FGV Reports Revenue of RM7 Billion for Six Months Ended 30 June 2015

Felda Global Ventures Holdings Berhad (FGV) has recorded revenues of RM4.2 billion for the second quarter ended 30 June 2015 (2Q FY2015) and net profit of RM103 million. This is a turnaround from the first quarter with revenues increasing from RM2.7 billion in 1Q FY2014 by 55% to RM4.2 billion, while net profit more than tripled from RM30 million to RM103 million.

However, comparing YTD year-on-year performance the Group's revenue declined from RM7.4 billion in 6M FY2014 to RM6.9 billion in 6M FY2015 by 7%, while net profit fell 69% from RM423 million to RM133 million, mainly contributed by the Group's weak previous first quarter results and lower average CPO price.

The decline in revenue and net profit is expected as FGV continues to be negatively impacted by tough market conditions and business environments. CPO prices remain low with average CPO prices reducing by 14% from RM2, 619/MT to RM2, 263/MT in 2015.

Group President and CEO Dato' Mohd Emir Mavani Abdullah said the Group needs to remain resilient in next two quarters and to actively offset volatile CPO prices through revenue enhancement, cost-optimisation and operational excellence.

"This is a challenging time for the industry but the Group remains focused in implementing our transformation plans, especially on strict measures to reduce capital expenditure and optimise costs, while focusing on initiatives that increase operational efficiencies", he said.

Dato' Emir emphasised that the Group's ongoing transformation efforts have shown positive results, especially in the following areas;

(i) Plantation Best Management Practices (BMP)

FGV has seen an overall 6% improvement in FFB yield from 4.46MT/ha in 2Q14 to 4.73MT/ha in 2Q15. Over the past few months, the earliest results from BMP for selected pilot estates have shown an average increase of 26%, and in some estates have shown up to 70% increase in yield. The Group expects this will continue across all estates as the initiatives are rolled out nationwide.

(ii) Trading, Marketing and Logistics Cluster(TML)

- The TML cluster is now the second largest revenue contributor to FGV

- FGV Trading (FGVT) has grown into a key revenue generator and has improved consistently from the start of its operations in February 2015, with 36% of revenues contributed by this segment for the first 6 months of FY2015. FGVT as a subsidiary is expected to play a significant role by increasing FGV's bulk oil market share. FGVT is well on track for realising its target of RM6.5B, with 50% of its target realised within 6 months of operations.
- The roll out of the Logistics Center of Excellence has already seen results in improving utilisation. FTSSB Tanker Business launched a pilot project to test new processes and tools and the introduction of an Air Traffic Controller in our Pasir Gudang depot, resulting in 14% truck utilisation uplift. Going forward, FTSSB is expected to see a growth in profits with an increase in annual PBT by about 8% as a result of approximately 30 trucks being freed up and deployed in other businesses due to overall improved utilisation.

(iii) Procurement excellence

FGV is actively moving towards procurement excellence by collating demand, rationalising vendor base, reducing spend data complexity, digitising procurement systems, breaking the subsidiary silos and moving towards integrated approach. We have generated average savings of 25% in the process of re-negotiating key contracts.

"As a Group, we will ensure that our combined efforts are able to future proof the business. We predict that it will be a continuously challenging year for FGV but we remain committed to deliver value to our shareholders", said Dato' Emir.