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FGV reports PATAMI of RM103 million in FY2023; navigating challenges and leveraging opportunities across all sectors

KUALA LUMPUR, 26 February – FGV Holdings Berhad (FGV) posted a profit after tax and minority interest (PATAMI) of RM103 million on the back of RM19.4 billion revenue for the financial year ended 31 December 2023 (FY2023).

The Group reported an Operating Profit before fair value changes in land lease agreement (LLA) and impairment of RM623 million. This performance occurred amidst a challenging market environment characterised by a margin squeeze in the Plantation Sector due to lower crude palm oil (CPO) and palm kernel (PK) prices. Additionally, higher CPO cost ex-mill and reduced fresh fruit bunch (FFB) processed in external crops, sourced from FELDA settlers and independent smallholders, contributed to these challenges.

Nevertheless, the financial performance was partially offset by improvement reported in the Logistics and Others Sector and narrow loss posted in the Sugar Sector.

Meanwhile, for the quarter under review ended 31 December 2023 (4Q FY2023), the Group's profit before tax (PBT) was recorded at RM182 million and operating profit of RM210 million.

The Group announces a final dividend payment of 3.0 sen per share, translating to a total dividend payout of RM109.4 million.

Plantation Sector 4Q FY2023

The Plantation Sector demonstrated its resilience amidst market volatility and operational challenges. Despite facing headwinds, the Sector recorded an operating profit of RM137 million, primarily influenced by a weaker average CPO price realised of RM3,789 per MT, down from RM4,432 per MT registered in the previous corresponding financial year.

This was further compounded by a 13 percent increase in CPO production costs ex-mill, adding pressure on profit margins stemming from higher upkeep and maintenance, manuring and labour costs.

Furthermore, the Sector's results were influenced by various operational factors, including a reduced margin in downstream business from oils and fats and oleochemical segments. Lower sales volume, particularly from the bulk, export packed, and repackers segments, were impacted by CPO price volatility and intense price competition from local and regional brands.

Despite these challenges, there was a decrease in the fair value charge on LLA, amounting to RM7 million compared to RM85 million in the corresponding quarter of the previous year. Additionally, losses incurred in the rubber processing business were lower, supported by an improved margin resulting from an 11 percent increase in its selling price.

Operationally, FFB production reduced slightly to 1.05 million MT from 1.13 million MT, resulting in a lower yield of 3.91 MT per hectare from 4.13 MT per hectare recorded in the corresponding quarter of the previous year. However, the OER achieved was higher at 21.07 percent compared to 20.14 percent registered in the quarter of the previous financial year.

Logistics and Others Sector 4Q FY2023

The Logistics and Others Sector continued to be a steadfast contributor to the Group's overall performance. The Sector reported a profit growth of RM46 million compared to RM30 million reported in the corresponding quarter of the previous year. This positive growth is primarily attributed to improved profits in the Logistics division, driven by a higher handling rate in the bulking segment and increased income from the IT business in the current quarter.

Sugar Sector 4Q FY2023

The Sugar Sector reported improvement in this quarter, registering a profit of RM54 million compared to the RM46 million loss in the corresponding quarter of the previous year. The profit was attributed to an improved margin achieved, stemming from a higher average selling price, increased overall sales volume, and better capacity utilisation. Additionally, the sector received incentives for certain packed sugar sold in the domestic market.

Going Forward

"The challenges faced by the palm oil industry in 2023 have been significant, the Group were challenged with low yield, ageing trees, declining planted areas, and high production costs. However, we remain steadfast in our commitment to overcome them and drive sustainable growth. As we look ahead to 2024, we are optimistic and focused on strategic initiatives such as disciplined replanting, enhancing operational efficiency, and fostering strong partnerships with our suppliers. Together, we are confident in our ability to navigate these challenges and deliver favourable results for our stakeholders," said Dato' Nazrul Mansor, Group Chief Executive Officer of FGV.

The Group's FFB supply mainly originates from FELDA and independent smallholders which contribute up to 70 percent of total processed FFB. As such, the Group remains committed towards ensuring continuous engagement and collaboration with suppliers. This commitment encompasses providing capacity-building support and exchanging best practices to uphold consistent adherence to sustainability standards. Ongoing efforts are being made to secure additional FFB supply to further enhance productivity.

Looking ahead, diversification remains key. The Group aims to improve yields and capacity utilisation in its sugar business, and market expansion opportunities for the Logistics and Others Sector. Barring unforeseen circumstances, the Group approaches 2024 with a positive outlook, prepared to navigate challenges and leverage emerging opportunities across all sectors.

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About FGV Holdings Berhad (FGV):

FGV Holdings Berhad (FGV) is a leading global agribusiness company based in Malaysia and is one of the largest producers of Crude Palm Oil (CPO) in the world. FGV's operations span across 10 countries in Asia, the Middle East, North America and Europe, and are focused on five main sectors namely Plantation, Sugar, Logistics & Support Businesses, Integrated Farming as well as Consumer Products.

As the Group's core business, the Plantation Sector has an integrated palm value chain for upstream, processing and downstream activities. FGV also owns one of the largest vegetable oil tank & storage facilities in the world, and is a leading producer of refined sugar in Malaysia.

FGV embarked on intensive integrated farming activities via its business units for cash crops, paddy & rice, animal nutrition & protein, livestocks and dairy farms. The Group is also a well-known FMCG player in Malaysia with various consumer food product brands such as SAJI, ADELA, SERI PELANGI, GULA PRAI, LADANG'57 and BRIGHT COW.

With a workforce of more than 45,000 people, FGV aims to champion sustainable food and agricultural products to the world. For more information, watch FGV's new corporate video on our social media pages namely Facebook, Instagram, TikTok, LinkedIn and YouTube, as well as our official website at www.fgvholdings.com.