



# **FGV HOLDINGS BERHAD**

**FINANCIAL RESULTS BRIEFING**

**4Q FY2020 / FULL YEAR RESULTS FOR FY2020**

**Friday, 26 February 2021**

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# TODAY'S AGENDA

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**01** Executive Summary

**02** FY2020 Results

**03** Business Updates



# Executive Summary

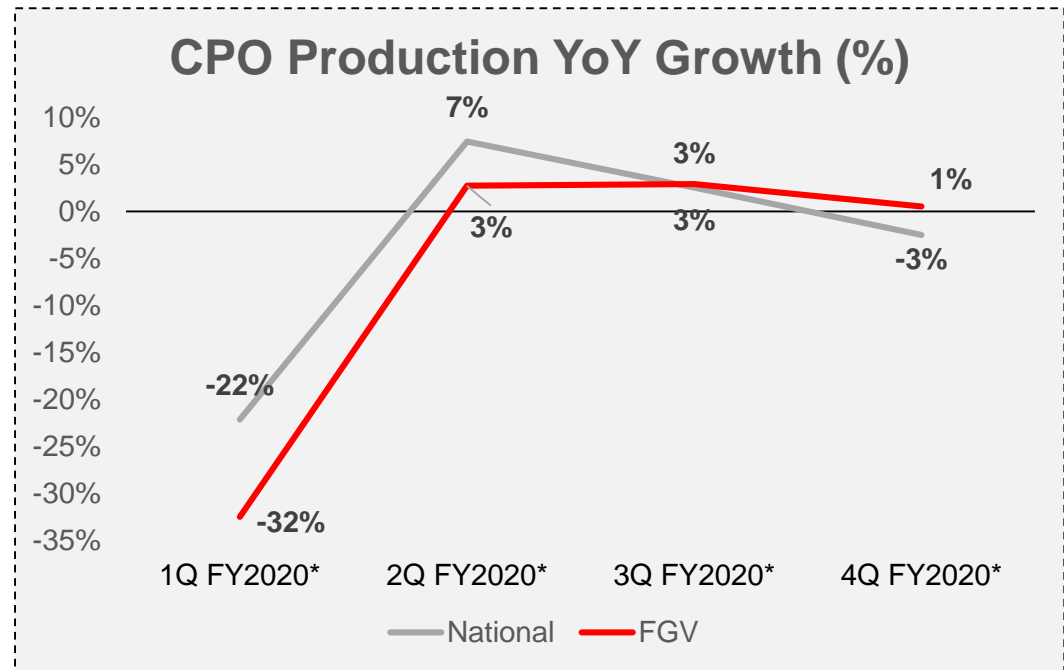
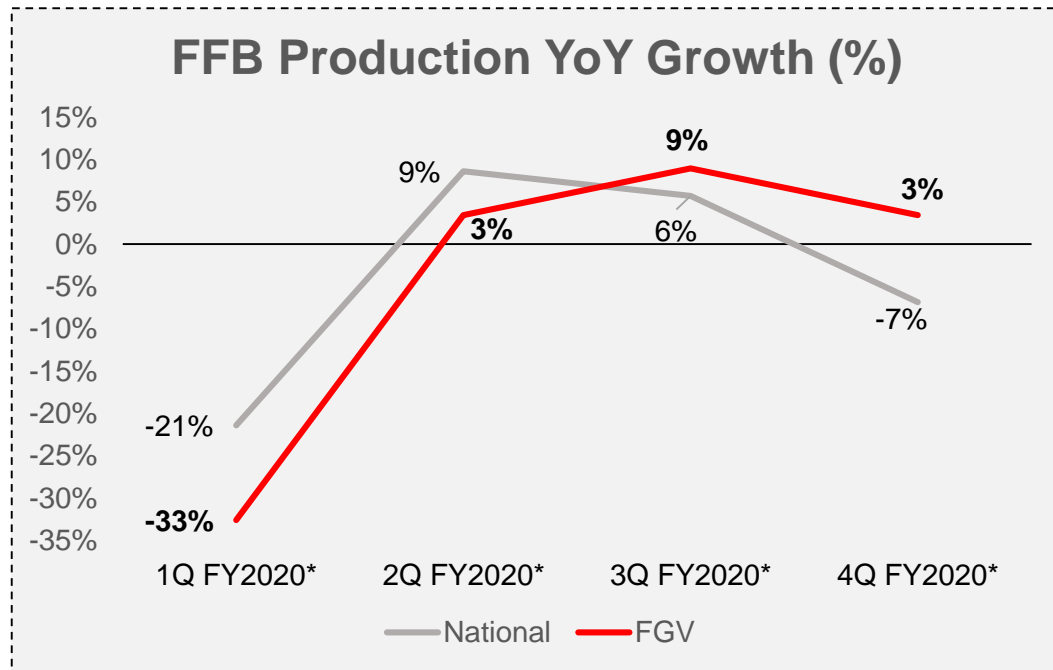
- Year 2020 was eventful for palm oils industry due to pandemic outbreak that has affected domestic and global demand, further aggravated by disruption in upstream activities like harvesting and collection caused by the MCO.
- Despite these challenges, the industry CPO price maintained above RM3,000 in 4Q FY2020 mainly attributed by significant drop in the country's FFB production due to shortages of labour as well as low national stocks level of below 1.3 mn MT.
- For the Financial Year ended 31<sup>st</sup> Dec 2020, the Group recorded a positive result with a PBZT of RM353 mn as compared to a LBZT of RM338 mn in FY 2019.
- As a result of positive financial performance and healthy balance sheet, the Board has declared 3 sen per share of final dividend in FY2020.
- For 4Q FY2020, Plantation business recorded better CPO/CPKO margin due to improved CPO price, higher FFB production, lower production cost, and better OER compared to the preceding quarter last year. Completion of three divestments has also contributed positively to our performance.
- The Sugar sector also posted strong results in 4Q FY2020 based on higher sales volume, lower sugar usage cost, and improved refining cost. Nevertheless, its full-year results were affected by write-off and impairment of bearer plants in 3Q FY2020.
- Logistic sector recorded slightly lower 4Q FY2020 profit based on lower handling and transportation rate but was offset by slightly higher throughput volume and better liquid cargo handling.
- FGV anticipates 2021 to be another challenging year on the back of challenges in labour supply and volatility of CPO prices in our plantation business. Our sugar business will continue to improve its operating and financial performance. However, the group remains on course with its strategies to reposition FGV to be the leading player in agribusiness to create value in its downstream business.



# FGV's Production vs. National Production Growth



- Despite challenges, FFB and CPO production for 4Q FY2020 have dropped Q-o-Q but still outpaced the national production growth respectively.



Sources: MPOB, Company internal data  
\* Against previous corresponding quarter in 2019.

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# FGV recorded PBZT of RM353 mn & PATAMI of RM150 mn in FY2020

**4Q  
FY2020**

**Revenue (RM)**  
**4,009 mn**  
27% YoY

Higher CPO price realised of RM 3,059/MT, higher CPO volume and improved sugar sales volume.

**Operating Profit\*(RM)**  
**404 mn**  
>100% YoY

Higher palm products margin & better gross profit margin in Sugar business.

**PBZT (RM)**  
**326 mn**  
>100% YoY

Assets impairments, lower admin cost and gain from divestments.

**PATAMI (RM)**  
**135 mn**  
>100% YoY

**FY2020**

**Revenue (RM)**  
**14,076 mn**  
6% YoY

Higher CPO Price realised of RM 2,675/MT. Higher sugar sales volume.

**Operating Profit\*(RM)**  
**834 mn**  
>100% YoY

Higher palm products margin & better gross profit margin in Sugar business.

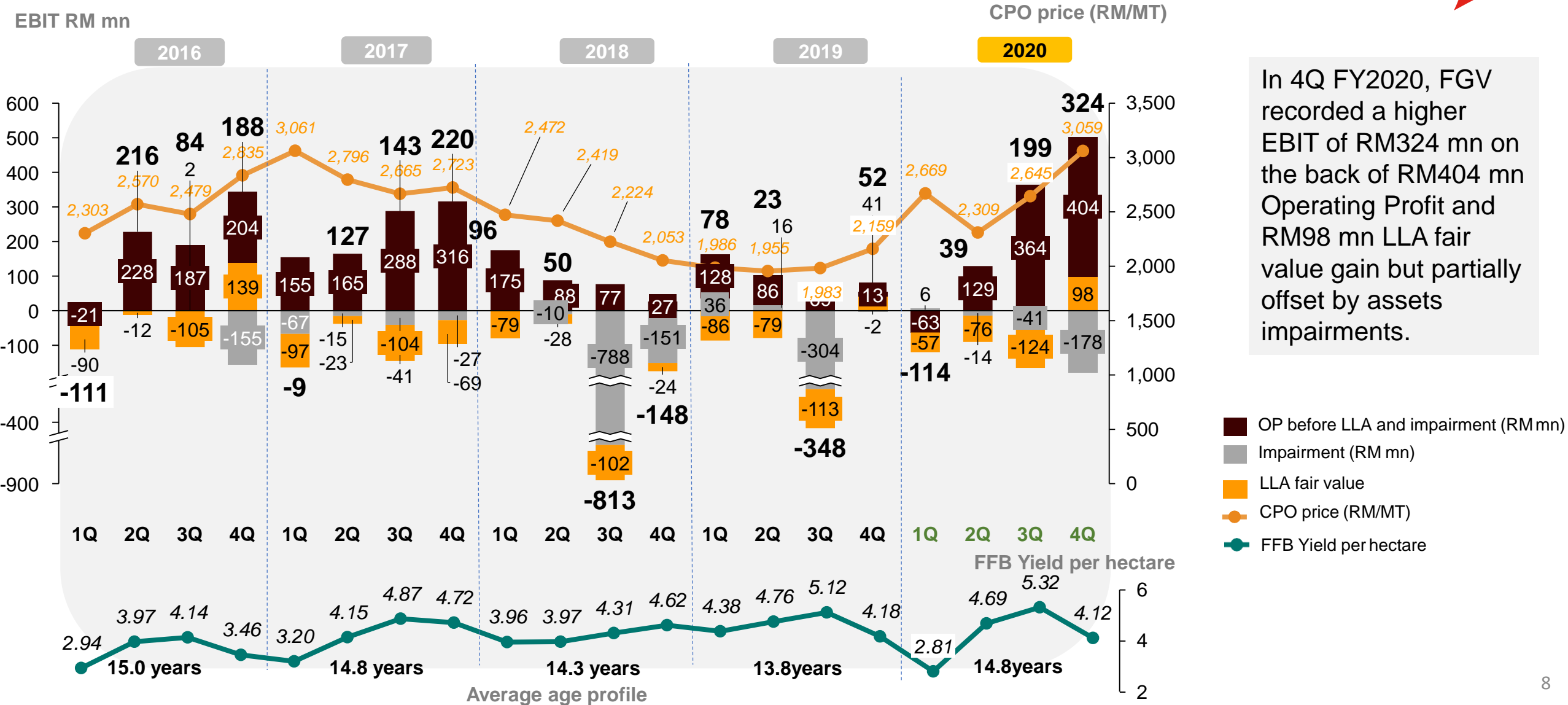
**PBZT (RM)**  
**353 mn**  
>100% YoY

Lower impairments, LLA Fair Value charge, lower admin and finance cost.

**PATAMI (RM)**  
**150 mn**  
>100% YoY

\* before LLA & Impairment

# Quarterly EBIT vs. CPO Price vs. FFB Yield



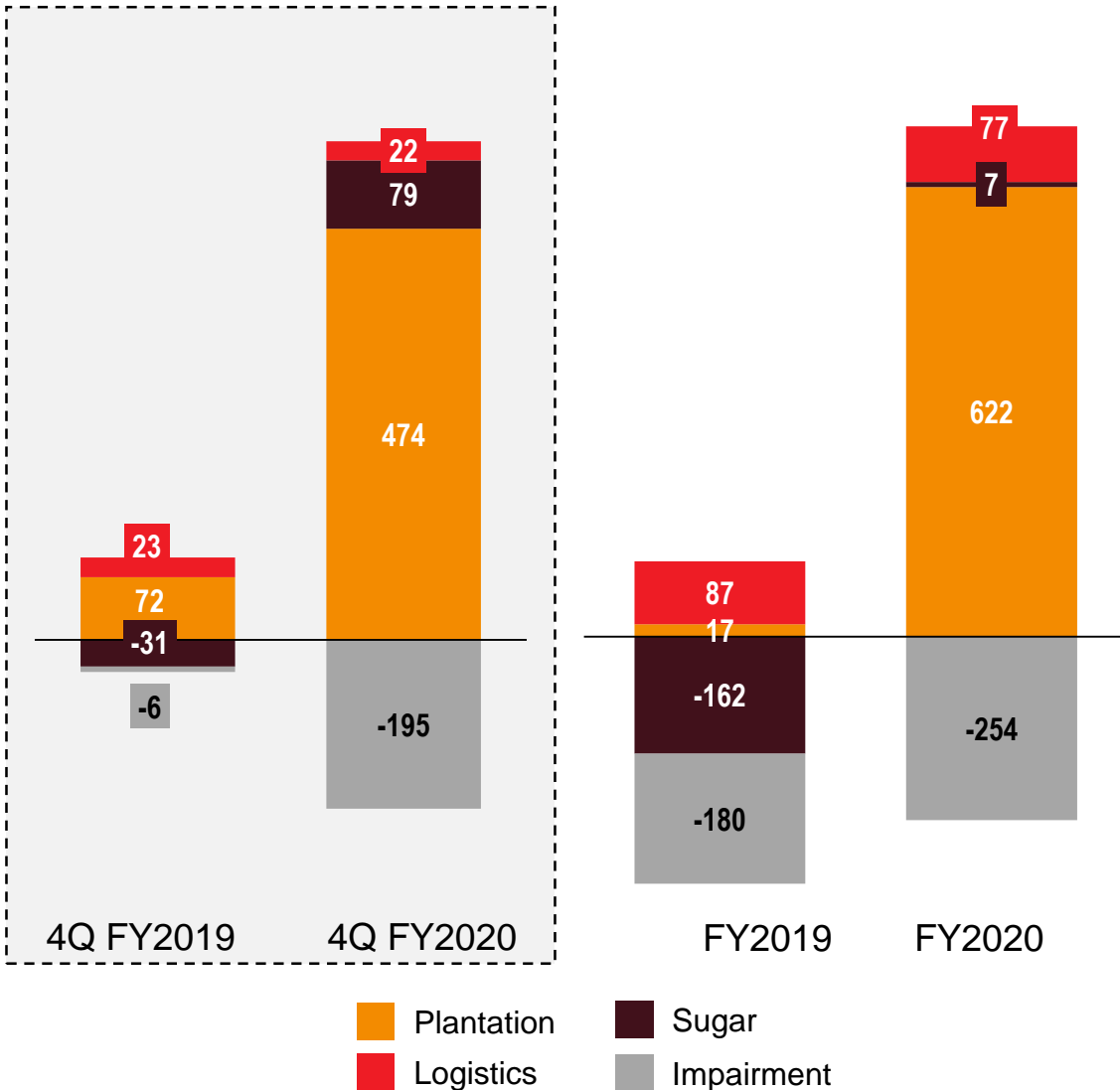
In 4Q FY2020, FGV recorded a higher EBIT of RM324 mn on the back of RM404 mn Operating Profit and RM98 mn LLA fair value gain but partially offset by assets impairments.



# Sectoral Profit / (Loss) Before Zakat and Tax (P/(L)BZT)



P/(L)BZT\* (RM mn)



Variance	Plantation	Sugar	Logistics
4Q FY2020 vs. 4Q FY2019	▲ >100%	▲ >100%	▼ 2%
FY2020 vs. FY2019	▲ >100%	▲ >100%	▼ 12%

\* P/(L)BZT by Sector is excluding Others, Corporate HQ and elimination.

## 4Q FY2020 vs. 4Q FY2019

- Plantation** Sector recorded PBZT due to improvement in CPO margin in tandem with higher CPO price realised, better CPO sales volume, improved OER and lower ex-mill production cost.
- Sugar** Sector recorded PBZT due to higher sales volume especially exports, lower raw sugar cost, better utilisation factor and reduced refining cost.
- Logistics** Sector recorded slightly lower PBZT due to lower handling and transportation rate, offset by higher storage throughput volume.

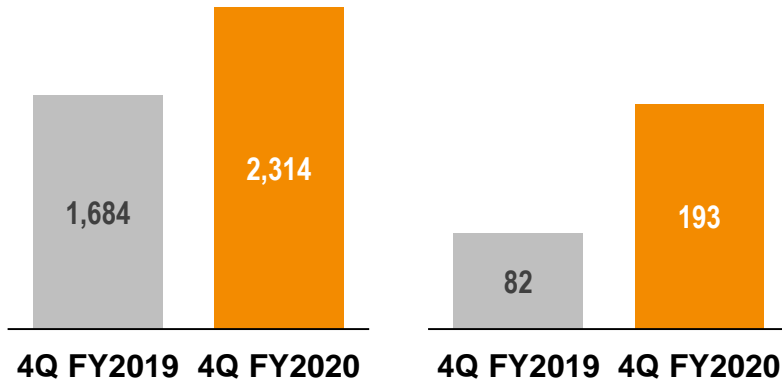
# Plantation Sector: 4Q FY2020



## Upstream & Trading

Revenue (RM mn)

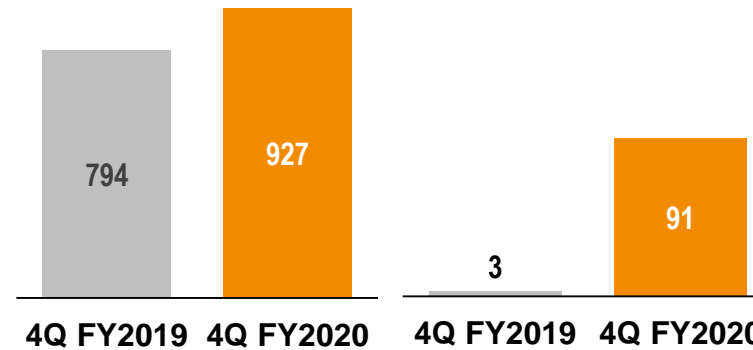
P/(L)BZT (RM mn)



## Downstream

Revenue (RM mn)

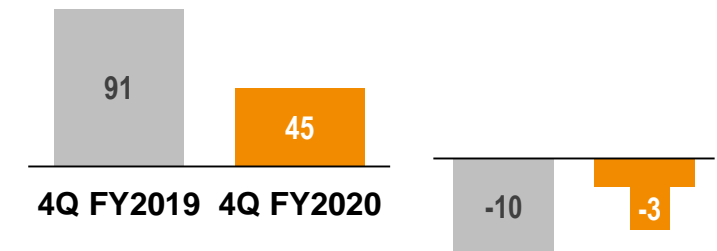
P/(L)BZT (RM mn)



## R&D and Fertiliser

Revenue (RM mn)

P/(L)BZT (RM mn)



4Q FY2019 4Q FY2020

### 4Q FY2020 vs. 4Q FY2019

PBZT of RM193 mn in 4Q FY2020 contributed by:

- 3% higher FFB production and 3% increase in CPO sales volume.
- Highly improved CPO margin in tandem with higher CPO price and lower ex-mill cost.
- Impairment of plantation assets amounting to RM181.0 mn.

### 4Q FY2020 vs. 4Q FY2019

PBZT of RM91 mn in 4Q FY2020 contributed by:

- Better margin realised from CPKO/PKE sales in Bullish market trend, at lower COGS.
- Gain from divestment of FGV-CNS, RM32.0 mn.

### 4Q FY2020 vs. 4Q FY2019

Lower LBZT of RM3 mn in 4Q FY2020 attributed by:

- Lower fertiliser sales volume.
- But partially offset by higher gross margin from fertilizer and higher seeds volume and margin.

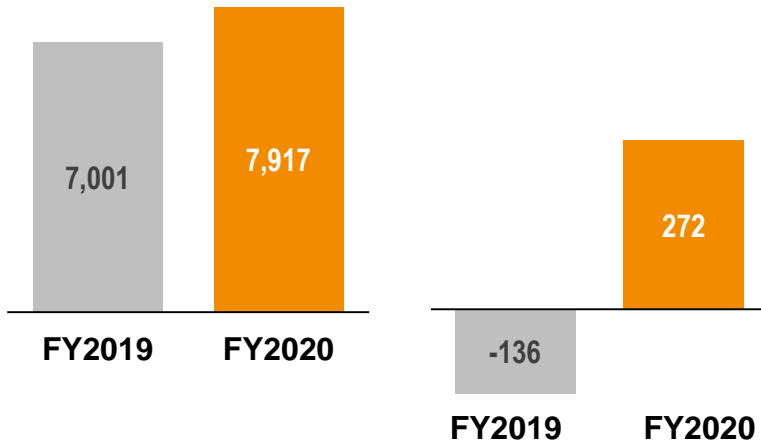
# Plantation Sector: FY2020



## Upstream & Trading

Revenue (RM mn)

P/(L)BZT (RM mn)



### FY2020 vs. FY2019

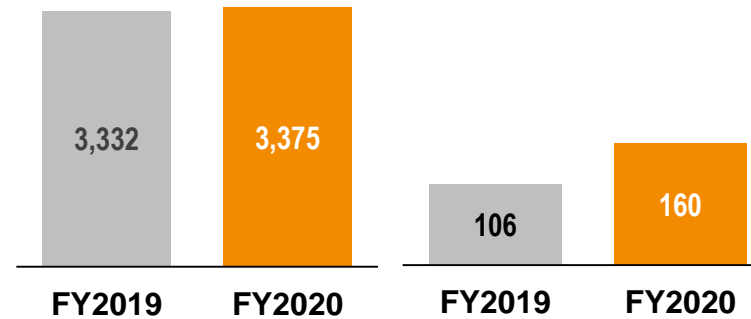
PBZT of RM272 mn in FY2020 contributed by:

- Improvement in CPO margin in tandem with strong CPO price movement.
- Performance was partially impacted by 4% lower in FFB production and 7% lower in CPO processed.

## Downstream

Revenue (RM mn)

P/(L)BZT (RM mn)



### FY2020 vs. FY2019

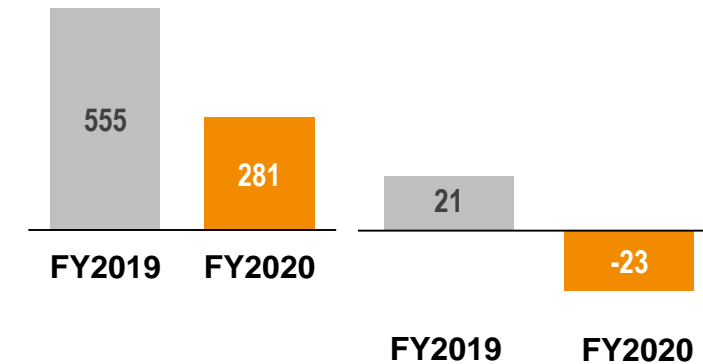
PBZT of RM160 mn in FY2020 due to:

- Higher CPKO / RBDPKO profit margin and strong contribution from oleochemical business.
- Gain on divestment of FGV-CNS offset by lower share of profit from JV's and associates.

## R&D and Fertiliser

Revenue (RM mn)

P/(L)BZT (RM mn)



### FY2020 vs. FY2019

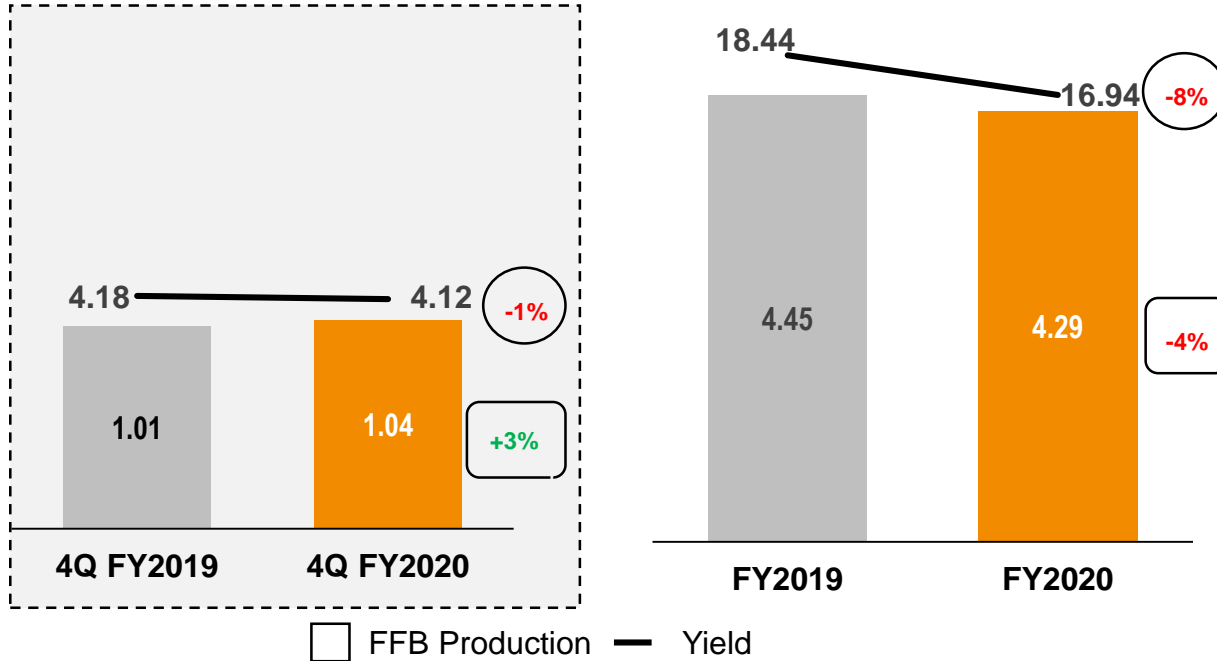
LBZT of RM23 mn in FY2020 due to:

- Lower seeds volume due to lower demand by all customers and restricted by MCO.
- Lower fertiliser volume due to the lack of new tenders.

# Plantation Sector: Upstream Operational Report



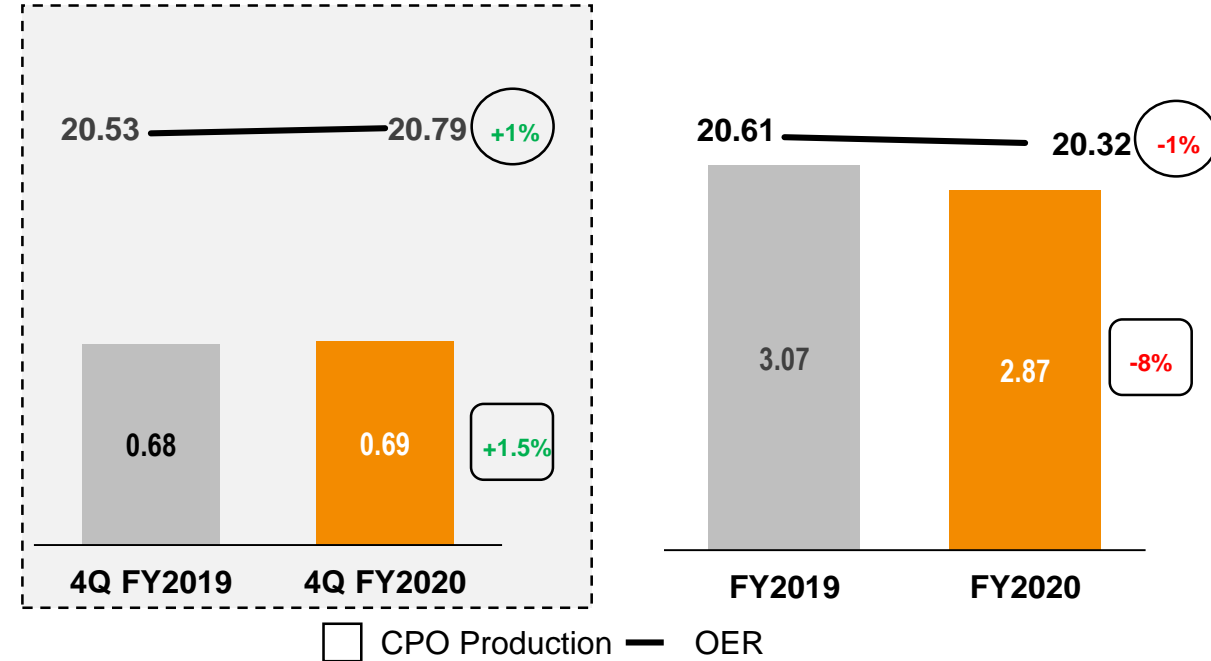
**FFB Production (mn MT) & FFB Yield (MT/Ha)**



## 4Q FY2020 vs. 4Q FY2019

- FFB production increased by 3% YoY due to improved crops recovery and higher mature hectarage.
- FFB Yield decreased by 1% due to dry month in 1Q 2020 (Jan-Mar) caused inflorescence abortion in 4Q FY2020.

**CPO Production (mn MT) & OER (%)**



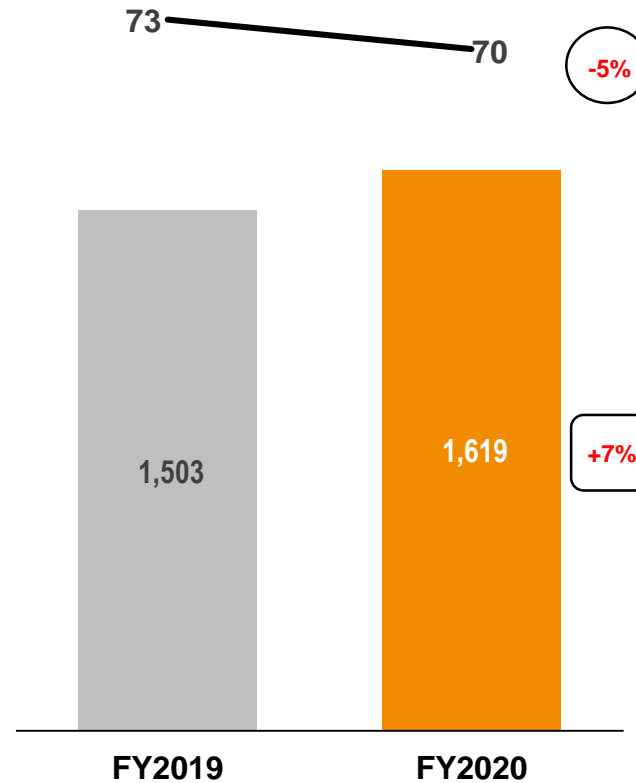
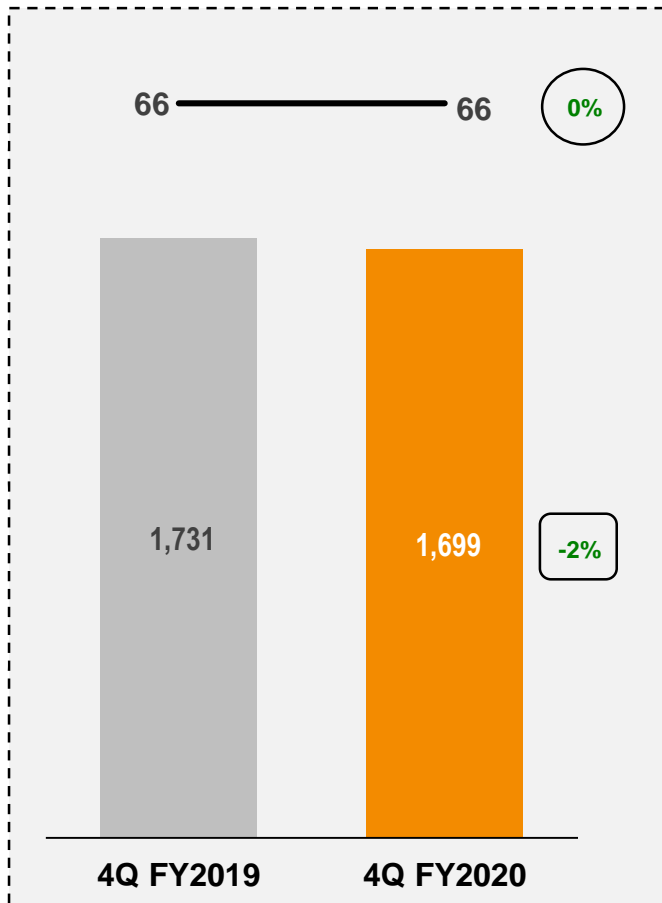
## 4Q FY2020 vs. 4Q FY2019

- CPO production increased by 1.5% YoY due to increased FFB processed.
- 1% improvement in OER due to better FFB quality and process efficiency.

# Plantation Sector: Upstream Operational Report



CPO Cost Ex-Mill (RM/MT) & Utilisation Factor (%)



### 4Q FY2020 vs. 4Q FY2019

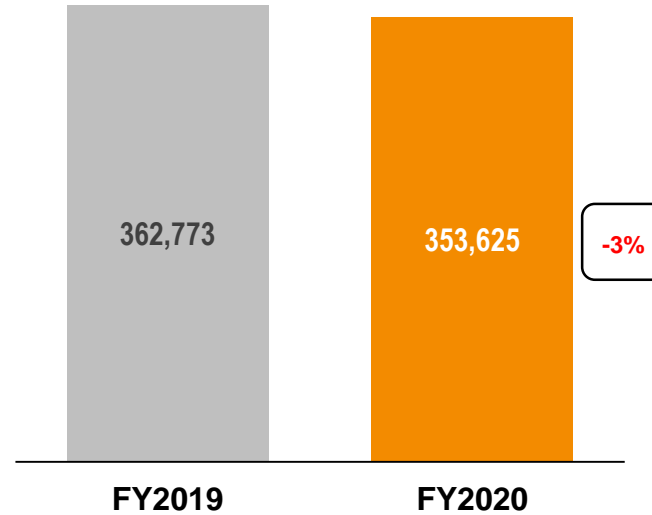
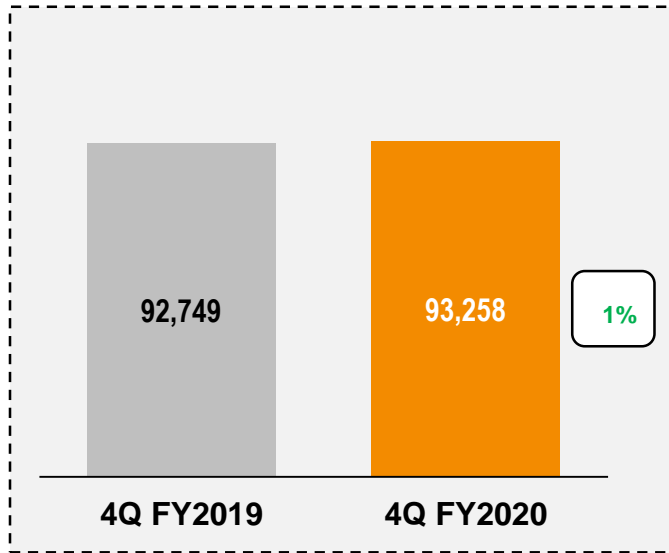
- CPO Cost Ex-Mill decreased by 2% YoY due to reduction in estate cost and higher OER.
- Utilisation factor remained at 66%.

□ CPO Cost Ex-Mill — UF

# Plantation Sector: Downstream Operational Report



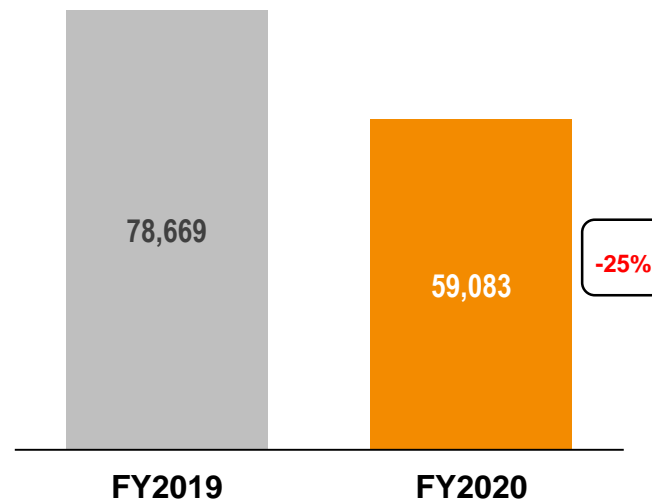
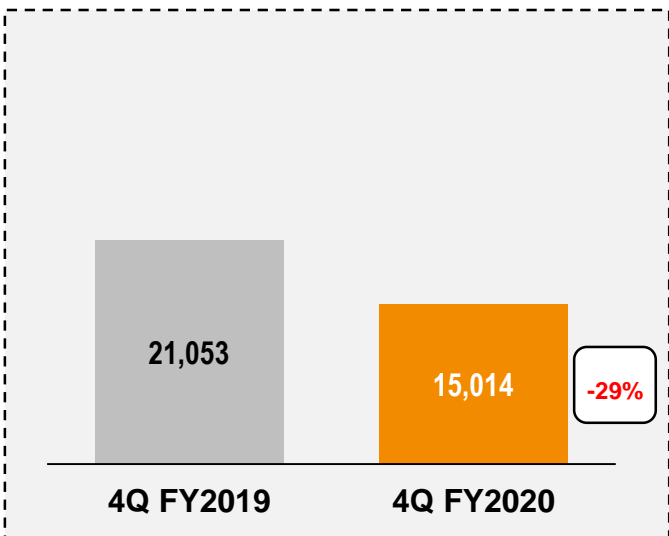
### Consumer Products Sales Volume (MT)



#### 4Q FY2020 vs. 4Q FY2019

- The volume has slightly increased due to the export demand and successful deliveries of packed products for ongoing contracts.

### Biodiesel Sales Volume (MT)



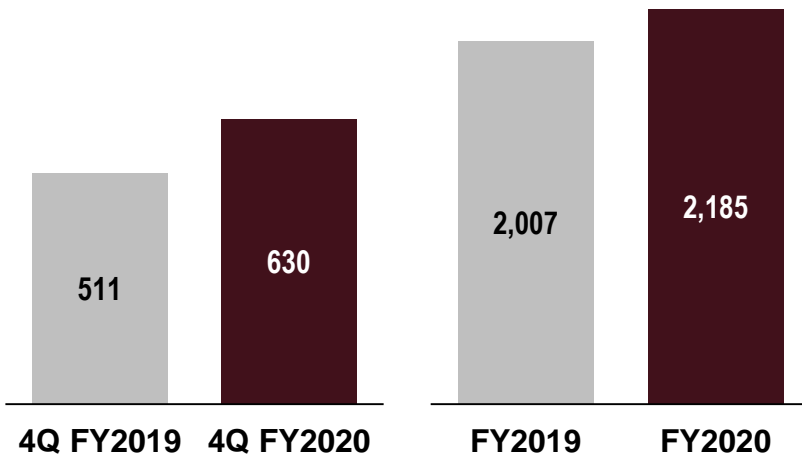
#### 4Q FY2020 vs. 4Q FY2019

- Lower PME demand due to slow diesel consumption resulted from Movement Control Order (MCO).

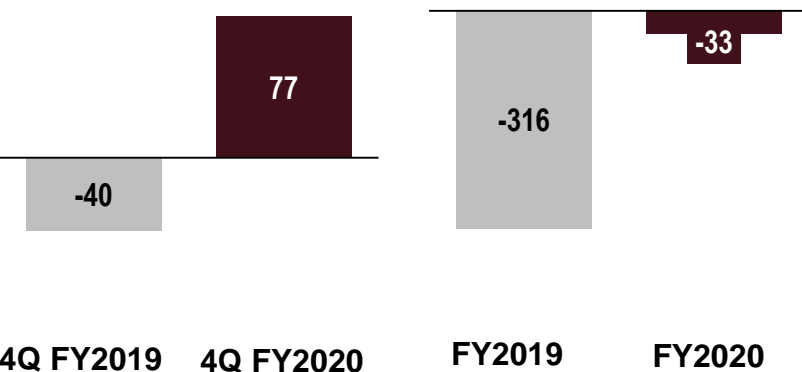
# Sugar Sector: Results and Operational Report



Revenue (RM mn)



P/(L)BZT (RM mn)



## Operational Report

	4Q FY2019	4Q FY2020	%	FY2019	FY2020	%
Sales Volume (MT)	247,798	292,926	+18%	947,290	1,024,603	+8%
Utilisation Factor (%)	49	58	+18%	48	47	-2%
Avg. Selling Price (RM/MT)	2,098	2,136	+2%	2,111	2,121	+0.5%

### 4Q FY2020 vs. 4Q FY2019

Recorded PBZT of RM77.0 mn for 4Q FY2020 primarily contributed by:

- 18% higher sales volume than 4Q FY2019 especially for export market.
- Improved gross margin due to 9% lower raw sugar cost, 18% better utilisation factor and 14% reduced refining cost.

### FY2020 vs. FY2019

- Lower losses due to better gross profit margin resulted from lower raw sugar cost and refining cost.
- Included in FY2020 are write-off and impairment amounting to RM63 mn. (2019: RM145 mn)

### Operationally,

- Improved UF in 4Q FY2020 due to capacity consolidation resulting in lower refining cost.
- Better refined sugar processing yield and reduced sales and distribution cost.

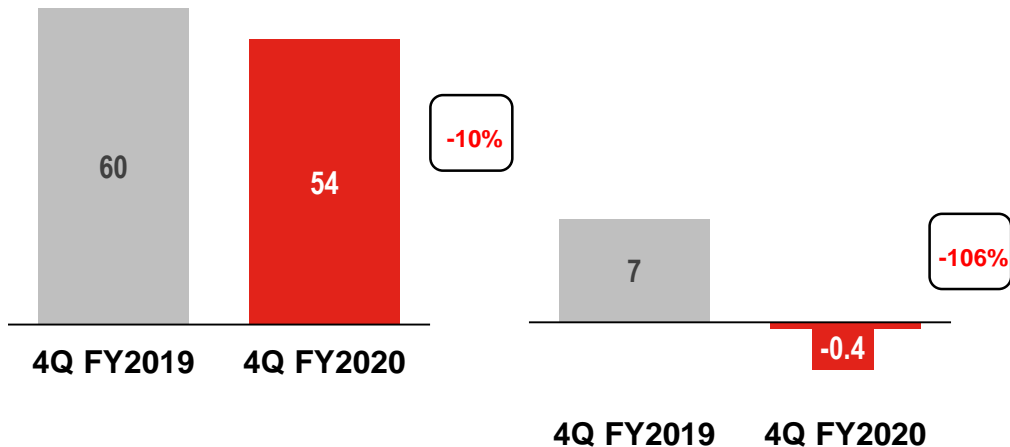
# Logistics Sector: 4Q FY2020



## Transport

Revenue (RM mn)

P/(L)BZT (RM mn)



### 4Q FY2020 vs. 4Q FY2019

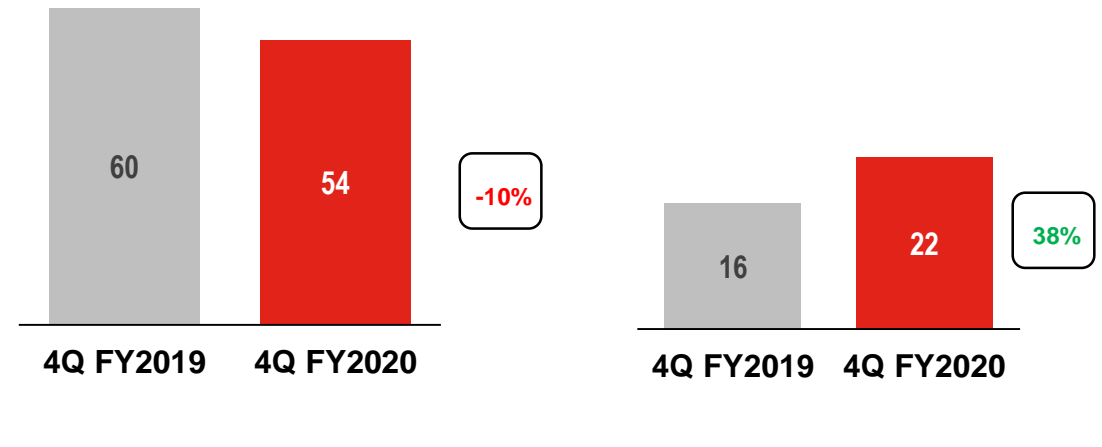
LBZT of RM0.4 mn in 4Q FY2020 due to:

- Reduced cargo volume handled by 4% compared to last year.
- Lower transportation rate charged by 9%.

## Bulking

Revenue (RM mn)

P/(L)BZT (RM mn)



### 4Q FY2020 vs. 4Q FY2019

Increased PBZT of RM22 mn in 4Q FY2020 due to:

- Higher throughput handled by 5% compared to last year.
- The improvement was offset by lower handling rate charged by 12%.



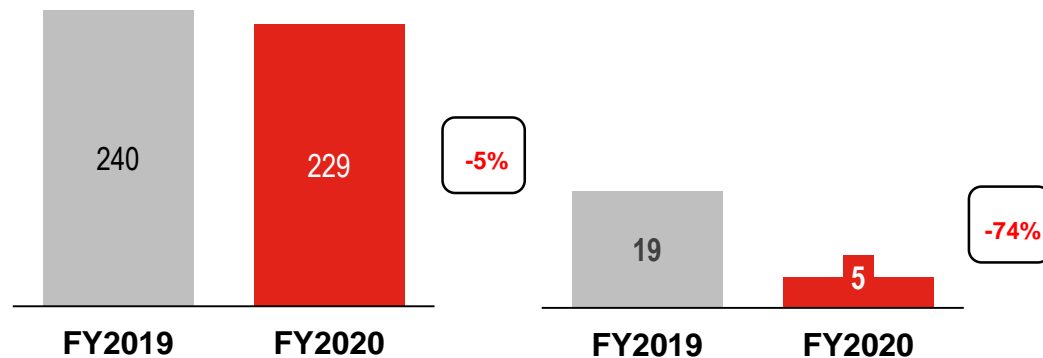
# Logistics Sector: FY2020



## Transport

Revenue (RM mn)

P/(L)BZT (RM mn)



### FY2020 vs. FY2019

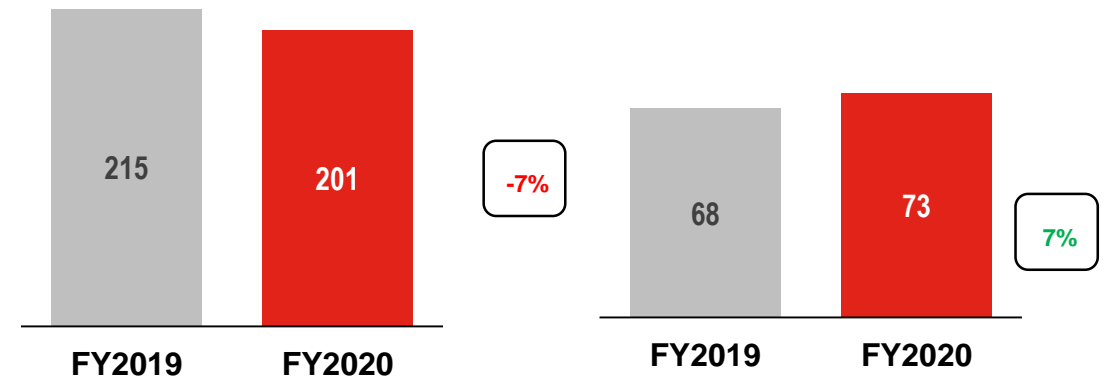
Lower PBZT at RM5 mn in FY2020 due to:

- Reduced cargo volume carried by 5% as well as lower transportation rate charged by 7%.

## Bulking

Revenue (RM mn)

P/(L)BZT (RM mn)



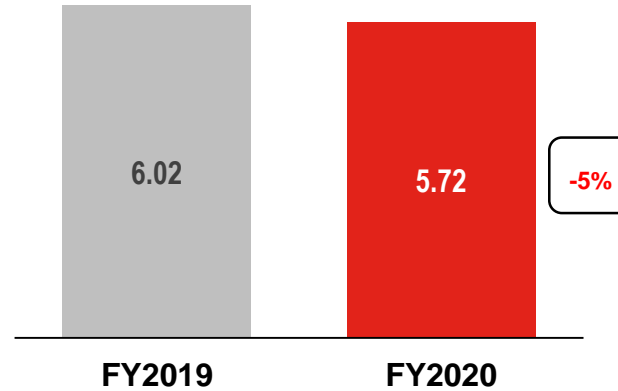
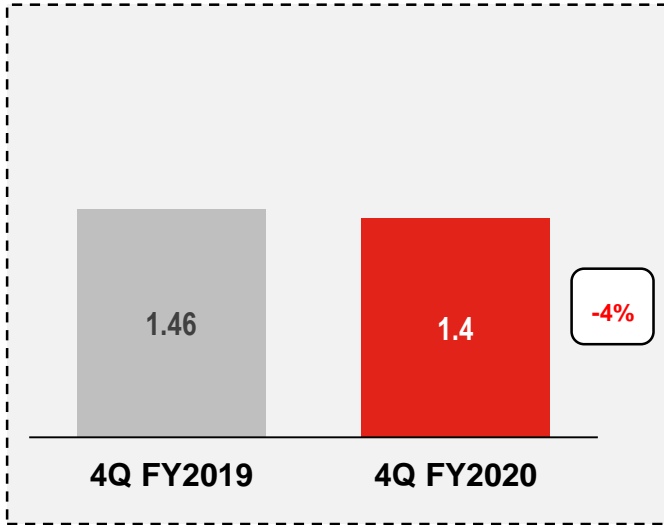
### FY2020 vs. FY2019

Increased PBZT of RM73 mn in FY2020 due to:

- Lower operating cost but were offset by 5% reduction in handling rate and 2% reduction in throughput volume.

# Logistics Sector: Operational Report

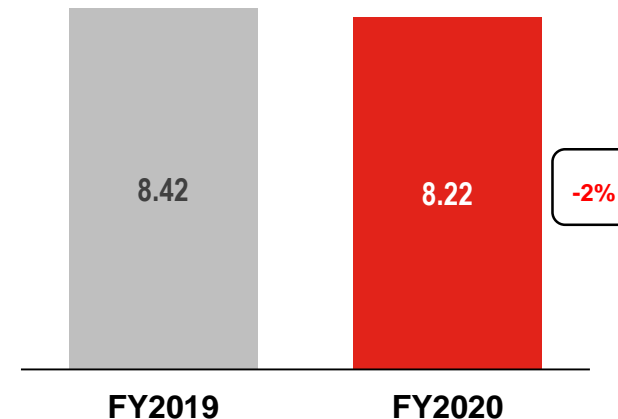
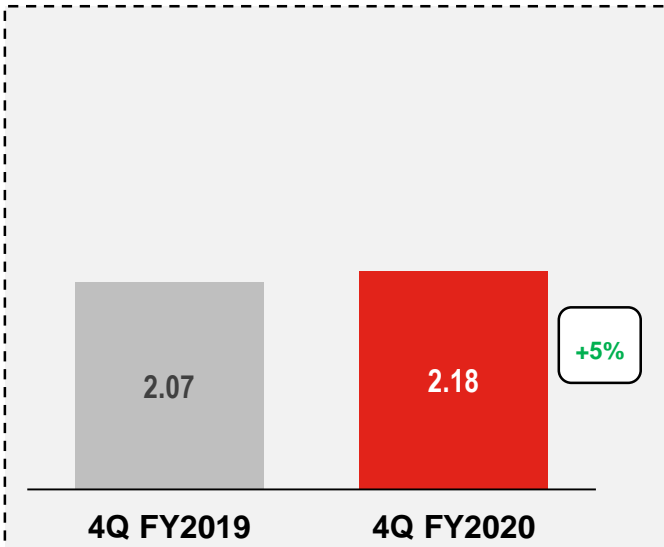
Transport Volume (mn MT)



## 4Q FY2020 vs. 4Q FY2019

- Transport volume decreased by 4% due to reduction in Cargo handled.

Bulking Volume (mn MT)



## 4Q FY2020 vs. 4Q FY2019

- Bulking volume increased by 5% due to increased throughput from major customers and higher biodiesel handled.

# Key Financial Highlights



- As at 31 December 2020, most of the key financial position improved

		31.12.2020	31.12.2019	Changes (%)
Cash and Cash Equivalents (RM mn)		1,729	1,618	+7%
Total Borrowings without LLA (RM mn)		4,293	4,907	-13%
Liquidity Ratio (times)		1.06	1.00	+6%
Gearing Ratio* without LLA (times)		0.70	0.80	-13%

\*Gearing ratio equals to Borrowings, Loan due to a significant shareholder divided by Total Equity.

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# Business Updates

## CPO Price Outlook



- CPO price is expected to remain above RM3,000 in 2Q FY2021, supported by low inventory level and seasonally low production cycle.

## Plantation Business



- With better age profile in 2020 and roll out of model estate/mill program, we expect the FFB & CPO production to grow by 3% to 5% CAGR for the next 5 years.

## Sugar Business



- Optimising domestic market share and expanding abroad to improve sales volume and increase plant utilization.
- Completed installation of liquid sugar and fine syrup facility in Johor for export markets at 140,000 MT/year.

## Logistic Business



- Received halal logistics certification from JAKIM for 76 tanker trucks operating in Pasir Gudang depot.

## Integrated Farming & Consumer Products



- Established 28-ha of MRQ76 Fragrance Rice Seeds Garden in IADA Seberang Perak and IADA Barat Laut Selangor.
- Consumer Products is expected to launch 6 new and exciting product variants (SKUs) in the near future on top of the current product range already in the market.

## Sustainability Updates



- RSPO is conducting verification audits to assess FGV's progress in implementing the CP Directives before deciding on the status of FGV Serting's suspension.
- On the WRO by the US Customs and Border Protection (CBP), FGV takes a systematic approach in ensuring the rights of workers are respected and protected, thereby eliminating practices that may be indicative of labour exploitation. As announced in Dec 2020, FGV will revisit the appointment of an independent audit firm for an audit of operations within six months and will continue to engage with the CBP accordingly once independent auditor has been appointed.

## Divestment of Non-Core Business



- Completed divestment of non-core businesses amounting to RM69 mn in FY2020.

# THANK YOU

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# Operational Highlights



	4Q FY2020	4Q FY2019	YOY	FY2020	FY2019	YOY
<b>FFB Prod ('000 MT)</b>	1,042	1,008	+3%	4,287	4,447	-4%
<b>FFB Yield (MT/Ha)</b>	4.12	4.18	-1%	16.94	18.44	-8%
<b>CPO Production ('000 MT)</b>	691	688	+1.5%	2,871	3,069	-7%
<b>PK Production ('000 MT)</b>	166	173	-4%	719	775	-7%
<b>OER (%)</b>	20.79	20.53	+1%	20.32	20.61	-1%
<b>KER (%)</b>	5.09	5.17	-2%	5.09	5.20	-2%
<b>Avg. PK Price (RM/MT)</b>	1,964	1,363	+44%	1,558	1,189	+31%
<b>Avg. CPO Price (RM/MT)</b>	3,059	2,159	+42%	2,675	2,021	+32%
<b>CPO Cost Ex-mill (RM/MT)</b>	1,699	1,731	-2%	1,619	1,503	+7%
<b>Lauric Sales Vol. (MT)</b>	32,919	72,128	-55%	203,346	204,244	-0.4%
<b>Oleochemical Sales Vol. ('000 lbs)</b>	65,828	69,698	-6%	283,781	286,873	-1%

# Movement in Land Lease Liability in FGVPM



RM million	Q1 2020	Q2 2020	Q3 2020	Q4 2020	2020	Q1 2019	Q2 2019	Q3 2019	Q4 2019	2019
At the start of the period	4,316.1	4,312.5	4,327.5	4,405.3	4,316.1	4,328.0	4,353.4	4,370.3	4,418.7	4,328.0
Total payments made during the period	(60.9)	(60.9)	(45.9)	(93.1)	(260.8)	(61.0)	(62.0)	(64.8)	(61.0)	(248.8)
Recurring income statement charges/(credits)	84.3	101.7	103.7	99.3	389.0	94.6	103.5	109.0	99.1	406.2
Total income statement (credits)/charges from revisions in projections	(27.0)	(25.8)	20.0	(197.7)	(230.5)	(8.2)	(24.6)	4.2	(140.7)	(169.3)
Total charge/(credit) to the income statement	57.3	75.9	123.7	(98.4)	158.5	86.4	78.9	113.2	(41.6)	236.9
<b>Closing LLA liability balance</b>	<b>4,312.5</b>	<b>4,327.5</b>	<b>4,405.3</b>	<b>4,213.8</b>	<b>4,213.8</b>	<b>4,353.4</b>	<b>4,370.3</b>	<b>4,418.7</b>	<b>4,316.1</b>	<b>4,316.1</b>

Total charge/(credit) to Income Statement

RM million	YTD Q4 2020	YTD Q4 2019
Unwinding of discounts	398.8	409.5
Reversal of over accrual for current quarter	(9.8)	(3.3)
Revisions in projections and other adjustments	(230.5)	(169.3)
<b>Total charge/(credit) to the Income Statement</b>	<b>158.5</b>	<b>236.9</b>