

FGV HOLDINGS BERHAD

FINANCIAL RESULTS BRIEFING

3rd Quarter for the Financial Period Ended 30 September 2019

Thursday, 28 November 2019



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Executive Summary



Q3 2019 Results Summary



Q3 2019 Business Updates



Business Outlook

1

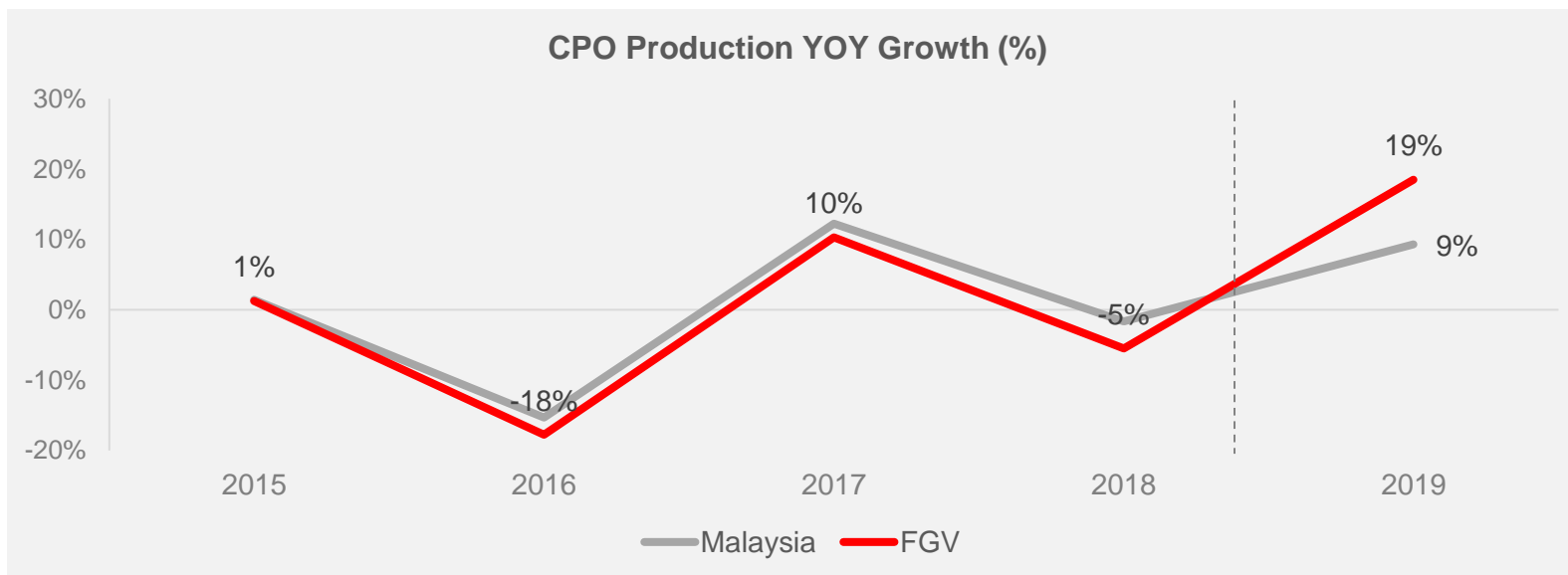
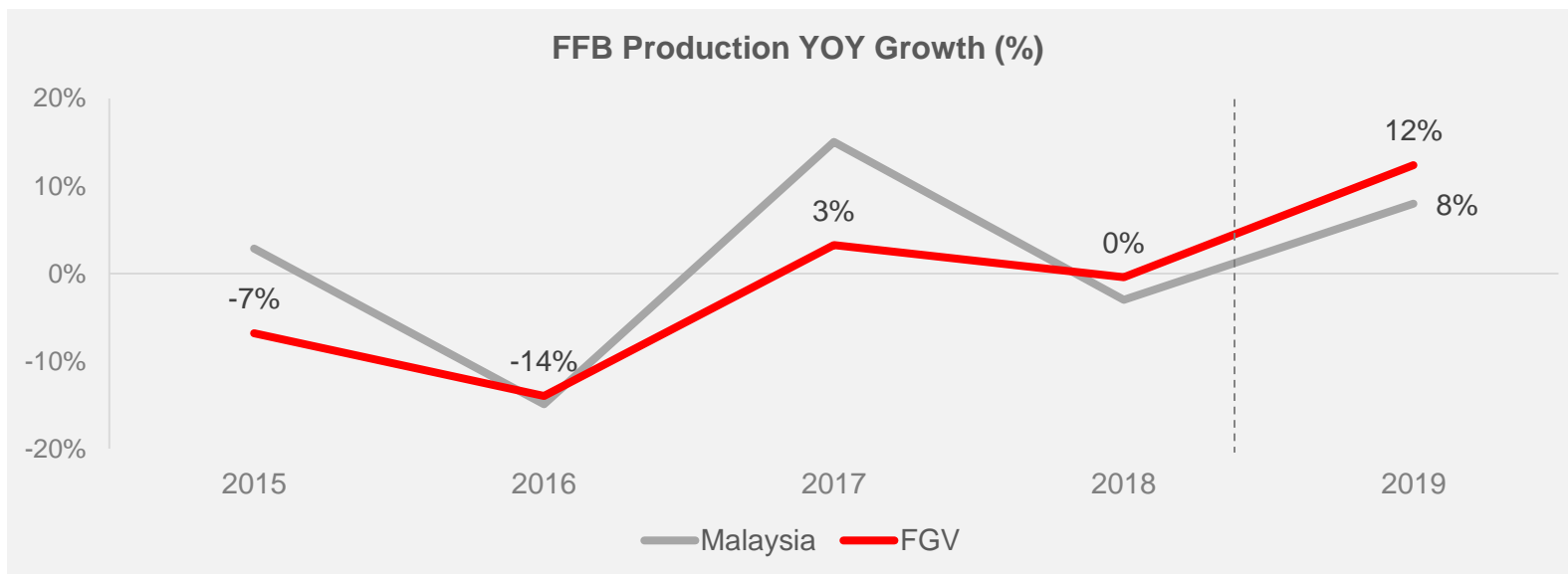
Transformation Plan is on track as evidenced by Jan – Sept results against previous corresponding period:

- **17% increase in FFB yield.**
- **19% increase in CPO production.**
- **22% reduction in ex-mill costs.**
- **19% increase in Utilisation Factor.**

2

Despite an 11% drop in CPO price to RM1,983/MT from RM2,224/MT in Q3'18, Plantation sector's revenue increased by 16%.

UPSTREAM PRODUCTION GROWTH vs MALAYSIA



----- Start of Transformation plan in late Q3'18

Source: MPOB, Internal.

POSITIVE CPO PRICE OUTLOOK



- MPOB data for September & October indicated lower production figures despite being a peak season and stronger export demand has boosted the CPO prices to trade in the range of RM2,150 – RM2,200 and climbed to RM2,500 in November.
- The announcement of B20 roll out during Budget 2020 and Indonesia's plan for B30 had also impacted the outlook for CPO prices as it would eliminate the stockpiles by approximately 500k tonnes or 3.4% of year end stock target.
- Experts are bullish on CPO for 1H 2020 with CPO Price forecast in the range of RM2,400 – RM2,800.
- Average MPOB CPO price for the current quarter is at RM 2,299 (as at 27 Nov 2019).



Q3 2019 RESULTS SUMMARY

FGV Q3 2019 FINANCIAL RESULTS

Financial in RM mil	Quarter			YTD		
	Q3'19	Q3'18	YOY	9M'19	9M'18	YOY
Revenue	3,549	3,193	+11%	10,105	10,233	-1%
Profit/(Loss) BIT before LLA & Impairment	69	76	-9%	284	340	-17%
Profit/(Loss) BZT	(363)	(911)	+60%	(396)	(885)	+55%
Profit/(Loss) ATAMI	(262)	(849)	+69%	(318)	(872)	+64%
Average CPO Price (RM/MT)	1,983	2,224	-11%	1,975	2,371	-17%

Q3'19 vs Q3'18 (YOY)

Revenue increased by 11% YOY due to increased production of CPO and other palm related products, despite an 11% drop in CPO price at RM1,983/MT (Q3'18: RM2,224/MT).

PBIT before LLA & Impairment reduced by 9% YOY mainly due to:

- Losses in the sugar business due to negative margins.

The lower PBIT was mitigated by:

- Improved FFB production by 15% at 1.24 mil MT and FFB yield by 19% at 5.12 MT/Ha.
- Improved CPO production by 21% at 0.83 mil MT.
- Improved ex-mill cost at RM1,500/MT (Q3'18: RM1,852/MT).

Q3 2019 IMPAIRMENTS



Where are the IMPAIRMENTS OF RM304 MILLION mainly from?

Sector	Category of impairment	Amount
Plantation	Shareholder's advance (Trurich Resources Sdn Bhd "Trurich")	RM125 million
Sugar	Property, Plant and Equipment (PPE)	RM145 million
Others	Receivables	RM28 million

Impairments of Shareholder's advance in Trurich of RM125 mil.

- Trurich was acquired in 2010 through FGV Kalimantan Sdn. Bhd.
- Total cost of investment was RM255 mil.
- Since its acquisition, FGV has incurred RM234 mil accumulated share of losses from Trurich.
- Throughout 2016 to 2019, FGV had injected additional funds amounting to RM120 million into the company.
- In Q3 2019 RM125 mil impairment has been recognised due to expected credit loss in line with MFRS 9.

Breakdown of share of losses

Year	Amount (RM'000)
2010	5,269
2011	(5,467)
2012	(4,236)
2013	(20,235)
2014	(6,782)
2015	(7,936)
2016	(15,582)
2017	(48,758)
2018*	(84,016)
Sept 2019*	(46,155)
Total	(233,898)

*Unaudited

FGV is now in the process of disposing of Trurich.

FGV QUARTERLY PBIT vs CPO Price

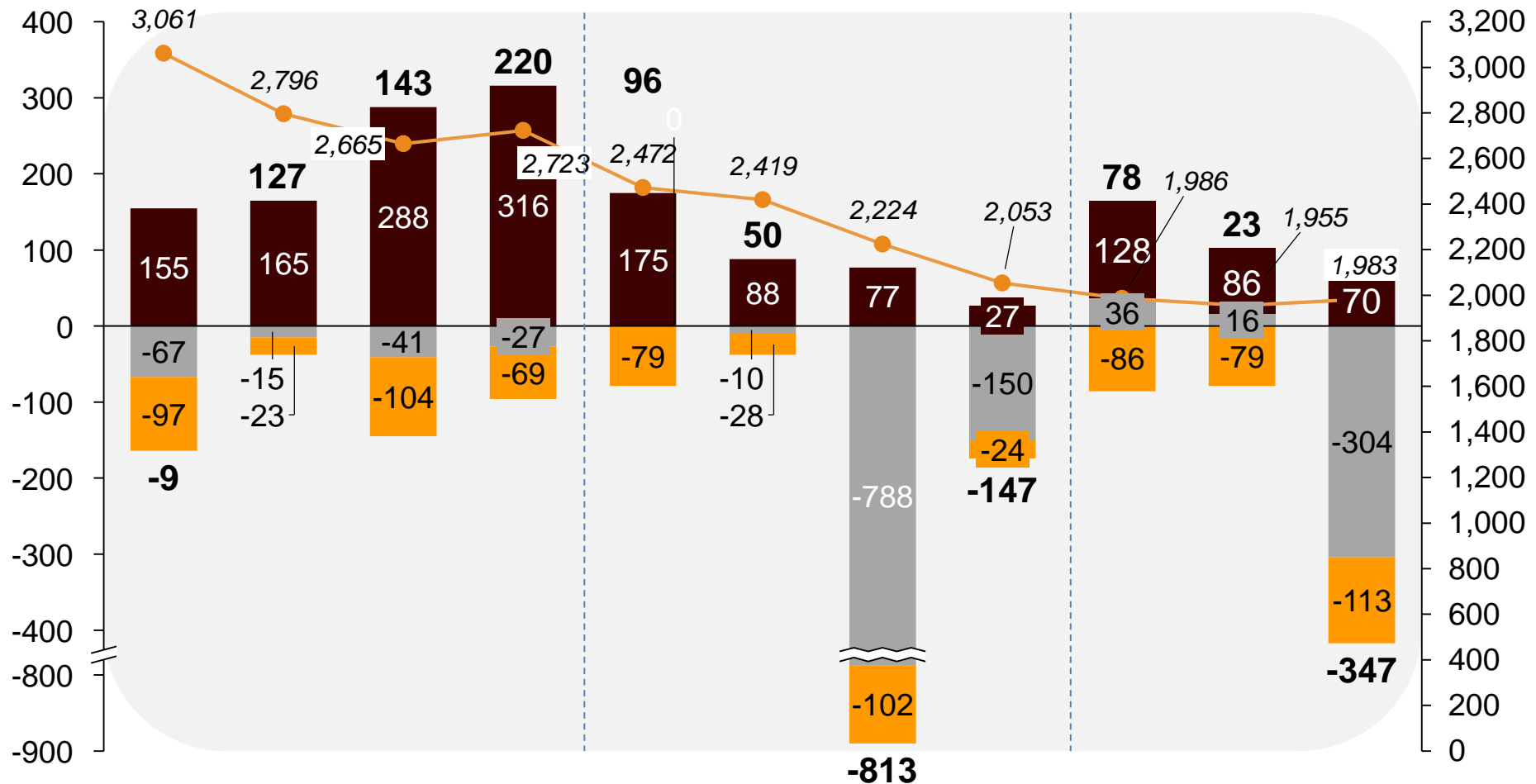


FGV's Q3'19 PBIT (excl. impairment and LLA) is RM70 mil, consistent with Q3'18 despite 11% relative drop in CPO Price.

- PBIT (RM Mil)
- Impairment (RM Mil)
- LLA fair value
- CPO price (RM/MT)

PBIT RM Mil

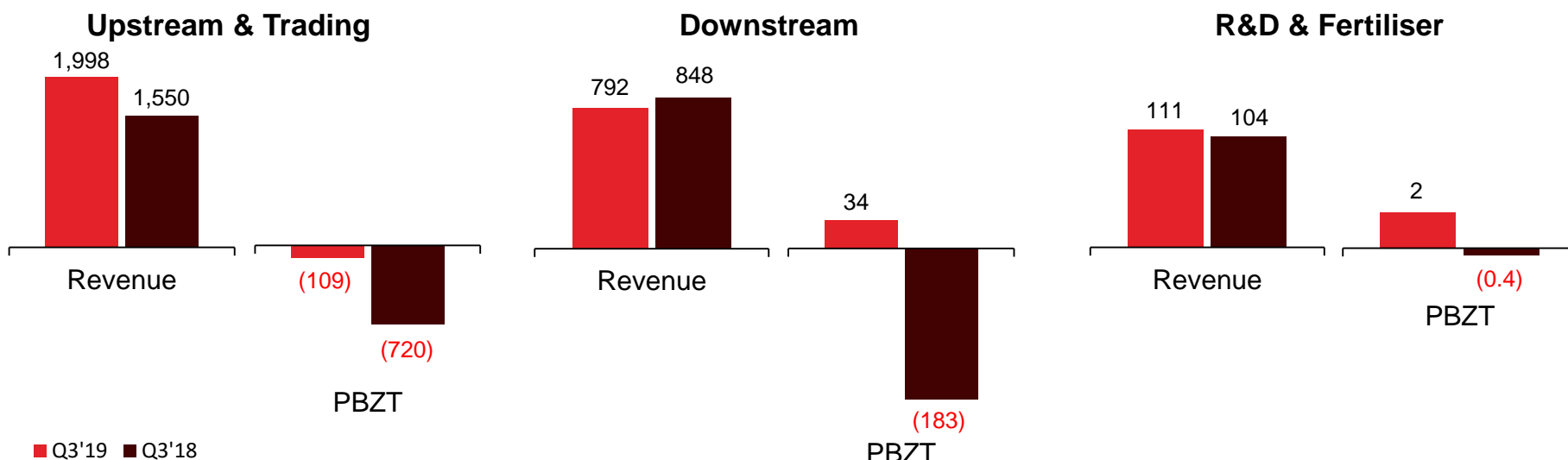
CPO price (RM/MT)



Q1 2017 Q2 2017 Q3 2017 Q4 2017 Q1 2018 Q2 2018 Q3 2018 Q4 2018 Q1 2019 Q2 2019 Q3 2019

PLANTATION SECTOR RESULTS

in RM mil	Quarter					YTD		
	Q3'19	Q3'18	YOY	Q2'19	QOQ	9M'19	9M'18	YOY
Revenue	2,901	2,501	+16%	2,683	+8%	8,298	8,192	+1%
Profit/(Loss) BZT	(73)	(904)	+92%	(54)	-35%	(87)	(877)	+90%



Q3'19 vs Q3'18 (YOY)

Plantation recorded a lower loss in Q3'19 due to:

Upstream & Trading

- Improved CPO margin despite lower CPO price at RM1,983/MT compared to RM2,224 in Q3'18.
- Significant impairment recognized in Q3'18 of RM768 mil.

Downstream

- Higher margin contribution of 7% from palm kernel processing business compared to 2% in Q3'18.

R&D & Fertiliser

- Higher contribution from R&D related activities.

PLANTATION SECTOR RESULTS



Quarter					YTD		
Q3'19	Q3'18	YOY	Q2'19	QOQ	9M'19	9M'18	YOY

PLANTATION

UPSTREAM

FFB Production ('000 MT)	1,235	1,076	+15%	1,149	+7%	3,440	3,060	+12%
FFB Yield* (MT/Ha)	5.12	4.32	+19%	4.76	+8%	14.26	12.24	+17%
OER (%)	20.91	20.89	-	20.22	+3%	20.63	20.41	+1%
CPO Production ('000 MT)	832	689	+21%	787	+6%	2,381	2,009	+19%
CPO Cost ex-mill (RM/MT)	1,500	1,852	-19%	1,455	+3%	1,447	1,863	-22%
Utilisation Factor (%)	79	64	+23%	77	+3%	76	64	+19%

DOWNSTREAM

Packed Products/FMCG Sales Vol. (MT)	94,021	77,158	+22%	90,560	+4%	270,025	245,867	+10%
Lauric Sales Vol. (MT)	67,543	61,393	+10%	68,072	-1%	204,245	186,651	+9%
Biodiesel Sales Vol. (MT)	25,080	13,429	+87%	15,920	+58%	57,616	34,914	+65%
Oleochemical Sales Vol. ('000 lbs)	71,867	70,352	+2%	71,362	+1%	218,503	203,234	+8%

* Yield is based on normalised area.

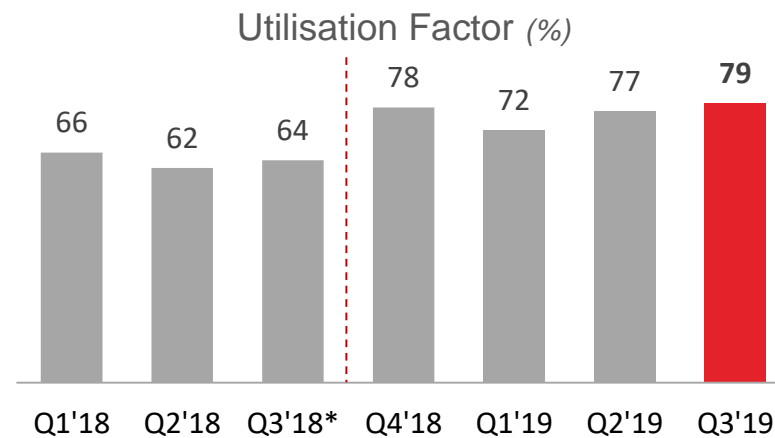
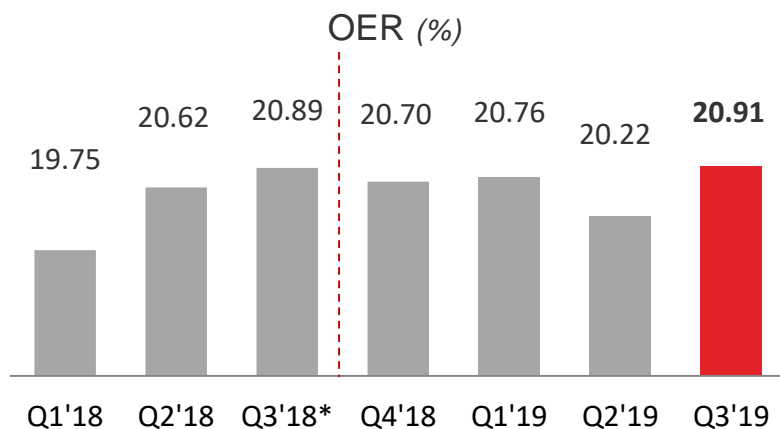
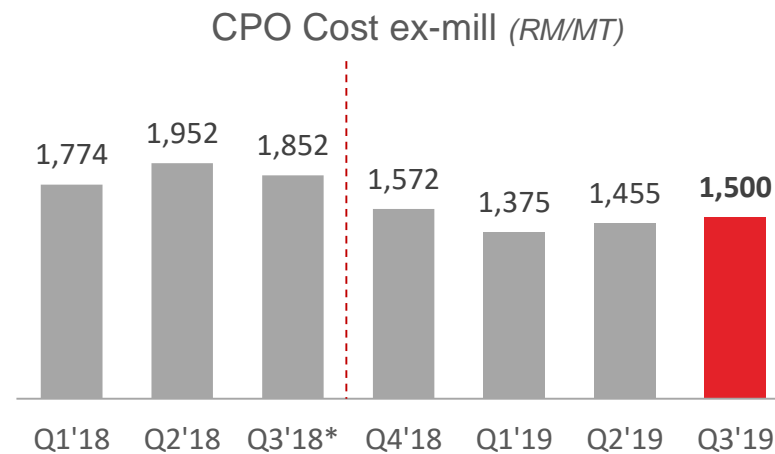
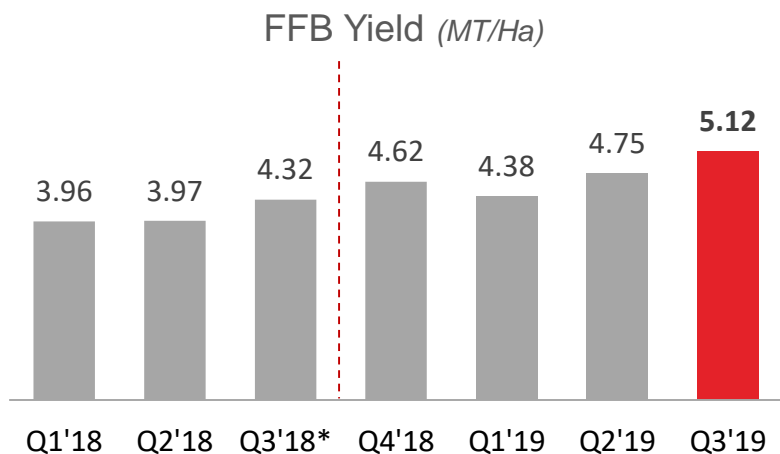
Q3'19 vs Q3'18 (YOY)

- FFB production and yield increased by 15% and 19% respectively. This is mainly due to improved plantation management and work methods, completion of estate rehabilitation and better crop evacuation methods.
- OER improved marginally in tandem with the increase in FFB production and higher FFB supplies.
- Average CPO production cost reduced by 19%. This is attributed to higher FFB production, as well as improved mill utilisation factor (UF) at 79%.
- Higher sales volume for Packed Products / FMCG segment by 22%. This is driven by higher demand on local industry products (bulk) such as palm stearin, PFAD and olein.
- Higher Biodiesel sales volume by 87% with the implementation of the B10 and B7 biodiesel mandate effective Feb 2019 and July 2019, respectively.
- Oleochemical sales volume improved by 2% with a favourable margin of 5% attributed to good products' ownership position.

PLANTATION SECTOR RESULTS



UPSTREAM QUARTERLY OPERATIONAL TRENDS



*Transformation Plan started in late Q3'18

SUGAR SECTOR RESULTS



Financial in RM mil	Quarter					YTD		
	Q3'19	Q3'18	YOY	Q2'19	QOQ	9M'19	9M'18	YOY
FINANCIAL								
Revenue	536	563	-5%	474	+13%	1,496	1,676	-11%
Profit/(Loss) BZT	(220)	22	<100%	(53)	<100%	(276)	71	<100%
OPERATIONAL								
Sales Volume (MT)	252,225	244,267	+3%	221,799	+14%	698,257	706,359	-1%

Q3'19 vs Q3'18 (YOY)

LBZT in Q3'19 is due to:

- Lower average selling price in line with reduction of industry average selling price due to sugar APs and the price war.
- Higher average refining cost in MSMJ due to low utilisation rate and high depreciation cost upon commercialization of its plant in April 2019.
- Impairment of Property, Plant and Equipment of RM145 mil.

Sugar sector recorded higher sales volume contributed by increase in wholesale and industry volume despite recording lower export volume due to low/negative margin.

LOGISTICS SECTOR RESULTS



Financial in RM mil	Quarter					YTD		
	Q3'19	Q3'18	YOY	Q2'19	QOQ	9M'19	9M'18	YOY
FINANCIAL								
Revenue	45	40	+13%	49	-8%	143	141	+1%
Profit/(Loss) BZT	21	18	+17%	23	-9%	65	51	+27%
LOGISTICS OPERATIONAL								
Tonnage Carried (Mil MT)	1.68	1.25	+34%	1.49	+13%	4.56	3.83	+19%
Storage Volume (Mil MT)	2.26	1.67	+35%	2.18	+3%	6.28	5.21	+21%
Tank Utilisation Rate (Times)	2.36	1.97	+20%	2.29	+3%	6.64	5.94	+12%

Q3'19 vs Q3'18 (YOY)

Logistics recorded a higher profit in Q3'19 due to:

- Increased tonnage carried by 34% and better handling rate.
- Increase in storage volume by 35%.

OTHERS SECTOR RESULTS



Quarter					YTD		
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Financial in RM mil

Q3'19	Q3'18	YOY	Q2'19	QOQ	9M'19	9M'18	YOY
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FINANCIAL

Revenue	55	81	-32%	50	+10%	132	190	-31%
Profit/(Loss) BZT	(26)	1	<100%	20	<100%	(43)	6	<100%

Q3'19 vs Q3'18 (YOY)

Others recorded a loss in Q3'19 due to:

- Impairments of receivables of RM28 mil due to expected credit loss, in accordance to MFRS 9.



Q3 2019 BUSINESS UPDATES

Plantation Sector

- Significant operational improvement in all areas.
- Replanting has progressed well with 9,000 Ha replanted, in line with 11,000 Ha targeted to be completed by Q4'19.
- Foreign labour requirement is at 85% and will reach 95% by next month.
- Dispatched 1,271 MT of Premium Quality Oil (FFA <1.50%) as at 25th November 2019 .

Sugar Sector

- Expand export market for sugar-based products by securing uptake for liquid and premix sugar thus improving MSM Johor plant's utilization.

Logistics Sector

- Commencement of a 6-month trial project for the use of B20 biodiesel in FGV's trucks, in collaboration with MPOB.
- Growth in MTO business through strategic partnership with players in key industries.

Others

- Achieved RM129.87 mil in procurement savings through contract renegotiations and other efforts.
- YTD certified mills: RSPO (34/68 mills) and MSPO (23/68 mills).



BUSINESS OUTLOOK

CPO Price

- Q4 CPO price is expected to trade within the range of RM2,200-RM2,400

New Developments

- Cash crop farming initiated.
- Launch of new animal feed products range for enhanced beef cattle feed and new dairy cattle feed.
- Expand footprint in the downstream sector to widen distribution of FGV's downstream products to the HORECA sector.
- New Premium Quality Oil for higher margin products.

Environmental, Social and Governance (ESG)

- By end of 2019, targeted 54 mills to receive RSPO certification and MSPO certification.
- Embark on a strategic partnership towards enhancing labour practices.
- On track to be certified for MS ISO 37001 ABMS in Q4'19 as part of the efforts to enhance accountability and internal governance.

THANK YOU



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OPERATIONAL HIGHLIGHTS



	Quarter					YTD		
	Q3'19	Q3'18	YOY	Q2'19	QOQ	9M'19	9M'18	YOY
FFB Prod ('000 MT)	1,235	1,076	+15%	1,149	+7%	3,440	3,060	+12%
FFB Yield (MT/Ha)*	5.12	4.32	+19%	4.76	+8%	14.26	12.24	+17%
CPO Production ('000 MT)	832	689	+21%	787	+6%	2,381	2,009	+19%
PK Production ('000 MT)	203	169	+20%	200	+2%	601	518	+16%
OER (%)	20.91	20.89	-	20.22	+3%	20.63	20.41	+1%
KER (%)	5.11	5.13	-	5.15	-1%	5.21	5.26	-1%
Avg. PK Price (RM/MT)	1,101	1,742	-34%	1,063	+3%	1,136	1,873	-39%
Avg. CPO Price (RM/MT)	1,983	2,224	-11%	1,955	+1%	1,975	2,371	-17%
CPO Cost Ex-mill (RM/MT)	1,500	1,852	-19%	1,455	+3%	1,447	1,863	-22%

*yield based on normalised mature area

MOVEMENT OF LAND LEASE LIABILITY IN FGVP



RM million	Q1 2019	Q2 2019	Q3 2019	2019	Q1 2018	Q2 2018	Q3 2018	Q4 2018	2018
At the start of the period	4,328.0	4,353.4	4,370.3	4,328.0	4,393.3	4,400.0	4,345.1	4,382.8	4,393.3
Total payments made during the period	(61.0)	(62.0)	(64.8)	(187.8)	(72.0)	(83.0)	(64.7)	(79.0)	(298.7)
Recurring income statement charges/(credits)	94.6	103.5	109.0	307.1	93.2	86.0	118.4	104.0	401.6
Total income statement charges/(credits) from revisions in projections	(8.2)	(24.6)	4.2	(28.6)	(14.5)	(57.8)	(16.1)	(79.8)	(168.2)
Total charge/(credit) to the income statement	86.4	78.9	113.2	278.5	78.7	28.2	102.3	24.2	233.4
Closing LLA liability balance	4,353.4	4,370.3	4,418.7	4,418.7	4,400.0	4,345.1	4,382.8	4,328.0	4,328.0

Total (credit)/charge to Income Statement

RM million	YTD 2019	YTD 2018
Unwinding of discounts	307.9	297.6
Reversal of over accrual for current quarter	(0.8)	-
Revisions in projections and other adjustments	(28.6)	(88.4)
Total (credit)/charge to the Income Statement	278.5	209.2