q3'18	QOQ	Q4'17	YOY	YTD		
						FY 18	FY 17	YOY
Revenue	3,234	3,193	▲ 1%	4,255	▼ 24%	13,467	16,922	▼ 20%
(Loss)/PBZT before impairment & provision	101	(123)	▲ <100%	253	▼ 60%	15	564	▼ 97%
(Loss)/PBZT	(139)	(911)	▲ 85%	214	▼ <100%	(1,023)	403	▼ <100%
(Loss)/PATAMI	(209)	(849)	▲ 75%	50	▼ <100%	(1,080)	131	▼ <100%

## Q418 vs Q417

**Revenue:** Decreased by 24% due to lower CPO price of RM2,053 per MT (Q417:RM2,723 per MT) on the back of higher CPO sales vol at 587,000 MT. (Q417: 498,000 MT)

### PBZT (before impairment & provision) attributed to:

- Improved OER to 20.70% (Q417:19.92%).
- Recovery of RM62 mil insurance claim from FIGS.

### LBZT due to:

- Bearer plant (PPE) written off due to MFRS116 and impairment of receivables (due to MFRS9)

## FY2018

**Revenue:** Decreased by 20% due to lower CPO price of RM2,282 per MT (2017:RM2,792 per MT) on the back of higher CPO sales vol at 2.1 mil MT. (2017: 1.7 mil MT)

### Lower PBZT (before impairment & provision) attributed to:

- Lower CPO/PK margin associated with lower average CPO price
- Higher CPO production cost ex-mill of RM1,737 per MT (2017:RM1,601 per MT)
- Share of losses from JV and associates amounting to RM41 mil.
- One-off gain from AXA Affin disposal in 2017.

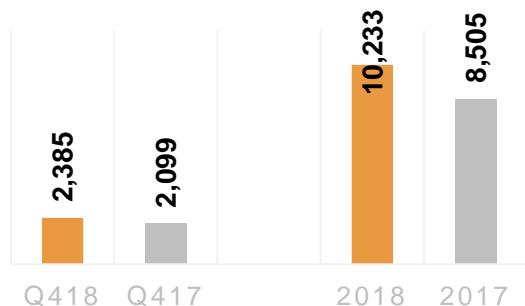
The Group incurred significant impairment in 2018.

# FY2018 RESULT SUMMARY BY SECTORS



## PLANTATION

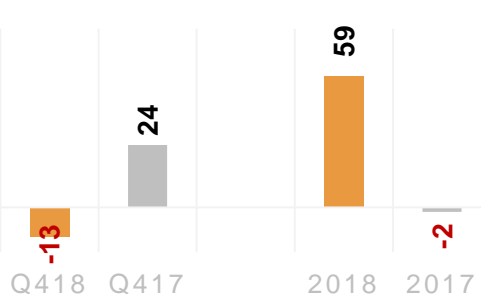
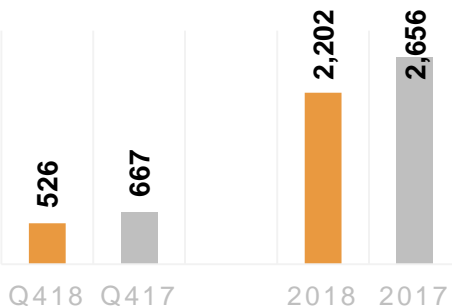
REVENUE (RM mil)



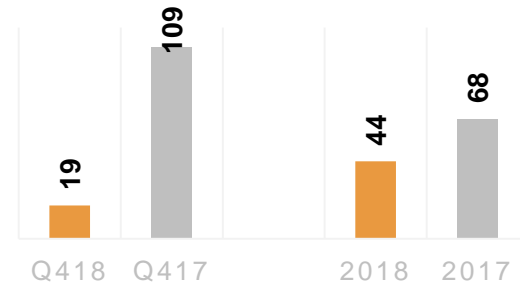
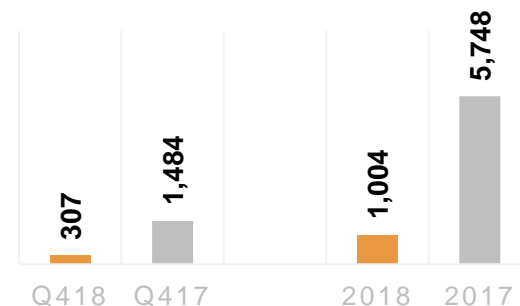
PBZT (RM mil)



## SUGAR



## LSB



### Q418 vs Q417

Plantation

#### Loss incurred in Q418 due to:

- Lower average CPO price of RM2,053 per MT
- Higher impairment charge.
- Lower sales volume in fertiliser.

Sugar

#### Loss incurred in Q418 due to:

- Lower average selling price and sales volume.
- Higher finance cost related to Johor refinery.

LSB

#### Performance affected by:

- Impairment of receivables.
  - Absence of AXA Affin gain.
- 2018 revenue was significantly lower due to change in business model.

# FY2018 OPERATIONAL RESULT SUMMARY



OPERATION	Q4'18	Q3'18	QOQ	Q4'17	YOY	YTD		
						FY 18	FY 17	YOY
FFB Production ('000 MT)	1,150	1,076	▲ 7%	1,187	▼ 3%	4,210	4,260	▼ 1%
FFB Yield (MT/Ha)*	4.62	4.32	▲ 7%	4.72	▼ 2%	16.90	16.94	▬ 0%
OER (%)	20.70	20.89	▼ 1%	19.92	▲ 4%	20.49	19.83	▲ 3%
CPO Production ('000 MT)	815	689	▲ 18%	867	▼ 6%	2,825	2,992	▼ 6%
Avg. CPO Production Cost, Ex-mill (RM/MT)	1,572	1,777	▼ 12%	1,507	▲ 4%	1,737	1,601	▲ 8%

\*yield based on normalised mature area

## Q418 vs Q417

- **FFB production decreased by 3%** due to the lag effect of 2016 El-Nino in line with the industry and labour issues in Sabah & Sarawak.
- **OER improved by 4%** due to closer monitoring on oil loss and better FFB quality.
- **Higher average CPO production cost (ex-mill) by 5%** due to lower FFB processed and CPO production.

## FY2018

- **FFB production decreased by 1%** due to the lag effect of 2016 El-Nino in line with the industry and labour issues in Sabah & Sarawak.
- **OER improved by 3%** due to higher oil-to-bunch ratio and and better FFB quality.
- **CPO production reduced by 6%** in tandem with lower FFB processed at 13.79 mil MT (FY2017: 15.10 mil MT)
- **Higher average CPO production cost (ex-mill) by 8%** due to lower FFB processed and additional cost on labour recruitment as well as rehabilitation activities.



# BUSINESS & TURNAROUND PLAN UPDATES



## PLANTATION SECTOR

### Replanting

- Completed felling of 15,039 Ha.
- Replanted of 13,119 Ha of area.
- Improved age profile to 14.3 years (2017:14.8 yrs).

### Labour Improvement

- Achieved 88% of labour requirement around 31,000 workforce as the effort to achieve 100% requirement continues.

### Mechanisation Area

- Mechanised additional area of 16,500 Ha, with a total area of 96,500 Ha to improve in-field collection and harvester's man to land ratio from 1:20 to 1:25.

### Housing Programme

- Achieved 70% completion for Package 2 (298 blocks)
- Package 1 (158 blocks) is expected to start in Q219.

### Mill Rationalisation

- Rationalised 1 mill, Lepar Utara 4 as part of the cost-rationalisation initiative.

### Waste-to-Wealth

- Improved Shell Recovery Rate (SRR) to 1.14% (2017: 1.00%).
- Produced 150,011 MT (2017:~140,000 MT) of PKS for export markets e.g Japan and Korea.

### Consolidation of Stock-keeping Unit (SKU)

- Reduced FMCG's SKUs to 92 (2017:143) for brand consolidation and economies of scale.

### Development of High-margin Products

- Completed development of Palm Kernel Protein, industrial margarine and blended oil for Downstream commercialisation.

## SUGAR SECTOR

### Johor Refinery

- Completed Johor refinery in Q4'18 to penetrate export markets in Southeast Asia and MENA region.

## LSB SECTOR

### Logistics

- Upgraded our fleet capability through the purchased of 10 units of prime movers to enhance transport capacity.

### Storage Capacity

- Expansion of storage capacity by 38,300 MT in Port Qasim, Pakistan with UF of 80% to serve growing local market.

## HUMAN CAPITAL AND SUSTAINABILITY

### Redefining Our Identity

- The Group changed name to FGV Holdings Bhd
- Relocated 2,100 employees to Wisma FGV to enhance brand positioning and reduce cost of approximately RM12 mil per annum.

### Separation Scheme

- A total of 667 employees have accepted FGV's separation scheme through VERS/MSS with total payout of RM72 mil and annual savings of RM25 mil yearly.

### RSPO / MSPO Certifications

- To-date, received RSPO certification for 19 mills making a total of 27 certified mills, in line to achieve our target of 48 certified mills by end- 2019.
- Received MSPO certification for 7 mills and in line to achieve full certification by end-2019.

# TURNAROUND PLAN UPDATE

## NEW LEADERSHIP – KEY MANAGEMENT

Group Chief Executive Officer

**Dato' Haris Fadzilah Hassan**

Group Chief Financial Officer

**Dato' Mohd Hairul Abdul Hamid**

Chief Operating Officer of Plantation Sector/  
Chief Transformation Officer

**Tuan Syed Mahdhar Syed Hussain**

Chief Operating Officer of Sugar Sector

**Dato' Khairil Anuar Aziz**

Chief Operating Officer of LSB Sector

**Encik Azman Ahmad**

Chief Investment Officer

**Encik Fakhrunniam Othman**

Chief Human Resource Officer

**Encik Mazri Abdul Rahim**

Company Secretary

**Ms Koo Shuang Yen**

Chief Counsel

**Puan Ida Suryati Datuk Ab Rahim**

Chief Internal Auditor

**Puan Zalily Mohamed Zaman Khan**

Head, Group Finance

**Puan Aznur Kama Azmir**

Chief Procurement Officer

**Dr. Christina Ooi Su Siang**

## OPERATIONAL IMPROVEMENT

	2018 FY (A)	2019 FY (target)	2020 FY (target)
FFB Production	4.21 mil MT	4.79 mil MT	5.14 mil MT
FFB Yield	16.90 MT/Ha	19.43 MT/Ha	20.0 MT/Ha
OER	20.49%	20.78%	21.18%
CPO Production	2.83 mil MT	3.09 mil MT	3.20 mil MT
CPO Cost (ex-mill)	RM1,737/MT	RM1,469/MT	RM1,464/MT

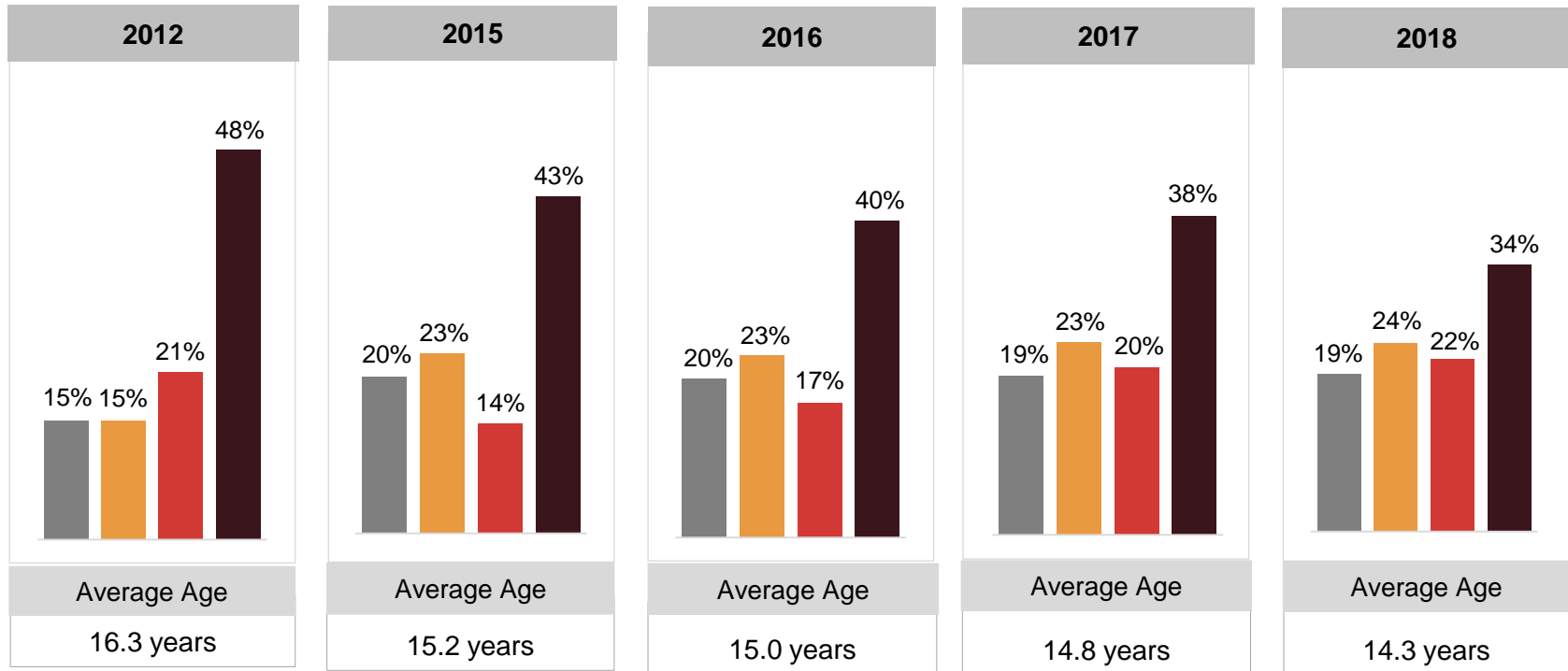
### Estates Transformation Initiatives

- Introduce 'structured tasking & block harvesting' and incentives for tall palm harvesting.
- Improve overall crops traceability and security.
- Improve workers welfare through better accommodation, amenities & facilities.

### Milling Transformation Initiatives

- Tighten process controls to minimise milling oil losses.
- Intensify FFB sourcing to increase mills utilization.
- Enhance planning and supervision to control fixed & variable costs.

## REPLANTING AND AGE PROFILE



\*Age profile distribution and FFB production without M&A

■ Immature (0 -3) ■ Young (4 -9) ■ Prime (10 - 20) ■ Old (> 21)

- During IPO, old trees (>21 years old) represents 48% of total planted areas.
- We have been replanting at average of 15,000 Ha per year with replanting cost approximately RM300 mil/year, which has reduced the old trees age distribution (>21 years old) to 34% today.
- This plan shall continue until we achieve normalised age profile of 12 years by 2026.



# MOVING FORWARD PLAN

## KEY FOCUS AREA

### Estates

- Implementation of **tasking system for harvester** and increase productivity from 1.4 to 1.5MT/manday.
- **Complete harvesting round** at 2.5 rounds per month.
- Expedite **new workers recruitment** to achieve 100% requirement.
- **Continue replanting** of 15,000 Ha in 2019.
- **Mechanise** 18,500 Ha in 2019 to improve man to land ratio (harvesters) from 1:20 to 1:25.
- New policy setting of ripeness standard to **reduce crop rejection** from 0.6% to 0.3%.
- **Increase uptake of CSPO** by 40% (335k MT in 2018 to 426k MT in 2019).
- Optimise manuring programme by **changing fertiliser type and application process**.

### Mills

- **Rationalise several mills** until 2021 to improve utilization factor.
- **Reduce CPO Production Cost (ex-mill)** below RM1,500.
- Tighten **procurement process** involving capital and operating expenditures.

### Others

- Divestment of **non-core and non-performing assets** with expected proceeds of RM350 million.
- **Disposal of Chuping plantation land** under Sugar Sector.
- **Expansion of storage capability** with additional capacity of 50,000 MT in 2019.
- **Manpower rationalisation** by 10%.

# THANK YOU

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# APPENDIX

# OPERATIONAL MOVEMENT



	2018				
	Q1	Q2	Q3	Q4	
<b>FFB Yield</b>	3.98 MT/Ha	3.99 MT/Ha	4.32 MT/Ha	4.62 MT/Ha	
<b>OER</b>	19.75%	20.61%	20.89%	20.70%	
<b>CPO Cost (ex-mill)</b>	RM1,728/MT	RM1,884/MT	RM1,777/MT	RM1,572/MT	
<b>Utilization Factor</b>	66%	62%	64%	78%	

	2019 FY (target)	2020 FY (target)	2021 FY (target)
<b>FFB Production</b>	4.79 mil MT	5.14 mil MT	5.35 mil MT
<b>FFB Yield</b>	19.44 MT/Ha	20.0 MT/Ha	20.15 MT/Ha
<b>OER</b>	20.78%	21.18%	21.47%
<b>CPO Production</b>	3.09 mil MT	3.20mil MT	3.31mil MT
<b>CPO Cost (ex-mill)</b>	RM1,469/MT	RM1,464/MT	RM1,460/MT

# MOVEMENT OF LAND LEASE LIABILITY IN FGVP



RM million	Q1 2018	Q2 2018	Q3 2018	Q4 2018	2018	Q1 2017	Q2 2017	Q3 2017	Q4 2017	2017
At the start of the period	4,393.3	4,400.0	4,345.1	4,382.8	4,393.3	4,407.6	4,429.0	4,372.6	4,404.2	4,407.6
Total payments made during the period	(72.0)	(83.0)	(64.7)	(79.0)	(298.7)	(76.1)	(79.5)	(71.9)	(79.6)	(307.1)
Recurring income statement charges/(credits)	93.2	86.0	118.4	104.0	401.6	94.4	85.0	103.7	87.3	370.4
<b>Total income statement charges/(credits) from revisions in projections</b>	(14.5)	(57.8)	(16.1)	(79.8)	(168.2)	3.1	(61.9)	(0.2)	(18.6)	(77.6)
Total charge/(credit) to the income statement	78.7	28.2	102.3	24.2	233.4	97.5	23.1	103.5	68.7	292.8
<b>Closing LLA liability balance</b>	4,400.0	4,345.1	4,382.8	4,328.0	4,328.0	4,429.0	4,372.6	4,404.2	4,393.3	4,393.3

Total (credit)/charge to Income Statement

RM million	2018	2017
Fixed lease consideration	-	401.5
Unwinding of discounts	401.6	-
Discounting effect	-	(31.1)
Revisions in projections and other adjustments	(168.2)	(77.6)
<b>Total (credit)/charge to the Income Statement</b>	<b>233.4</b>	<b>292.8</b>

# OPERATIONAL HIGHLIGHTS



	Q4'18	Q3'18	QOQ	Q4'17	YOY	YTD		
						FY 18	FY 17	YOY
FFB Prod ('000 MT)	1,150	1,076	7%	1,187	-3%	4,210	4,260	-1%
FFB Yield (MT/Ha)*	4.62	4.31	7%	4.72	-2%	16.90	16.94	0%
CPO Production ('000 MT)	815	689	18%	867	-6%	2,825	2,993	-6%
PK Production ('000 MT)	203	169	20%	221	-8%	721	768	-6%
OER (%)	20.70	20.89	-1%	19.92	4%	20.49	19.83	3%
KER (%)	5.15	5.13	1%	5.08	1%	5.23	5.09	3%
Avg. PK Price (RM/MT)	1,634	1,549	5%	2,528	-35%	1,734	2,445	-29%
Avg. CPO Price (RM/MT)	2,053	2,224	-8%	2,723	-24%	2,282	2,792	-18%
Avg. CPO Prod. Cost Ex-mill (RM/MT)	1,572	1,777	-12%	1,507	4%	1,737	1,601	8%

\*yield based on normalised mature area