FGV Records RM60 million PBT in Q1 FY2023; Remains Focused Amidst Challenges

KUALA LUMPUR, 30 May – FGV Holdings Berhad (FGV) registered a Profit Before Tax (PBT) of RM60 million in the first quarter ended 31 March 2023 (Q1 FY2023).

The Group reported an Operating Profit before fair value changes in LLA and impairment of RM102 million for the period under review on the back of a challenging business environment, squeezed margins in the Plantation Sector and increased production costs in its Sugar Sector. Nevertheless, the Logistics Sector recorded higher profits because of improved tank rental income, premium oils and tonnage carried.

“Despite the subsiding surge in the price of crude palm oil (CPO), as well as other challenges faced by our Group, we are pleased to announce a profitable first quarter for the year 2023. However, the Group expects the upcoming months in 2023 to remain challenging and we plan to capitalise upon this starting momentum to push through the rest of the year and continuously meet the expectations of our stakeholders,” said Dato’ Nazrul Mansor, Group Chief Executive Officer of FGV.

FGV anticipate improved FFB production this year with additional migrant workers which will positively impact its operational performance.

Plantation Sector

FGV recorded an Operating Profit of RM82 million in the Plantation Sector for the quarter. The Upstream Operations were impacted by lower palm product margins due to a 45 percent increase in CPO Ex-Mill cost to RM2,944 per metric tonne (MT) resulting from higher manuring, upkeep, maintenance, and labour costs.

Despite a shortage of skilled labour and adverse weather conditions in Johor, Sabah, and the East Coast region, FGV's Upstream Operations have shown some resilience. Internal Fresh Fruit Bunches (FFB) production reported a marginal 1 percent decrease to 0.82 million MT. However, FFB yield experienced a slight increase to 3.04 MT/Ha due to expanded prime areas and an increased workforce for harvesting activities.

CPO production saw a significant 4 percent increase, reaching 0.59 million MT, in tandem with the higher FFB processed of 2.97 million MT. This growth also resulted in a 13 percent increase in the Group's utilisation factor (UF) for the quarter. In terms of FFB processing, 0.80 million MT (27 percent) of FFB processed were produced internally, 1.28 million MT (43 percent) came from FELDA settlers, and 0.89 million MT (30 percent) were received from third parties.

However, unfavourable weather conditions and lower quality of FFB ripeness contributed to a 2 percent decrease in the total oil extraction rate (OER) for both internal and external Fresh Fruit Bunches (FFB), resulting in a rate of 19.81 percent for the quarter.

For the Downstream Operations, the Group achieved an Operating Profit of RM19 million during Q12023. Oils and fats sales volume increased by 3 percent, driven by higher intake from the Export and Repackers segment. Additionally, there was a notable 42 percent surge in biodiesel sales volume, reflecting increased demand following the nation's economic recovery. Nevertheless, the oleochemical sales volume decreased by 19 percent due to lower demand for fatty acids across all market segments.

Logistics Sector

The Logistics Sector recorded a higher Operating Profit of RM32 million, a 19 percent rise compared to RM27 million in the previous corresponding quarter. This is attributable to the improved tank rental income, premium oils and tonnage carried which was derived from increased handling rates and higher tonnage carried. Bulking volume decreased by 2 percent due to lower throughput handled, while transport volume rose by 10 percent that contributed to higher tonnage carried.

Sugar Sector

Sugar Sector reported an operating loss of RM24 million on the back of year-on-year decrease in revenue of RM588 million from RM593 million previously due to reduced export sales volume to prioritise local sales demand. The Sector faces higher production cost driven by 5.2 percent higher foreign exchange and 65 percent increase in gas cost which resulted in higher refining cost.

Going Forward

CPO prices are expected to remain stable in the near term, ranging between RM3,800 per MT to RM4,000 per MT.

“We anticipate improved FFB production this year with additional migrant workers which will positively impact our operational performance. Furthermore, our palm age profile has improved, with an average age of 12.77 years and 39 percent of our plantation areas are classified as prime areas. Those factors will position us well for enhanced productivity and growth in the industry. However, we also remain cautious of adverse weather conditions that could impact our palm oil production, such as the El Nino weather pattern towards the end of the year.” Dato’ Nazrul added.

Dato’ Nazrul Mansor, Group Chief Executive Officer of FGV

Looking ahead for the Sugar Sector, the Group welcomes the government’s recent announcement permitting local sugar producers to manufacture pure white refined sugar. This expansion into a new product category will facilitate the introduction of a premium sugar offering, enabling the Sugar Sector to strengthen its competitive stance and secure long-term viability in the industry.

On the sustainability front, FGV has implemented various programmes to strengthen its labour practices, including aligning its policies and recruitment practices to international labour standards in efforts to uplift the Withhold Release Order (WRO) issued by the United States Customs and Border Protection (CBP).

One of the main standards adopted by the Group is the no recruitment fees policy for the hiring of its migrant workers. To compensate current migrant workers, nearly RM30 million was paid to approximately 20,000 workers on March 15 as part of the 1st phase, with subsequent phases scheduled for June and September this year. Furthermore, FGV is tracing its former migrant workers who were recruited on or after June 27th 2019 that have left the company and eligible for reimbursement of the recruitment fees they paid, reflecting its commitment to fair treatment and equitable compensation for all migrant workers to further align with FGV's Sustainability Framework on the respecting human rights' pillar.

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