FGV Records Higher PBZT of RM501 Million in 2Q FY2021

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KUALA LUMPUR, 30 August 2021 – FGV Holdings Berhad (FGV) registered a significantly higher profit before zakat and tax (PBZT) of RM501 million for its second quarter ended 30 June 2021 (2Q FY2021), against PBZT of RM18 million in the previous corresponding quarter. The Group's revenue for the quarter under review rose 42% to RM4.68 billion versus RM3.29 billion in 2Q FY2020.

The strong performance of the Group's PBZT driven by higher operating profit of RM338 million in 2Q FY2021 compared to RM115 million in the same period last year, mainly attributed to increased palm products margin, improved gross profit margin for its Sugar business, as well as higher throughput and cargo volume handled by its Logistics business. In addition, the Group reported fair value gain on Land Lease Agreement (LLA) of RM180 million compared to fair value charge on LLA of RM76 million registered in the previous corresponding quarter. The gain on LLA for the current quarter was attributed mainly to the revision in the yield assumption used in arriving at the LLA liability.

For the period under review, the Group has recorded higher average crude palm oil (CPO) price realised of RM3,333 per metric tonne (MT) which is 44% higher compared to average CPO price realised in 2Q FY2020 of RM2,309 per MT. This contributed to a turnaround of more than 100% year-on-year (y-o-y) for the Group's Plantation Sector.

For 1H FY2021, the Group posted a PBZT of RM516 million against a revenue of RM8.08 billion, compared to the previous corresponding period's loss before zakat and tax (LBZT) of RM145 million against a revenue of RM6.08 billion.

Mohd Nazrul Izam Mansor, Group Chief Executive Officer of FGV said, "Despite the ongoing challenges of the pandemic, as well as the lagging effect of dry weather, I am pleased to report that FGV posted strong operating profit. We remained resilient in our efforts in these unprecedented times, which has translated into the significant improvement of our financial results for this quarter."

The operating profit for FGV's upstream segment under the Plantation Sector increased to RM247 million for 2Q FY2021 compared to RM106 million in the previous corresponding quarter, due to improved palm products margin despite an increase in CPO ex-mill cost.

In the upstream operational parameters, the Fresh Fruit Bunches (FFB) production and yield both lower by 11% against the previous corresponding quarter to 1.06 million MT and 4.18 MT/Ha respectively, due to lower FFB production from the young, mature and prime age palm categories, as well as a shortage of skilled harvesters.

CPO production decreased by 14% y-o-y to 0.70 million MT due to lower FFB processed, especially from external parties. Oil extraction rate (OER) however, improved slightly to 20.16% compared to 20.02% a year earlier, resulting from improved mills performance through stringent process control.

FGV's downstream segment under the Plantation Sector came in 21% stronger with an improved operating profit of RM29 million compared to RM24 million in the previous corresponding quarter, attributed by 64% higher margin realised from crude palm kernel oil (CPKO) sales.

The Group's Sugar Sector under its 51% owned subsidiary, MSM Malaysia Holdings Berhad (MSM) continued its positive momentum by posting a RM23 million PBZT against a revenue of RM554 million for the quarter under review, a significant improvement from a LBZT of RM27 million against revenue of RM447 million in 2Q FY2020.

"The performance is primarily driven by higher gross profit margin of 8% resulted from an increase in overall sales volume by 12% attributed to less restrictive imposition of the nationwide MCO 3.0 compared to MCO 1.0 in March last year," added Mohd Nazrul.

In addition, FGV's Logistics Sector recorded a similar PBZT of RM22 million in 2Q FY2021, majorly contributed by its bulking business segment which recorded 11% growth y-o-y due to a 3% increase in total throughput and bulking volume. The transport business segment, however, posted a lower PBZT by 50% of RM2 million in 2Q FY2021 compared to RM4 million in the same period last year due to increase in variable operating costs by 19%, despite an increase in total tonnage carried and an average transportation rate by 1% and 11% respectively.

Going forward

The ongoing pandemic, the new Delta variant and the imposition of the Movement Control Order (MCO) 3.0 continue to affect Malaysia's palm oil industry as a whole. In curbing the impact of COVID-19 especially at its plantations, FGV is expediting its vaccination programme for all workers as part of its mitigation effort in managing the risk of infections at its operating locations.

"We are currently at the final stage of acquiring the vaccines and shall commence the vaccination programme by the first week of September 2021," said Mohd Nazrul.

Besides that, on 16 August 2021 one of FGV's core sectors, FGV Integrated Farming Sdn Bhd (FGVIF), entered into a Memorandum of Collaboration (MOC) with FELCRA Berhad (FELCRA) and Baladna Food Industries (BALADNA), Qatar's largest locally-owned food and dairy producer, to carry out a comprehensive feasibility and technical study on an opportunity to potentially co-invest in an integrated dairy farm business in Chuping, Perlis.

The potential initial areas of collaboration include doubling the current production of Malaysian fresh milk within two years, and creating a farm for ten thousand milking cows with an annual production of 100 million litres of milk per year. Other potential areas include utilising Malaysian agricultural land to produce largely the required animal feed for the dairy farm, as well as using the joint venture farm as a hub that supports small rural farms in developing small cattle fatting farms and animal feed farms by 2024, among others.

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