Why the Eagle High purchase is valuable to FGV and shareholders

Kuala Lumpur

Felda Global Ventures Holdings Bhd (FGV) would like to address the varied commentaries and reports that question its ability to deliver higher growth and profits for shareholders and transform to become the largest palm oil plantation in the world:

Share Price

1. Palm Oil prices and commodities in general, have taken a beating since 2014, retreating from a high of RM2,534 p/mt in Jan 2014 to RM2,302 p/mt in Jan 2015. It is currently trade at RM2229 p/mt as of 30 June 2015 (Source: Malaysian Palm Oil Council).

2. FGV's revenue contribution is currently 70% from the plantations. When there is downward pressure on Crude Palm Oil prices, FGV's revenue will face equal pressure. Coupled with an unfortunate confluence of factors last year – including floods in the east coast that severely affected our production, and extreme ice conditions at our crushing mill in Canada – FGV posted lower than expected losses. This is something that happens in doing business – unexpected events – and we have accounted for it in our results over the past three Quarters.

3. The comment on the quantum of loss for the share price of other plantation companies is misinformed as they have diversified revenue streams that are not highly dependent on global CPO prices.

4. More importantly, the above points to the critical need for deliberate acceleration of our strategic transformation plan to move towards rebalancing our revenue streams to 60% from plantations and 40% downstream business – from which there will also be a higher margin contribution.

5. In addition, FGV Trading is also targeting revenue of between RM6 – 8billion revenue this year, considering the recent healthy growth of RM2.5 billion in our trading operations since February 2015.

6. FGV's current average age profile of our planted hectarage is 15.5 years, putting it at the matured and aging end of the spectrum.

7. Additionally, out of the 450,000 hectares under FGV's management, 355,864 are subject to the Land Lease Agreement (LLA) with FELDA, pushing up our operating costs.

8. To secure long-term sustainability and viability of our business, FGV needs more landbank and planted hectarge with a younger age-profile. Crude Palm Oil prices are at an historic low and are expected to rebound to an uptrend over the very near term. We must be prepared to take advantage of that with lower cost of production, higher volumes, better efficiencies and margin and strategic positioning to leverage the downstream business.

9. It is very important to note that every RM100 p/mt increase in CPO prices will add RM150 mil to FGV's revenue.

Plantations and Valuations

1. We have been looking outside of Malaysia for some time, including Africa, Myanmar and Indonesia. The Eagle High Plantation (EHP) landbank presents the largest contiguous landbank, from a single vendor that is also an unparalleled strategic fit for FGV.

2. It is important to note that the proposed implied EV (Enterprise Value) / ha for the planted hectarage of EHP is approximately US$17,400 per hectare – lower than the recent local transactions involving Sime Darby and NBPOL (EV / hectare of US$25,900), IOI and Unico-Desa Plantations (EV / hectare of US$23,500).

3. In comparing with recent Indonesian transactions, hectarages involved are small in nature, of less than 70,000 hectares.

4. It is also crucial to dispel the perception that Indonesian transactions should be priced lower than Malaysian transactions due to nature of the land tenure (freehold v leasehold). A key element to examine in our valuation is based on the economic value of the land; Indonesian plantations have higher yield than Malaysian plantations because the soil in Indonesia have gone through less planting cycle than Malaysia. Compared to Kalimantan/ Sulewasi, where there has been 2-3 cycles and Papua New Guinea with only one cycle, Malaysia has had 6 cycles/ 160 years. This is an important element that cannot be omitted when valuating the land – its economic value.

5. To buy at 37% from the open market is not possible as the free float is limited to approximately 30%.

Strategic Fit and Transaction Structure

1. More importantly – it discounts the unparalleled strategic fit for FGV and Malaysia in obtaining access to the Indonesian downstream market, sugar market, fertilizer & seedlings market and 240 million consumer market that this partnership with the third largest Indonesian conglomerate offers.

2. Indonesia is 'serumpun' and we are happy to have a known quantity as a partner, the

third largest diversified conglomerate in Indonesia, which has also exhibited trust in FGV by agreeing to a 2.55% stake in the enlarged share capital of FGV once the transaction is completed.

3. It is also important to note that should we go for an all debt structure, our gearing will only go to 1:1, which is very reasonable for a high-growth palm oil plantation company.

4. We will generate more cash from divestments, which we will be able to announce details of in the near future. We are also continuously and aggressively executing our transformation plan. FGV wants to reiterate that its dividend policy will remain unchanged and will be an important consideration in the structure of the funding.

Conclusion

1. The 37% makes FGV the single largest shareholder in Eagle High. The stake also provides FGV with policy control as well as board representation. We are pleased to have the local parties to continue to run the company with our input, as there is continuity and great expertise with the local team.

2. FGV does not intend to acquire majority control; the transaction closing is conditional upon, amongst other things, the transaction not triggering a mandatory tender offer requirement.

3. FGV emphasizes the quantum of the deposit purely signifies our firm commitment to the transaction and in return for exclusivity during the negotiation period. It must be emphasised that the deposit is fully refundable to FGV with all accrued interest, in the event the transaction cannot be completed.

4. In the final analysis – this is a purely commercial transaction, which will result in the making of an ASEAN palm oil giant, a global game-changer with clear benefits for both countries and companies.

5. Political innuendos and references to other GLCs and personal relationships are unnecessary and take away from the fact that this transaction will be a game-changer for the palm oil industry globally and FGV will be firmly on its way achieving the goals as set out in its 5-year transformation plan driven by 3 thrusts of revenue enhancement, cost-optimisation and operational excellence.

6. FGV will also focus on integrating and extracting efficiencies of recent acquisitions. Our goal is to empower management teams, guided by a unifying vision and culture of performance and sustainability.

7. Lastly, FGV will not be pursuing more acquisitions. Instead, FGV will look into the whole

value chain, from downstream to upstream. We will consolidate all our investments and drive growth.

For more information, please do not hesitate to contact us at fgv.investors@feldaglobal.com

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为什么收购 Eagle High 股权对联土全球（FGV）及股东是具有价值的

吉隆坡 7 月 6 日讯 联土全球（FGV）要回应各种质疑该公司是否有能力为股东带来高回酬及成 为世界最大棕榈油种植园的评论和报导。

股价

1. 棕油价格及一般原产品价格在 2014 年持续下滑。棕油价格从 2014 年 1 月每公吨报收 2534 令吉跌至 2015 年 1 月每公吨 2302 令吉。截至 2015 年 6 月 30 日，棕油报价为每公 吨 2229 令吉。（资料来源：马来西亚棕油委员会 MPOC）
2. FGV 70%的收入来自种植领域。当原棕油价格走跌时，FGV 的收入也面对同等压力。再加 上去年发生的不幸事故，包括严重影响种植产量的东海岸大水灾及加拿大压碎提炼厂面临低温结冰问题，FGV 公布了比预期更低的亏损。突发事故在经商领域中是会发生的，我们 已列入在过去 3 个季度的报告中。
3. 针对其他种植公司股价不断下滑的评论及报导是具有误导性，因为他们的收入来源是多元 的，不仅仅是高度依赖全球原棕油价格。
4. 更重要是，以上这点迫切需要作为推动我们平衡收入来源的转型计划，即 60%收入来自种 植领域，40%来自利润较高的下游业务。
5. 此外，在评估了自 2015 年 2 月开始的交易业务所取得的 25 亿令吉增长，FGV Trading 今年的收入目标预计介于 60 亿至 80 亿令吉。
6. FGV 目前的平均种植年龄结构为 15.5 年，它们处在成熟及老化的末端。
7. 在 FGV 所管辖的 45 万公顷种植园中，35 万 5864 公顷是受制于联邦土地发展局土地租赁协议（LLA）无形中推高了我们的营运成本。
8. 为了保障我们业务的活力及永续性，FGV 需要更多地库及更低的种植年龄结构。原棕油价 格创下历史性新低，预料短期内将出现反弹。我们必须做好准备，把握低成本营运、高产 量、高利润的优势，以及影响下游业务的策略位置。
9. 必须谨记的是，当原棕油价格每公吨上涨 100 令吉，FGV 的收入就会增加 1.5 亿令吉。

种植与估价

1. 我们已在国外物色多时，包括非洲、缅甸和印尼，Eagle High 种植（EHP）拥有邻接种植面 积最大的地库，这完全符合 FGV 绝佳的策略。
2. 必须谨记的是，建议中 EHP 种植面积的企业价值（EV）/ 公顷大约是 1 万 7400 美元/公顷，相对于最近在本地进行股权交易的森那美集团与 NBPOL 股权价值/公顷——2 万 5900

美元□□IOI 集团与商联帝沙（股权价值/公顷——2 万 3500 美元）更低。
3. 与印尼近期所进行的交易，涉及的土地面积相对小，少过 7 万公顷。
4. 我们必须要消除基于土地使用权（永久或租赁），所以在印尼交易比在马来西亚交易数额 应该更低的观念。我们是以土地经济价值为股价主要元素，印尼种植的收益率比马来西亚 高因为他们土地的翻种率比马来西亚少。相对于加里曼丹/苏拉威西 2、3 次翻种率，巴布 亚新几内亚的翻种率只有 1 次，反观马来西亚在 160 年内就翻种了 6 次。这是评估土地经 济价值一个不能忽视的重要元素。
5. 要在自由市场买卖，你需要足够大的区块。即便如此，如果我们要收购整个区块，价格会 被推高。

吻合策略及献购结构

1. 更重要是，它完全符合 FGV 和马来西亚绝佳的策略，以便与印尼第三大的企业集团一起进 军印尼下游市场、白糖市场、肥料市场及拥有 2 亿 4000 万人口的消费者市场。
2. 印尼与马来西亚是“ 同源 ”，我们很高兴拥有一个印尼第三大多元企业集团的熟悉伙伴，他们也同意在交易完成后，持有 FGV 的 2.55%股权。
3. 也要谨记的是，如果我们需要举债融资，负债比率也只是 1：1，对于一家高成长率的棕油 种植公司而言是合理的。
4. 我们可从撤资中套取更多现金，细节将在近期内宣布。我们也积极及持续性地执行转型计 划□FGV 要重申，我们的股息政策没变，它在资金架构中会成为重要的考量。

总结

1. 37%的股权将让 FGV 成为最大的单一股东，也赋予 FGV 政策调控权及成为董事会代表。我 们会提供意见，也很高兴由当地人继续经营这家公司，因为他们拥有丰富的经验。
2. FGV 无意掌握最大控制权，要完成这项交易是有条件的，其中包括不引发强制要约收购□MTO□□
3. FGV 强调，支付订金纯粹象征该公司对这项交易的承诺。作为回报，我们希望取得独家谈判权。必须特别强调的是，若交易不成功□FGV 可以完全索回此订金加上应计的利息。
4. 最终的分析结果，这纯粹是一项商业交易，它能打造出一家东盟棕油业巨头，一个惠及马 印两国及公司的全球 变革者。
5. 政治上的含沙射影、与其他官联公司或个人关系相提并论是没必要的。如此也将忽视了这 项交易会改变全球棕油工业□FGV 坚决通过 3 项要旨，即增加营收、优化成本及卓越营运， 实现 5 年转型计划。
6. FGV 在完成收购以后将会专注整合及提取效率。我们的目标是以统一愿景、以表现和持续 性的文化为指南，授权管理团队。
7. 最后□FGV 不会再收购更多股权，反而会检视从下游到上游的全盘价值链。我们会巩固所 有投资，驱动增长。

更多资料，请联系 fgv.investors@feldaglobal.com