FGV Posts PBZT of RM173 Million in 3Q2020

From left: Group Chief Executive Officer, Dato' Haris Fadzilah Hassan and Group Chief Financial Officer, Dato' Mohd Hairul Abdul Hamid

Kuala Lumpur, 17 November 2020: FGV Holdings Berhad (FGV) recorded a profit before zakat and tax (PBZT) of RM173 million for the third quarter ended 30 September 2020, a significant improvement from a loss before zakat and tax (LBZT) of RM363 million in the previous corresponding quarter. The improved financial performance was largely due to higher crude palm oil (CPO) price realised and lower losses in the Sugar Sector.

For the period under review, CPO price averaged RM2,645 per metric tonne (MT), which was higher than the average CPO price realised in 3Q FY2019 of RM1,983 per MT. The Group's revenue for the period increased significantly to RM3.99 billion, compared to RM3.55 billion in 3Q2019.

"I am pleased to report the second consecutive quarter of positive results for FGV. While CPO production is in line with national production, FGV's fresh fruit bunches (FFB) production continues to outpace national production attributed to improving crop recovery and higher mature areas," said Group Chief Executive Officer, Dato' Haris Fadzilah Hassan.

For the quarter under review, the Plantation Sector recorded PBZT of RM239 million, a significant improvement from a LBZT of RM73 million in the previous corresponding quarter. This was achieved on the back of improved CPO margin in tandem with higher CPO price per MT.

In the upstream segment, FFB production increased by 9% to 1.35 million MT compared to 1.24 million MT in 3Q FY2019. This was primarily due to improved crop recovery and higher mature hectarage.

Despite a 3% increase in CPO production from 0.83 million MT in 3Q FY2019 to 0.86 million MT in 3Q FY2020 resulting from increased FFB processed, there was a marginal drop in the CPO oil extraction rate (OER), affected by unfavourable weather conditions in the East Coast, Southern Peninsular and Sabah. Meanwhile, mill utilisation factor (UF) increased to 83% in 3Q FY2020 compared to 79% in 3Q FY2019 due to higher FFB volume processed.

The Group's downstream segment registered a lower PBZT of RM23 million, compared to RM34 million in 3Q FY2019. This was impacted by the low demand for biodiesel due to the pandemic's effects and lower share of results from Joint Venture (JV) companies.

The Sugar Sector recorded lower LBZT of RM56 million in 3Q FY2020, as compared to a loss of RM220 million in 3Q FY2019. This reduced loss was a result of higher sales revenue attributed to better volume in industry and export segments as well as higher export premium.

"The sugar business recorded lower LBZT in 3Q FY2020 due to higher gross profit margin with improved production costs. The improvements were partially offset by write-off and impairment of bearer plants due to a fire incident in Chuping land, Perlis, and change of accounting treatment on the same assets due to cancellation of sales. Operationally, the UF improved to 52% due to capacity consolidation resulting in lower refining cost, better refined sugar processing yield and reduced sales and distribution costs," Haris Fadzilah said.

The performance of the logistic business declined by 12% and recorded a PBZT of RM18 million compared to RM21 million in 3Q FY2019. This was due to lower bulking throughput, offset by higher volume transported for fast-moving consumer goods (FMCG). Transport volume grew by 2% due to an increase in cargo tonnage carried, while bulking volume decreased by 5% due to lower throughput from major customers and lower biodiesel handled.

Moving forward

FGV's strategic plans to further grow and strengthen its high value-add business activities focusing on Integrated Farming and FMCG are on track, and potentially expedited to provide faster expected returns.

“Our dairy business has shown positive potential growth with fresh milk productions through our farm in Linggi, where a new fresh milk factory with a capacity of 30,000 litres per day is scheduled for completion in 1H FY2021. The farm is also undergoing upgrading work which shall be finalised by mid-December 2020, prior to the delivery of a new batch of 132-heads of heifers from Australia,” said Haris Fadzilah.

Meanwhile, FGV was granted a rice wholesale license from the Ministry of Agriculture and Food Industries (MAFI) in June 2020. FGV has commenced the planting of 28 hectares of MRQ76 fragrant rice seeds gardens in Sungai Leman, Selangor and Seberang Perak, Perak. The planted MRQ76 seeds which are scheduled to be harvested by January 2021, shall be used to commence 500 hectares of FGV’s contract farming scheme.

To strengthen its animal feed business, all of FGV’s animal feed products shall be marketed under the house brand “ALMA”, and targeted to be launched by December 2020. Three animal feed products continue to be produced by FGV (PKE8100, PKP8200 and PKP8201) with total sales of 27,448 tonnes achieved as at September 2020, with an increment of 90% against the same month last year. Two new formulations for animal feed shall be launched in 4Q FY2020.

“We expect both FFB and CPO production in 4Q FY2020 to be impacted by weather uncertainties and partial lockdown in Sabah, with the CPO price remaining strong until the end of the year,” Haris Fadzilah added.

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