FGV’s Profit Before Tax Soars to RM1.10 billion in 1H FY2022

KUALA LUMPUR, 30 Aug 2022 – FGV Holdings Berhad (FGV) has seen its Profit Before Tax (PBT) doubled to RM1.10 billion in the first half of the year (1H FY2022) ended 30 June 2022 from RM516 million in the same period last year.

The Group’s Operating Profit recorded RM1.34 billion from RM524 million while, Revenue rose by 64% to RM13.3 billion compared to RM8.08 billion in the same first half last year.

FGV’s Profit After Tax & Minority Interests (PATAMI) was up by more than 100 percent at RM743 million from RM303 million.

The excellent set of financial results were mainly driven by the increase in palm products’ margins due to high CPO prices. The average CPO price realised in 1H FY2022 was higher by 58 percent reaching RM5,165 per metric tonnes (MT), compared to RM3,268 per MT in 1H FY2021.

Dato’ Mohd Nazrul Izam, Group Chief Executive Officer of FGV said, “We aspire to become the world’s leading integrated and sustainable agribusiness. Based on our 1H performance, we are certainly on track to chart our growth trajectory and will remain cautiously optimistic towards achieving our 2022 targets.”

Besides CPO prices, the strong performance is also due to the higher contribution from FGV’s Logistics Sector. Operating Profit for the Logistics Sector increased by 41 percent year-on-year (Y-o-Y) to RM52 million from RM37 million with better handling and transportation rates, and higher throughput volume for transport and storage businesses.

The result was partially offset by the losses incurred by FGV’s Sugar Sector under its subsidiary, MSM Malaysia Holdings Berhad (MSM), mainly due to the 27 percent increase in input production cost.

The Group announces an interim dividend payment of 4.0 sen per share, which translates to a total dividend payout of RM146 million to be paid by third quarter 2022.

Plantation Sector 2Q FY2022

FGV’s Upstream Operations under its Plantation Sector reported an increase in Operating Profit to RM567 million, compared to RM249 million during the same period last year. This was driven by the higher average CPO price of RM5,254 per MT compared to RM3,333 per MT, and an improved Oil Extraction Rate (OER) of 2 percent from 20.16 percent to 20.63 percent.

However, CPO Cost Ex-Mill increased by 30 percent to RM2,203 per MT compared to RM1,699 per MT during the same quarter last year due to the increase in production and processing cost. Meanwhile, Fresh Fruit Bunches (FFB) production reduced to 958,018 MT from 1.06 million MT, while yield decreased to 3.50 MT per hectare in current quarter due to labour shortages in FGV's operations.

Dato' Mohd Nazrul said, "The labour situation has affected our productivity due to crop losses. In addressing the issue, FGV is actively hiring workers from host countries and as of July, we have received 647 migrant workers from India. Our workers' coverage currently stands at 62 percent and we are optimistic to receiving 7,000 workers by end of the year to enhance production.

The Group's Downstream Operations' operating profit grew by 34 percent to RM39 million due to higher oils and fats sales volume as consumers anticipated an increase in cooking oil prices. In addition, biodiesel sales volume increased by 19 percent to 18,176 MT following the increase in oil prices.

Logistic Sector 2Q FY2022

FGV's Logistic Sector generated an Operating Profit of RM25 million which represents a 19 percent increase compared to the same period last year, mainly due to improved handling rates and lower operating cost in its bulking and transport businesses.

However, bulking volume decreased by 6 percent due to lower throughput from external customers, while transport volume decreased by 2 percent in tandem with lower CPO production.

Sugar Sector 2Q FY2022

Sugar Sector reported a loss of RM29 million compared to RM23 million profit which was mainly attributed to high input production costs mainly for raw sugar, freight, natural gas and weakening of Ringgit Malaysia despite increase in overall average selling price in the current quarter.

Moving Forward

FGV aspires to become a global agribusiness and food company with a strong presence in end-consumer markets, which requires FGV to move beyond palm oil plantation business. As an organisation which is already involved in the food industry, the Group's latest development with Baladna and Touch Group to develop an integrated dairy farming business in FGV Chuping Agro Valley (FCAV) will enable the plantation giant to selectively expand its presence in the food industry.

To strengthen the National Food Security Agenda, FGV recently collaborated with Padiberas Nasional Berhad (BERNAS) to produce a new formulation of native chicken feed, ALMA, that uses by-products from local paddy and rice factories. Also, FGV announced its fresh native chicken product, marketed under the brand Ladang'57, which will be available at AEON BiG hypermarkets nationwide.

On the sustainability front, in respecting human rights, the Group is elevating its efforts by committing to exemplary human rights' initiatives to uphold labour standards in fulfilment of the United Nations' Sustainable Development Goals (SDG) in eliminating forced and child labour. According to the recently published report by Fair Labor Association (FLA), there are no non-compliances identified based on FLA's forced labour benchmarks and found no evidence of child labour at FGV's operations.

The three pillars of FGV's Group Sustainability Framework, namely promoting economic growth, respecting human rights and protecting the environment, serve as the overarching themes for FGV's sustainability initiatives that cover a wide range of focus areas including responsible sourcing & production, enhancement of livelihood, ethical labour practices, child protection, gender equality, circular economy, biodiversity & wildlife management, and climate action.

"Our sustainability agenda remains at the forefront of our effort towards creating value for our stakeholders. The core priority which encapsulates all of our forward-moving plans is to champion sustainability through clear environment, social and governance (ESG) frameworks as enunciated in FGV's Group Sustainability Framework to drive positive impacts for our stakeholders, and to lead as a responsible global corporate citizen," said Dato' Mohd Nazrul.

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