FGV Reports PBT of RM83 Million in Q3 FY2023, Navigating Complexity While Maintaining a Positive Outlook

KUALA LUMPUR, 29 November – FGV Holdings Berhad (FGV) registered a Profit Before Tax (PBT) of RM83 million in the third quarter ended 30 September 2023 (Q3 FY2023).

The Group reported an Operating Profit before fair value changes in LLA and impairment of RM207 million while revenue recorded at RM4.91 billion on the back of a challenging business environment, primarily stemming from the margin squeeze in the Plantation Sector resulting from lower crude palm oil (CPO) price and higher input cost.

The current quarter witnessed a 15 percent reduction in the total amount of fresh fruit bunches (FFB) received at 3.36 million MT, compared to the same period last year at 3.95 million MT which is in line with the lower FFB production nationwide. The Group received lower FFB from FELDA settlers by 22 percent at 1.36 million MT and third parties lower by 12 percent at 1.00 million MT.

Nevertheless, the financial performance was partially offset by improvement reported in the Logistics and Others Sector and narrow loss posted in the Sugar Sector.

“FGV is challenged differently than other major plantation companies. We are the biggest off-taker of smallholders’ FFB in Malaysia by procuring FFB from FELDA settlers and independent smallholders at a price set by the Malaysian Palm Oil Board (MPOB), contributing to 70 percent of our total processed FFB. Our commitment extends beyond business as we continue to fulfil our social obligations to support local communities and contribute to nation-building.

Despite the current challenges, FGV maintains a positive outlook by strategically navigating through this complex business environment, flexing forward to deliver sustainable value to meet the expectations of our stakeholders,” said Dato’ Nazrul Mansor, Group Chief Executive Officer of FGV.

Plantation Sector

The Plantation Sector recorded a profit of RM111 million. The sector continues to face challenges, including a lower average CPO price realised at RM3,879 per MT, a 12 percent decrease in CPO sales volume, and a higher CPO production costs ex-mill by 25 percent due to higher upkeep & maintenance, manuring and labour costs.

Operationally, FFB production registered a lower volume to 1.00 million MT and yield reducing to 3.73 MT per hectare, impacted by the lower average bunch weight resulting from lower fertiliser application over several years, a consequence of labour shortages and the Movement Control Order (MCO) during the COVID-19 pandemic.

Nevertheless, the Sector achieved an improved oil extraction rate (OER) of 20.89 percent, an increase from 20.36 percent registered in the same period last year.

In the downstream business, a margin squeeze was experienced due to higher refining and processing costs, combined with a decline in crude palm kernel oil (CPKO) and oleochemical sales volume. The sector was also impacted by lower sales volume for bulk and repacker segments due to CPO price volatility and intense price competition from local and regional brands.

Logistic and Others Sector

The Logistic and Others Sector continued to be a steadfast contributor to the Group's overall performance. The Sector reported a marginally increased profit of RM41.7 million, surpassing the RM38.1 million recorded in the corresponding quarter of the previous year. This positive growth is primarily attributed to improvement in the Logistic division, in tandem with an improved handling rate in the bulking segment.

Sugar Sector

The Sugar Sector is narrowing its losses to RM32 million, marking an improvement from the RM71 million loss in the corresponding quarter of the previous year. The lower loss is driven by improved margins from industry and export segments, lower freight costs, and better capacity utilisation.

Going Forward

In its continuous pursuit of sustainability and in addressing the Withhold Release Order (WRO) by the U.S. Customs and Border Protection (USCBP), FGV has successfully completed the third phase of its recruitment fees reimbursement on 15th September 2023. A total of RM72.2 million has been disbursed to 19,673 FGV migrant workers. The reimbursement was paid in three tranches; March, June and September 2023 respectively, which are currently being verified by ELEVATE as the independent firm appointed by FGV.

In addition to verifying the reimbursements, ELEVATE will also verify the implementation of other aspects of FGV's remediation plan. Such verification is expected to take place in the first quarter of 2024, following which FGV will make its submission to the USCBP in June 2024.

FGV has also implemented various initiatives to enhance the welfare and well-being of its migrant workers. FGV has actively participated in various impactful initiatives throughout the year and has invested approximately RM227 million from January to September 2023 which include the enhancement of migrant workers' facilities, independent smallholders' engagement and sustainability certifications.

The Group's dedication to sustainability remains steadfast, as it continues to prioritise existing initiatives on climate agenda, human rights, diversity, and smallholders' engagement. These initiatives align with and reinforce the Group Sustainability Policy (GSP), underscoring its dedication to comprehensive sustainability practices across all facets of its operations.

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