FGV proposes to acquire 37% stake in PT Eagle High Plantations from Rajawali Group for cash and stock valued at approximately USD680 million

Felda Global Ventures (FGV) Holdings Berhad (Bursa: FGV:MK) and Rajawali Group announced today the signing of a Heads of Agreement for FGV to acquire a 37% stake in PT Eagle High Plantations (EHP) and 93% to 95% stakes in Rajawali Group's sugar project.

FGV will acquire the 37% stake in EHP for approximately USD680 million in cash and FGV stock. FGV will pay approximately USD632 million in cash for a 30% stake and approximately 95 million new FGV shares for the 7% stake (based on FGV's last closing price of MYR 1.86, this is equivalent to approximately USD47 million) and will result in Rajawali owning approximately 2.6% in the enlarged FGV share base.

FGV will acquire the 93.3% to 95% stakes in Rajawali Group's sugar project for approximately USD67 million in cash. The shares of EHP and Rajawali Group's sugar project will be owned by FGV Kalimantan Sdn. Bhd. (a wholly owned subsidiary of FGV).

Upon completion of the deal, FGV will become a partner to Rajawali Group, a highly respected local conglomerate who will remain a shareholder in EHP and will remain the controller of EHP, the 3rd largest palm company in Indonesia.

The transaction is subject to fulfillment of certain conditions, amongst others, satisfactory completion of due diligence, the entering into of definitive agreements, FGV shareholders' approval and other regulatory approvals.

EHP owns 425,000 hectares, with 67% in Kalimantan and the rest spread over Papua (9%), Sulawesi (19%) and Sumatra (5%). EHP has a planted hectarage of approximately 137,000 with an age profile of 36% immature, 50% young and 14% prime – the average crop age is 8 years. Rajawali is a strong partner in Indonesia and the transaction provides access to a formidable Indonesian platform with significant revenue and cross-selling opportunities through Rajawali Group's extensive network and credentials.

The total consideration for the 37% stake in EHP implies a blended cost of approximately USD 17,400 per planted hectare which is amongst the lowest relative to recent transactions as shown below.

This cross-border transaction will see FGV transform into one of the world's largest integrated palm oil plantation company with access to EHP's plantation and land bank,

while also securing a strong partner in Rajawali Group to enter the growing Indonesian market to distribute its consumer products.

FGV's technology, downstream expertise and global footprint bring significant value to Rajawali as it seeks to extract operational efficiencies and streamline costs through this transaction.

The deal is expected to be funded by a combination of internal resources and external financing. More details will be shared when the definitive agreements are signed.

The EHP investment and the Golden Land transaction earlier this week is a further step in FGV's M&A strategy as it now gives FGV access to a total of approximately 425,000 hectares that are non-LLA owned by EHP. The relatively young plantation profile (average age of 8 years) is an ideal complement to FGV's relatively aging plantations (average age 15 years). This will significantly improve yields in the near term and reduce CAPEX cost required for replanting. The potential for improving cost-efficiencies by increasing non-LLA land and lower operational costs in Indonesia will add to its value.

Group President and CEO of FGV, Dato' Mohd Emir Mavani Abdullah noted, "This partnership with Rajawali brings even greater capability to several of our existing businesses. With this transaction, we will be the largest and strongest player in the palm oil sector globally, with the ability to extract and enjoy significant operational efficiencies in both the upstream and downstream markets."

"Our on-going 3-pronged strategy of revenue enhancement, cost-optimisation and operational excellence has started to show results while we undertake this critical transformation for the longer term benefit of our shareholders and smallholders. Both EHP and Rajawali Group have very strong and highly experienced management teams and we are indeed fortunate to secure this strategic partnership." he continued.

"It is important to note that this acquisition will in no way affect our dividend policy – FGV is firmly committed to delivering on our promises to our shareholders." Darjoto Setyawan, Managing Director of Rajawali Corp said, "Besides adding a high level of technical capability in plantation and extraction, FGV also gives us scale on a global level and broadens our international reach. FGV has a strong reputation in both plantations and downstream business and we believe that FGV's products and its focus on innovation will continue to result in state-of-the-art solutions for both the upstream and downstream markets."