FGV Registers Ten-Fold Increase In Profit Before Tax For Q2 FY2024

FGV Holdings Berhad (FGV) reported a ten-fold increase in its Profit Before Tax (PBT) for the second quarter ended 30 June 2024 (Q2 FY2024), soaring to RM141 million from RM14 million registered in the same period last year, driven by higher profits in the Plantation and Logistics and Support Divisions.

The Group also saw a sharp increase in its Operating Profit (before fair value changes in Land Lease Agreement (LLA) and impairment), which jumped more than 100 percent to RM239 million from RM106 million in the same quarter last year. In addition, FGV's Profit After Tax & Minority Interests (PATAMI) was also up to RM86 million, reversing the RM13 million loss in the corresponding quarter of the previous year.

This performance improvement was driven by higher margins on palm products due to high crude palm oil (CPO) prices, coupled with an increase in fresh fruit bunches (FFB) production and lower CPO cost ex-mill. The average CPO price realised was registered higher reaching RM4,103 per metric tonnes (MT), compared to RM4,000 per MT in the same quarter last year. However, profit gains were offset by weaker performance in the Sugar and Oils and Fats Divisions in the current quarter.

"FGV's strong performance in Q2 FY2024 reinforces our commitments as we remain steadfast in implementing responsible and sustainable practices which have started showing good results in creating long-term value for our shareholders. As I always believe, "Sustainability comes first, growth and profit will follow," said Dato' Nazrul Mansor, Group Chief Executive Officer of FGV.

"FGV is a diversified company, operating across several sectors, including Plantation, Oils and Fats, Sugar, Logistics and Support, Consumer Products, and Integrated Farming

Divisions. FGV's core business model is distinct due to its blend of commercial objectives and social obligations. As Malaysia's largest off-taker of smallholders' FFB, we procure our FFB primarily from FELDA settlers and independent smallholders at market price and this business model is unique to FGV and not comparable to other listed palm oil companies. Amidst market volatility and environmental challenges, we expect a strong performance for the rest of the year, as we continue to put strong emphasis on sustainable practices across all our supply chain," added Dato' Nazrul.

Plantation Division

The Division posted a profit of RM101 million, a turnaround from the loss of RM62 million in the same quarter last year. The performance was influenced by the increase in FFB production to 0.96 million MT, leading to a higher yield of 3.76 MT per hectare due to improvements in crop patterns coupled with extensive rehabilitation exercise carried out in the previous year. Meanwhile, the oil extraction rate (OER) was registered slightly lower at 20.48 percent compared to 20.84 percent in the same quarter of the previous year.

Total FFB received increased by 34 percent driven by a significant increase in crop volumes, rising from 2.73 million MT to 3.66 million MT. In total, 0.96 million MT (26 percent) were produced internally, 1.11 million MT (30 percent) were sourced from third parties, and the remaining 1.59 million MT (44 percent) were received from FELDA settlers.

The Division's performance was further enhanced by improvements in the R&D segment, driven primarily by higher margins and increased sales volume in the fertiliser business, as well as reduced losses in the Rubber segment. However, the higher profit was impacted by an increase in the fair value charge on the LLA, which rose to RM67 million from RM28 million in the corresponding quarter of the previous year.

Oils and Fats Division

The Division reported a profit of RM68 million, reflecting a reduction in margins within the bulk commodity segment despite increased sales volumes. The performance was also influenced by squeezed margins in the edible oils segment, driven by intense competition in the domestic market coupled with the low ceiling price on bottled cooking oil products imposed in April 2024. Additionally, the share of profit in joint ventures decreased to RM0.28 million from RM5.20 million in the previous year, due to lower product margins in the oleochemical joint venture.

Logistics and Support Division

The Division reported a notable profit increase to RM38 million, up from RM23 million in the same quarter last year. This improvement was primarily driven by higher profits in the Logistics segment, fuelled by increased tonnage and improved handling rates in both transport and bulking businesses. Additionally, the Division benefited from higher contributions from the IT segment and the travel business, particularly aligned with the Hajj season during the current quarter.

Sugar Division

The Division reported higher losses of RM30 million despite higher revenue driven by increased average selling prices and incentives for certain packed sugar sold domestically, the losses were primarily due to high input costs, mainly for raw sugar and freight, as well as the weakening of the Ringgit Malaysia. These challenges persisted despite better capacity utilisation.

Going Forward

Despite easing foreign labour shortages and favourable weather conditions, CPO prices are expected to remain volatile, fluctuating between RM3,800 and RM4,000 per MT. However, demand and supply for palm oil are expected to remain steady in the second half of the year.

Operationally, FGV will focus on enhancing its plantation operations yield through improved crop harvesting and mechanisation, while diversifying its FFB supplier base to bolster supply chain stability. On the cost side, the decline in fertiliser prices is expected to ease production costs throughout 2024.

The Sugar Division remains wary of rising geopolitical tensions that may affect input costs and financial performance. The Division is strengthening its presence in both domestic and export markets, while exploring new regional opportunities. Meanwhile, the Logistics and Support Division will focus on growth through strategic collaborations and digitalisation within the logistics and technology operations.

On the sustainability front, FGV had also launched its enhanced Sustainability Framework in July that strengthened its commitments to five key pillars: economic growth, governance, social, environmental, and innovation and technology. Additionally, on 30 June 2024, FGV submitted a petition to the United States Customs and Border Protection (US CBP) to modify the Withhold Release Order (WRO).

2024 FGV Merdeka Campaign

Leveraging on the upcoming 67th Merdeka and Malaysia Day celebrations, FGV is launching its inaugural campaign in celebrating the unity and the prosperity of Malaysia. Themed "*Teruskan Meneroka*", the short clip is produced as an appreciation to the unsung heroes who have "explored" their own ways in contributing to the progress of Malaysia including the blood, sweat and tears of FELDA settlers and smallholders where 70 percent of our FFB are sourced from. It also underscores FGV's commitment to nation-building, economic progress, ESG, achievements and collective efforts of multi-racial Malaysians towards a more sustainable future.

"*Teruskan Meneroka*" will be prominently featured across FGV Holdings' social media platforms including Facebook, Instagram, TikTok, LinkedIn and YouTube as well as at www.fgvholdings.com.

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