MALAYSIA PRIHATIN

FGV

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FGV posts PBZT of RM18 million in 2Q2020

Kuala Lumpur, 24 August 2020 – FGV Holdings Berhad (FGV) recorded a profit before zakat and tax (PBZT) of RM18 million for the second quarter of the financial year ending December 2020, a significant improvement from a loss before zakat and tax (LBZT) of RM56.8 million in the previous corresponding quarter. The improved financial performance was largely due to increase in crude palm oil (CPO) prices and narrowing losses at the Sugar Sector.

The RM18 million PBZT is after taking an impairment provision of RM20 million for assets in a subsidiary in Cambodia, as the rubber processing mill ceased its operations due to continuous losses as a result of volatility in global rubber prices, unattractive government's incentives, strong competition and rising demand for synthetic rubber.

For the period under review CPO prices averaged RM2,309 per metric tonne (MT), which was 18% higher than the average CPO prices realised in 2Q2019 of RM1,955 per MT. Despite higher CPO prices, the Group's revenue for the period increased marginally to RM3.29 billion, compared to RM3.28 billion in 2Q2019 as other business segments reported lower revenues.

"I am pleased to report that FGV's financial performance has substantially improved. However, overall performance was affected by the coronavirus pandemic which continues to spread globally. As a result of efficiency improvements in our operations, we managed to normalise our fresh fruit bunch (FFB) and CPO productions after a slow start this year, despite losing unharvested FFB of 79,000 MT in Q2 due to the movement control order," Group Chief Executive Officer Dato' Haris Fadzilah Hassan said.

For the quarter in review, the Plantation Sector recorded a PBZT of RM47 million, a significant improvement from a loss of RM54 million in the previous corresponding quarter. This was achieved on the back of improved CPO margins as a result of higher CPO prices.

In the upstream segment, FFB production in FGV's estates of 1.19 million MT was 3% higher than 1.15 million MT in 2Q2019. This was primarily due to higher mature hectarage and improved crop recovery. Despite a 3% increase in CPO production from 0.79 mil MT in 2Q2019 to 0.81 mil MT in 2Q2020, resulting from increased FFB processed, there was a marginal drop in the CPO oil extraction rate (OER) as quality dropped due to the imposition of the movement control order in Malaysia which started from mid-March 2020. As a result of improved production volumes together with close monitoring on operational costs, ex-mill costs dropped marginally by 3% to RM1,410 per MT, compared to RM 1,455 per MT in 2Q2019. Meanwhile, mill utilisation factor (UF) increased by 5% to 81%, compared to the 2Q2019.

The Group's downstream segment performed better for the period under review, despite being partially impacted by low biodiesel demand due to reduced activity as a result of the pandemic. The business registered a PBZT of RM36 million, compared to RM22 million previously. This is attributable to higher margins for Fast Moving Consumer (FMCG) products, supported by reduced processing costs.

The Sugar Sector narrowed its LBZT to RM26 million in 2Q2020, as compared to a loss of RM53 million in 2Q2019. This reduced loss was a result of better industry average selling price and improved production costs.

"The sugar business saw a decline in sales volume in tandem with a reduction in wholesale demand in the domestic market. As global markets open up from strict lockdowns, we expect to recover in phases. Additionally, as we focus on our product diversification plan and export markets, we aim to increase the utilization rate of our sugar refinery in Johor to 50%", Haris Fadzilah said.

The Logistics Sector registered a PBZT of RM22 million, a slight decline compared to RM23 million in 2Q2019. This was due to lower tonnage carried and lower throughput due to a drop in export volumes of CPO products, by 1% and 7% respectively, compared to the previous corresponding quarter.

Moving forward

FGV's diversification plans are in motion and one of the newer Sectors that has been established is the FMCG, which will be operating alongside the Group's other businesses. All of FGV's consumer products will be consolidated under this Sector and categorised into two segments – food and non-food. FGV will focus on building the brands and expand its product portfolio to be able to grow its footprint internationally, starting with Southeast Asia.

"Our dairy business has shown encouraging growth as we have been aggressively promoting and re-establishing Bright Cow products in the market. In addition, our farm in Linggi, Negeri Sembilan has been installed with a new automated milking system which has the capabilities to record the performance of every individual cattle for precision monitoring." said Haris Fadzilah.

As at 31 July 2020, the animal feed business has generated a revenue of RM11.5 million. The aim is to achieve a revenue of RM20 million by the end of the financial year as FGV ramps up some of its initiatives as part of its diversification strategy. To date, the Group has appointed seven (7) distributors nationwide, and targets to double the distributors by end of 2020. FGV encourages more entrepreneurs and large-scale livestock farmers to be part of the distributorship programme. The Group also aims to enhance the animal feed volume by introducing cassava-based products and total mixed ration feed, to be able to meet the variety of demands in the farm market.

"We are mindful that the nascent signs of recovery may not be sustainable due to the volatility in global markets and economies. However, we are upbeat on our plans moving forward and committed to the strategies in diversifying our revenue streams," Haris Fadzilah added.

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