FGV posts Q3 2014 revenue growth of 34.3% to reach RM4.32 billion

Felda Global Ventures Holdings Berhad (FGV), the world's largest producer of Crude Palm Oil (CPO), has recorded revenue of RM4.32 billion for the third quarter (Q3) ended 30 September 2014, up 34.3% from the same quarter a year earlier. This was driven by the consolidation of Felda Holdings Berhad (FHB) and Pontian United Plantations Berhad (PUP).

"Not only has the injection of FHB and PUP into FGV had an immediate, positive impact on the group's revenues, it has also allowed FGV to acquire greater alignment and control of the entire plantation value chain and attain higher operational efficiencies and synergies," said FGV's Group President and Chief Executive Officer, Dato' Mohd Emir Mavani Abdullah.

Gross profits for the third quarter more than doubled to RM501.33 million, while operating profits increased by 98.3%, and profit before tax (PBT) grew by 10%. For the nine months ended 30 September 2014, FGV's group revenue rose 36.4% to RM12.13 billion, compared with the corresponding period in 2013, while operating profits rose by 74% to RM1.02 billion.

FGV's gross profit margin rose to 14.3% in the third quarter from 9.3% in 2013.

Dato' Mohd Emir explained that FGV has been operating in a challenging global business environment, with CPO prices falling to a five-year low during the third quarter, record harvests of US soybeans, and the narrowing price difference between soy oil and palm oil increasing the competitive landscape for FGV.

FGV also recorded a RM98.9 million fair value charge in the third quarter relating to its Land Lease Agreement, up 140.9% from the same quarter in 2013; and RM105.54 million of commodity realised and unrealised losses linked to forward and future contracts in FGV's downstream operations. These factors contributed to a 61.2% drop in net profits during Q3 2014, which totalled RM22.99 million in the three months from a year earlier.

Dato' Mohd Emir stated: "While the last quarter has been a particularly challenging business environment for FGV, our core business activities remain strong and we are taking prudent steps to ensure continuing earnings growth."

FGV expects the global market for CPO prices to improve in coming quarters, an expectation shared by many leading analysts, which will have a positive impact on its revenue outlook. This outlook will be strengthened by the exemption of CPO export duties until the end of 2014, as well as the introduction of the government's B7 biodiesel mandate.

“Revenue growth is anticipated to increase as CPO prices are expected to continue rising into the first quarter of next year. At the same time, ongoing acquisitions of palm plantations with the optimal age profile, as well as our annual replanting programme of 15,000 hectares will continue to ensure that FGV’s plantation profile and yields will steadily improve in the years ahead,” Dato’ Mohd Emir stated.

“Looking beyond, group-wide transformation and operational improvement continue to be the watchwords for FGV. We are dedicating our efforts and resources to improving every facet of operations, and are putting in place the processes and foundations to meet growing global demand for palm oils and secure the profits of the future.”

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