

FGV HOLDINGS BERHAD

Financial Results Briefing 1st Quarter FY2022



31 May 2022



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TODAY'S AGENDA

An aerial photograph of a vast palm oil plantation, showing rows of young palm trees planted in a grid pattern across a green landscape. The sky is blue with scattered white clouds.

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EXECUTIVE SUMMARY



As the country transitions into the endemic phase and economic activities continue to normalise with the easing of containment measures, Malaysia has registered a positive GDP growth of 5% in 1Q FY2022. *(BNM report, 13 May 2022)*



Malaysia CPO production recorded a 4% improvement Y-o-Y resulting in a slight increase in 1Q FY2022 inventories. The lifting of Indonesian CPO export ban on 23 May 2022 is also expected to improve the global supply and therefore, soften the CPO price. However, the supply disruption of competing edible oils caused by Ukraine war is expected to sustain the CPO price at RM4,000/MT to RM4,500/MT in FY2022.



While labour shortages remain critical, FGV is projecting gradual recovery as workers are expected to arrive in Q3 FY2022 onwards from the reopening of international borders and various recruitment efforts initiated by the government. Currently, FGV foreign workers' coverage stands at 64%.



Our Sugar Sector remains committed to streamlining resources and heightening ESG initiatives in establishing a sustainable sugar supply chain. Logistics Sector shall continue to explore external opportunities through capacity expansion and business collaboration.



FGV will ensure that all sustainability-related matters are fully addressed and remedies are implemented. We look forward to renewing our RSPO certification and lifting restrictions on certain export markets in FY2022.



Overall, in 1Q FY2022, FGV PATAMI recorded a turnaround at RM369 mn from a loss of RM35 mn last year. This result was recorded on the back of RM5,854 mn revenue, a 73% increase from RM3,393 mn revenue in 1Q FY2021.

TODAY'S AGENDA

An aerial photograph of several FGV trucks parked in a lot. The trucks are white with yellow and red accents. The FGV logo is visible on the side of the trucks. The image is partially obscured by a large, semi-transparent circle that serves as a background for the agenda items.

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1Q FY2022 FINANCIAL HIGHLIGHTS

FGV recorded quarterly revenue of RM5.85 bn and operating profits of RM670 mn, on the back of strong CPO price.

Income Statement (RM mn)	1Q FY2022	1Q FY2021	Var. (%)	
Revenue	5,854	3,393	73	▲
Operating Profit	670	193	>100	▲
Fair value charge in LLA	(159)	(144)	(10)	▲
Impairment - (net)	(2)	(7)	71	▼
EBIT	509	42	>100	▲
Share of results - Assoc & JV	23	2	>100	▲
Finance costs (net)	(31)	(29)	(7)	▲
PBT	501	15	>100	▲
Zakat and Taxation	(134)	(30)	>(100)	▲
P/(L)AT	367	(14)	>100	▲
P/(L)ATAMI	369	(35)	>100	▲

Higher Operating Profit mainly attributed by:

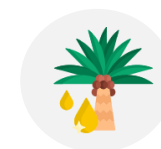
- Increased palm products' margins due to 59% increase in average CPO price and higher CPO sales volume.
- Higher margin from downstream and fertiliser business.
- Higher long term throughput handled in tandem with higher FFB production, and lower production cost.

However, sugar recorded operating loss due to lower margin resulted from higher production cost and lower UF.

Operating Profit

BUSINESS	1Q FY2022	1Q FY2021	Var. (%)
Plantation	664	108	>100
Sugar	(25)	63	>(100)
Logistics	27	16	69
Others	4	6	(33)
Total	670	193	>100

SECTOR PERFORMANCE: PLANTATION



A significant contribution driven by higher CPO price and improved CPO/PPO sales volume.

PLANTATION (RM mn)	1Q FY2022	1Q FY2021	Var. (%)	
Revenue				
Upstream	3,184	1,781	79	▲
Downstream	1,650	899	84	▲
R&D and Fertiliser	331	116	>100	▲
Total Revenue	5,165	2,796	85	▲
Operating Profit				
Upstream	489	91	>100	▲
Downstream	55	17	>100	▲
R&D and Fertiliser	120	(0.5)	>100	▲
Total Operating Profit	664	108	>100	▲
FV charge in LLA	(159)	(144)	10	▲

Upstream

- Higher palm products' margins due to 59% increase in average CPO price at RM5,058/MT (1Q FY2021: RM3,172/MT).
- Higher FFB yield by 12%, better OER by 1% and improved mills UF by 10%.
- CPO production volume at 0.56 mn MT, improvement by 11%.

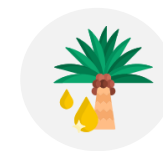
Downstream

- Improved sales volume for packed products due to higher intake from local customers.
- Higher margin from oleochemical segment.

R&D and Fertiliser

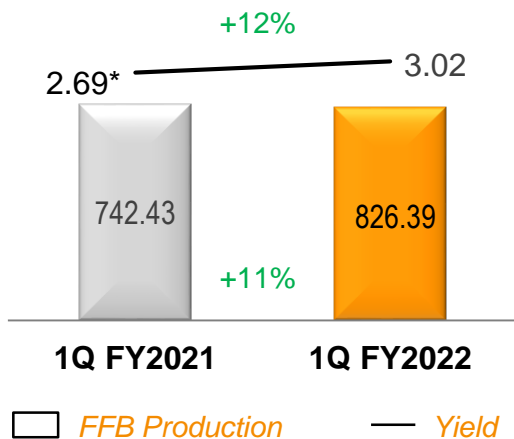
- Improved sales volume in fertiliser and seeds products due to better offtake.

SECTOR PERFORMANCE: PLANTATION



Upstream Operation

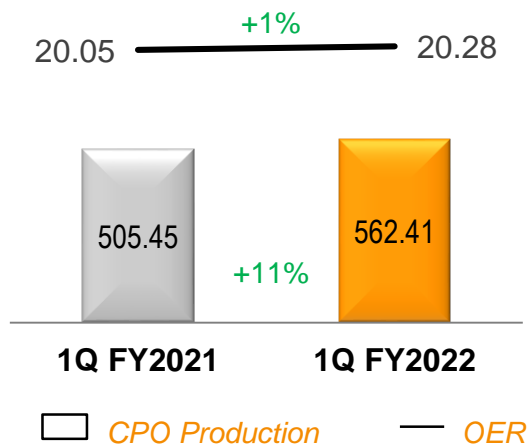
FFB Production ('000 MT) & FFB Yield (MT/Ha)



- FFB production and yield increased by 11% and 12% respectively, due to better yield performance of the young mature, prime and old palms.

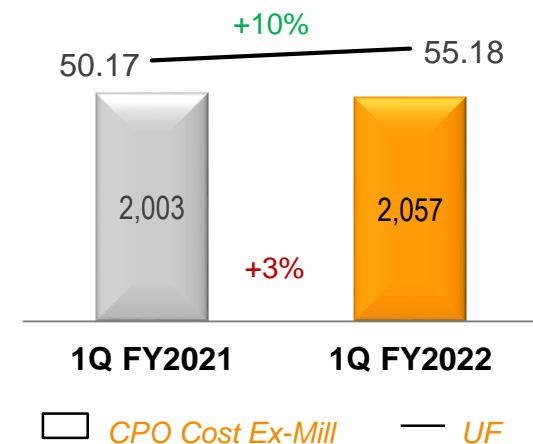
**Yield has been adjusted on the same basis as 2022 where rehabilitated areas are included as part of mature hectareage.*

CPO Production ('000 MT) & OER (%)



- CPO production increased by 11% from the 10% increase in FFB processed and 1% improvement in OER.
- Total FFB processed of 2.80 mn MT of which 29% were internally produced and 71% externally sourced (1Q FY2021: 2.54 mn MT).
- Improved OER due to better mills performance from stringent process control.

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

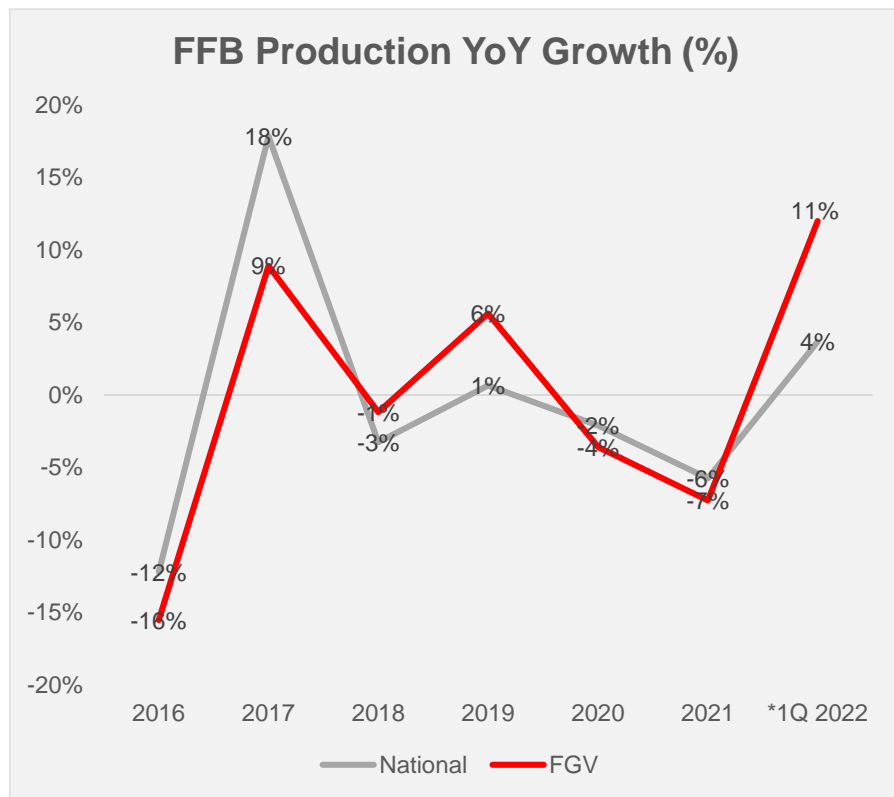


- CPO Cost Ex-Mill increased by 3% due to higher manuring and harvesting cost.
- UF increased by 10% from higher FFB volume received.

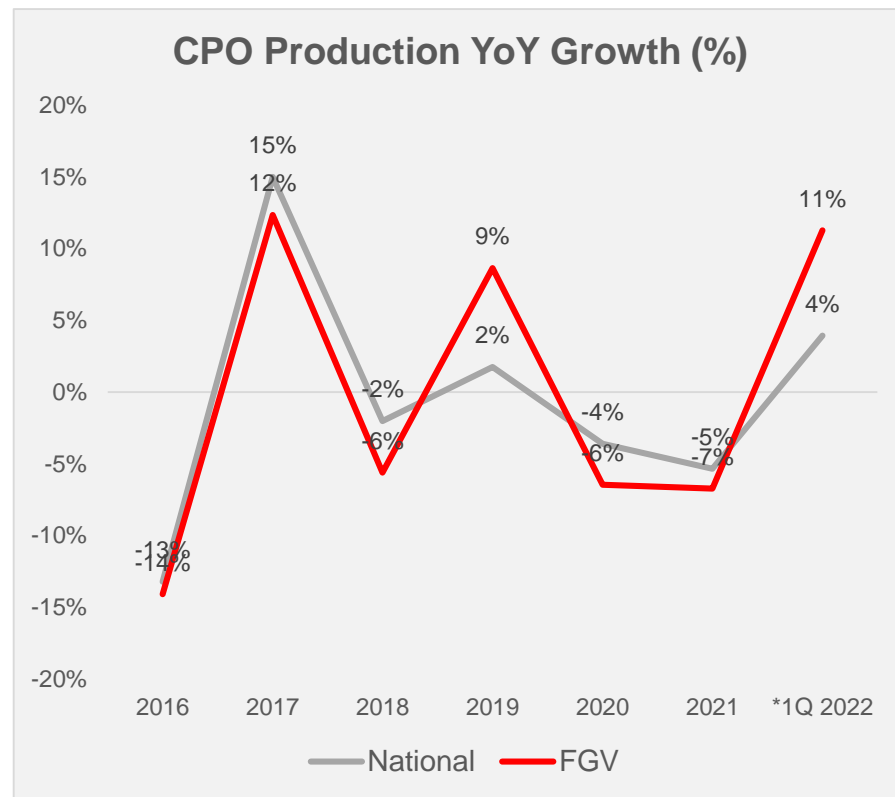
FGV'S PRODUCTION VS. NATIONAL PRODUCTION GROWTH



Overall, FGV's FFB and CPO productions are in line with national trend.



Improved FFB Production due to better yield performance of the young mature, prime and old palms.



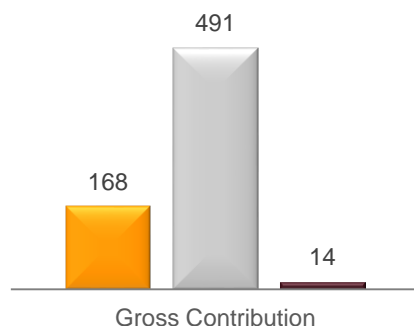
Improved CPO Production due to increase in FFB processed and improvement in OER.

PROFIT/(LOSS) FROM UPSTREAM OPERATIONS - EXTERNAL FGV



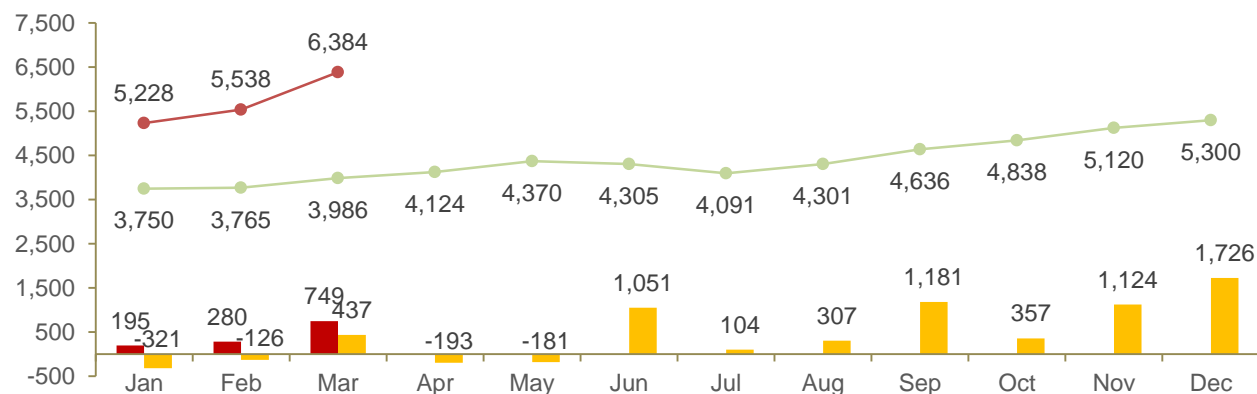
External FFB (RM mn)

■ Q1 2022 ■ Q4 2021 ■ Q1 2021



Average Selling Price & Profit Margin (RM/MT)

■ Profit Margin (2022) ■ Profit Margin (2021) ● Average Selling Price (2022) ● Average Selling Price (2021)



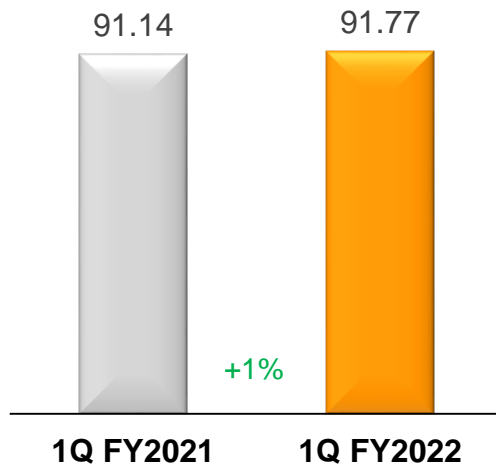
- External FFB recorded a lower gross contribution after OER margin compared to the preceding quarter by RM323 mn (66%) to RM168 mn but more than 100% higher compared to the same period last year (RM14 mn).
- This was primarily due to lower external CPO/PPO deliveries (1Q FY2022: 448,918 MT) at a lower margin of RM192/MT (RM5,910/MT against COGS of RM5,718/MT), compared to previous quarter deliveries of 507,855 MT at a margin of RM309/MT (RM5,106/MT against COGS of RM4,797/MT), combined with a 43% decrease in OER margin (1Q FY2022: 1.01%, 4Q FY2021: 1.78%). The amount of FFB processed in 1Q FY2022 increased by 9% (1Q FY2021: 2.52 mn MT) over the same period last year.
- The decrease in gross contribution in 1Q FY2022 also contributed to higher unrealised mark-to-market losses of RM9.31 mn, compared to the RM6.43 mn loss in the preceding quarter.

SECTOR PERFORMANCE: PLANTATION



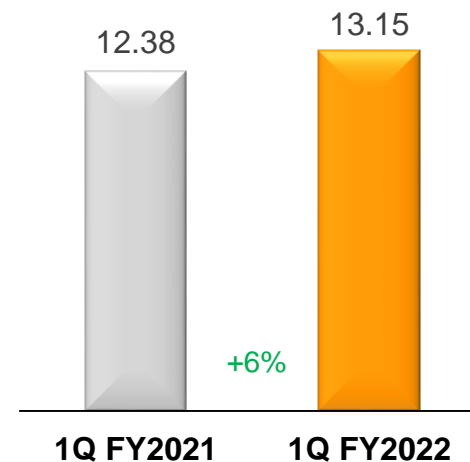
Downstream Operation

Oil & Fats Sales Volume (‘000 MT)



- Improved sales volume for oil & fats by 1% contributed by the FMCG local segment as customers built up the stock for Ramadhan.

Biodiesel Sales Volume (‘000 MT)



- Increased biodiesel sales volume by 6% due to improved demand following the ease of travel restrictions and opening of economic sectors.

SECTOR PERFORMANCE: SUGAR



FINANCIAL

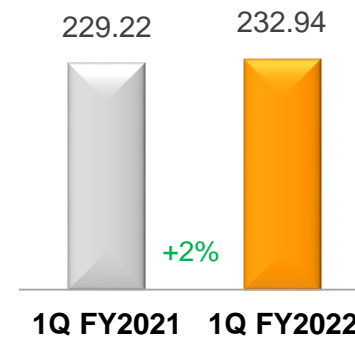
SUGAR (RM mn)	1Q FY2022	1Q FY2021	Var. (%)	
Revenue	593	515	15	▲
Operating Profit/Loss	(25)	63	>(100)	▼

Sugar recorded operating loss of RM25 mn primarily due to:

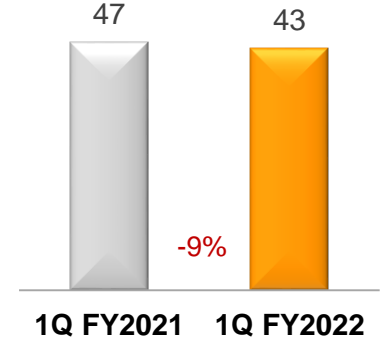
- Lower margin resulted from higher production cost, mainly driven by higher NY11 price, freight costs and gas price.
- Lower refineries average UF at 43%.

OPERATION

Total Sales Volume
(‘000 MT)



Utilisation Factor
(%)



- Higher sales volume by 2% due to recovery of markets as businesses have resumed normal operations as well as higher sales from Ramadhan initiative.
- The lower UF was due to production issues from major boiler rectification work in MSM Johor (MSM Johor's UF: 12%).

SECTOR PERFORMANCE: LOGISTICS



FINANCIAL

TRANSPORT				
Transport (RM mn)	1Q FY2022	1Q FY2021	Var. (%)	
Revenue	69	50	38	▲
PBT	6	1	>100	▲

Higher profit at RM6 mn due to:

- Increase in handling rate by 4%.
- Higher tonnage carried by 15%.

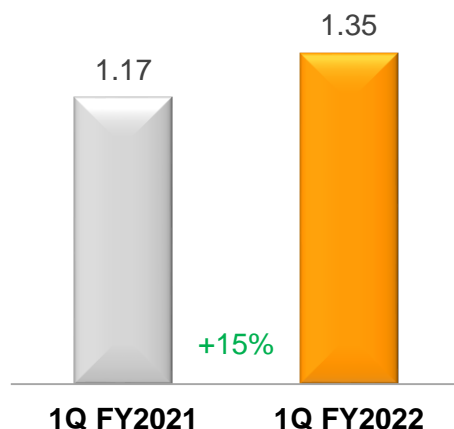
BULKING				
Bulking (RM mn)	1Q FY2022	1Q FY2021	Var. (%)	
Revenue	55	46	20	▲
PBT	21	15	40	▲

Improved profit by 40% at RM21 mn due to:

- Increase in handling rate by 16%.
- Higher throughput handled by 9%.

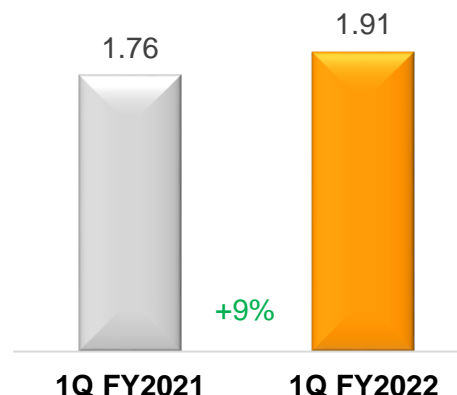
OPERATION

Transport Volume (mn MT)



Transport volume increased by 15% due to higher CPO production.

Bulking Volume (mn MT)



Bulking volume increased by 9% due to higher CPO production.

KEY FINANCIAL HIGHLIGHTS

	31.03.2022	31.12.2021	Changes (%)
Cash and Cash Equivalents (RM mn)	1,162	2,032	-43%
Total Borrowings (RM mn)	4,188	3,998	+5%
Liquidity Ratio (times)	1.21	1.22	-1%
Gearing Ratio* (times)	0.58	0.56	+4%

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

TODAY'S AGENDA

A circular inset image on the left side of the slide shows a close-up of a food processing machine. It features several vertical stainless steel tubes with nozzles at the bottom, which are dispensing a yellow liquid (likely cooking oil) into clear plastic bottles. The bottles are arranged in a row. Below the bottles, there are more bottles, some of which are labeled "Cooking Oil". The machine is made of polished metal and has various hoses and pipes connected to it.

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BUSINESS UPDATES

PLANTATION

- Upstream Division has completed around 760 ha of felling. We target to replant 15,000 ha in 2022.
- Applied 47,844 MT of fertiliser in 1Q FY2022, 15% of FY2022 target.
- Current foreign workers' coverage is at 64% of the total requirement.
- CPO Price is expected to maintain at RM4,000/MT to RM4,500/MT in FY2022.
- Saji refined cooking oil market share grew to 44% from 42% recorded last year while Seri Pelangi's market share grew to 42% from 41% last year.



LOGISTIC & OTHERS

- FGV Transport won three new tenders involving BERNAS, Narsco Sdn. Bhd. and Sinergi Perdana as well as a tender extension with Tanjung Langsat Port. Estimated value of these tenders is RM8 mn.
- FGV Prodata was awarded with Jendela Project (Phase One) for 91 sites across Malaysia.



ESG

Addressing US CBP

- On 16th May 2022, FGV engaged CBP to share updates on labour programmes and progress relating to ELEVATE assessment.

Sustainability Certification

- The RSPO CP had decided to send the verification report to be assured by Assurance Services International (ASI).

Guideline and Procedure for Responsible Recruitment and Employment of Migrant Workers (GPRRMW)

- FGV adopted its revised GPRRMW in May 2022 to strengthen its recruitment process, including covering passport costs for new recruits, renewals and a pre-sourcing assessment mechanism.



IN. FARMING

- Ladang 57 fruits are available in 47 modern trade outlets including AEON Big and MYDIN.
- MOC has been signed between FGVIF and BERNAS to exclusively produce a total of 8,112 MT Beras SAJI Aroma in BERNAS's Sekinchan factory.



THANK YOU

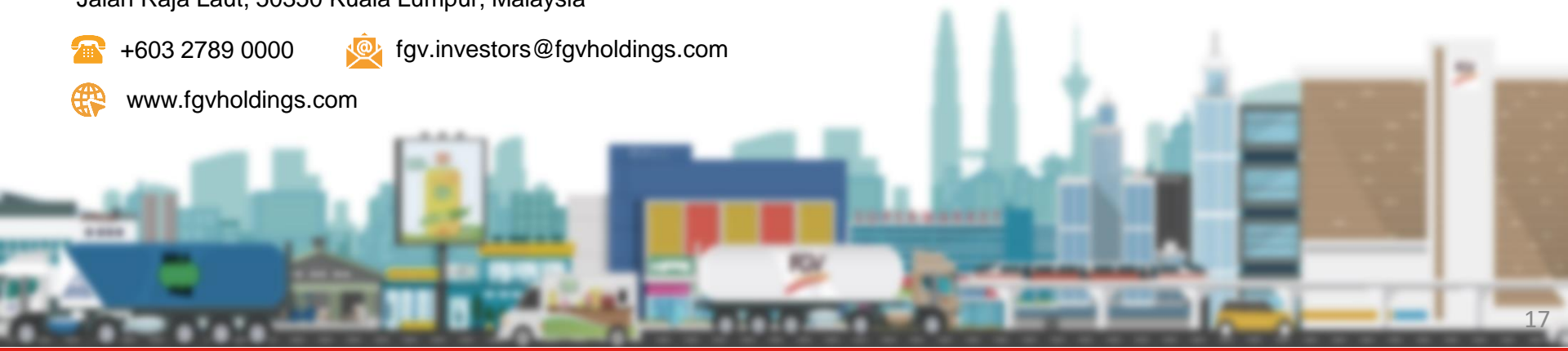
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MOVEMENT IN LAND LEASE LIABILITY IN FGVPM

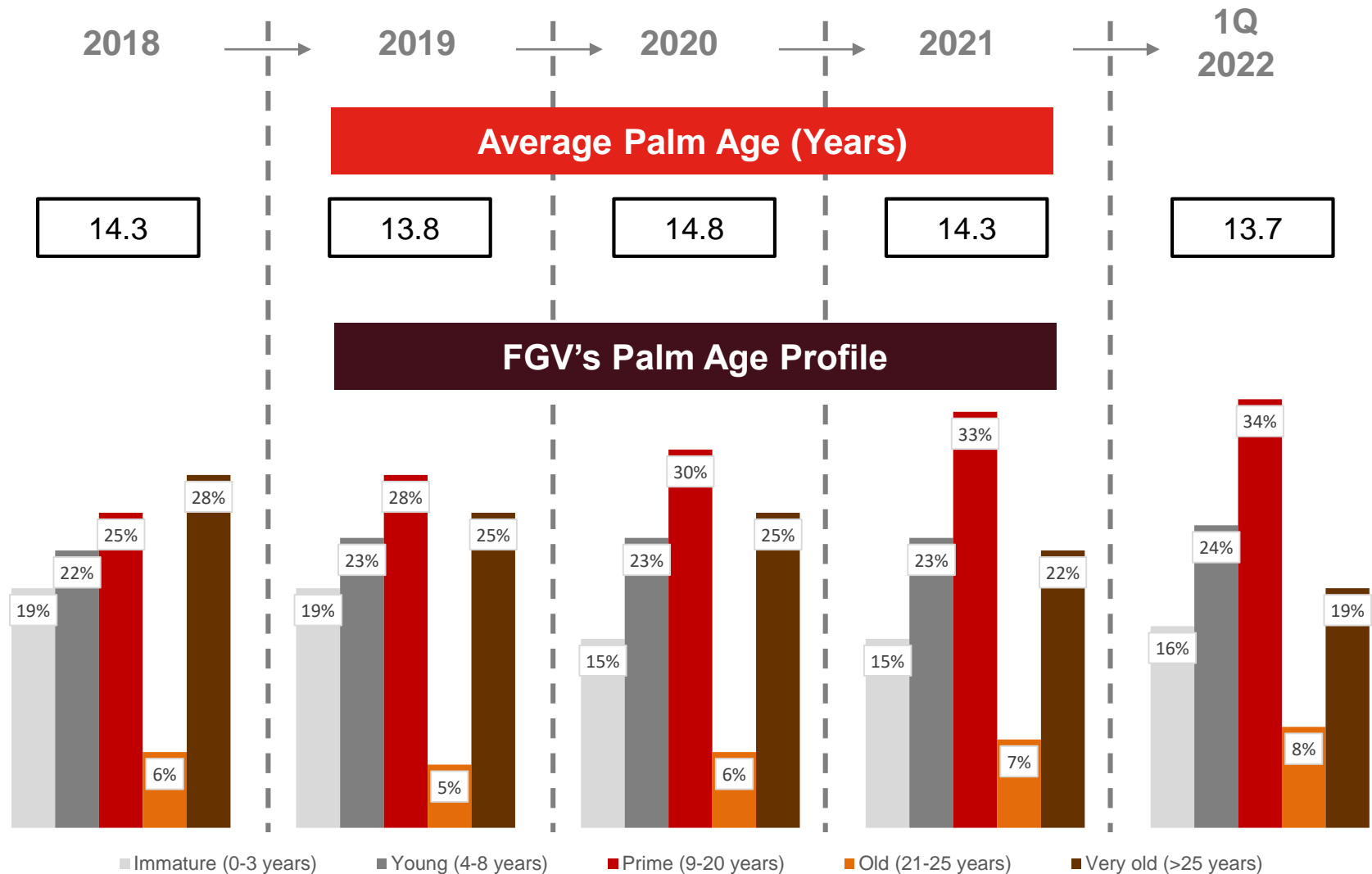
RM million	Q1 2022	Q1 2021	Q2 2021	Q3 2021	Q4 2021	2021
At the start of the period	3,804.8	4,213.8	4,267.1	3,998.1	3,994.1	4,213.8
Total payments made during the period	(131.0)	(90.5)	(88.6)	(111.0)	(122.9)	(413.0)
Recurring income statement charges/(credits)	68.4	99.7	94.9	112.6	163.2	470.4
Total income statement charges/(credits) from revisions in projections	90.7	44.1	(275.3)	(5.6)	(229.6)	(466.4)
Total charges/(credits) to the income statement	159.1	143.8	(180.4)	107.0	(66.4)	4.0
Closing LLA liability balance	3,832.9	4,267.1	3,998.1	3,994.1	3,804.8	3,804.8

Total charges/(credits) to Income Statement

RM million	YTD Q1 2022	YTD Q1 2021
Unwinding of discounts	85.3	102.1
Under accrual for current quarter	(16.9)	(2.4)
Revisions in projections and other adjustments	90.7	44.1
Total charges to the Income Statement	159.1	143.8

AGE PROFILE

Our current age profile has improved with bigger area of prime palm oils and reduction in old palm trees in 2022 compared to 2021.



FY2022 OPERATIONAL HIGHLIGHTS

	1Q FY2022	1Q FY2021	YOY
FFB Prod ('000 MT)	826	742	+11%
FFB Yield (MT/Ha)	3.02	2.69	+12%
CPO Production ('000 MT)	562	505	+11%
PK Production ('000 MT)	141	128	+10%
OER (%)	20.28	20.05	+1%
KER (%)	5.09	5.07	0%
Avg. PK Price (RM/MT)	4,469	2,467	+81%
Avg. CPO Price (RM/MT)	5,058	3,172	+59%
CPO Cost Ex-mill (RM/MT)	2,057	2,003	+3%
CPKO Sales Vol. (MT)	58,548	38,546	+52%
Oleochemical Sales Vol. ('000 lbs)	79.5	76.1	+4%