FGV Holdings Berhad

(5222 | FGV MK) Plantation | Plantation

***Maintain* NEUTRAL**

Earnings in line with expectation

***Unchanged* Target Price: RM1.38**

KEY INVESTMENT HIGHLIGHTS

- **FY22 earnings within our expectation**
- **Higher sales tracking elevated ASP of CPO**
- **Earnings maintained**
- **Maintain NEUTRAL with unchanged TP of RM1.38**

RETURN STATISTICS	
Price @ 27th Feb 2023 (RM)	1.45
Expected share price return (%)	-5.03
Expected dividend yield (%)	+3.45
Expected total return (%)	-1.58

SHARE PRICE CHART

Share price performance (%)	Absolute	Relative
1 month	2.3	0.3
3 months	-4.3	-9.8
12 months	-8.8	-7.2

KEY STATISTICS	
FBM KLCI	1,455.50
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆
Issue shares (m)	3645.18
Estimated free float (%)	8.53
Market Capitalisation (RM'm)	5,289.82
52-wk price range (RM)	RM1.31 - RM2.12
Beta vs FBM KLCI (x)	0.76
3-mth average daily volume (m)	0.25
3-mth average daily value (RM'm)	0.33
Top Shareholders (%)	
FELDA	81.90
Kerajaan Negeri Pahang	5.00
UBS	2.45

Within our expectation. FGV's 4Q22 normalized earnings fell by -23.6%yoy to RM355.2m with lower PBZT achieved of RM464.1m. This was primarily due weaker results coming from plantations and logistic while sugar subsector recorded higher losses. On the other hand, sales remain flattish at RM6.1b (-1.2%yoy) while average selling prices for CPO during the quarter jumped +5.7%yoy to RM4,432/Mt. The FY22 normalized earnings of RM1.30b came in within our but above consensus expectations at 100% and 128% of respective full year estimates.

Upstream Operation. On year-on-year basis, the profit for the quarter dropped by -16%yoy to RM593.0m while its margin squeezed by -3ppts to 13.3%, dragged down by +14% higher CPO cost-ex mill to RM2,196/Mt due increased in manuring, upkeep and maintenance costs. Nevertheless, FFB output and yield increased meaningfully by +8% to 1.1m Mt and 4.13 Mt backed by improved the number of workers for harvesting activities. However, this is offset by decreased in OER (-4%) due to the lower quality of FFB ripeness impacted by the adverse weather conditions, especially in Johor, Sabah and the East Coast Region.

Downstream Operation. The outcome was mixed, with oil and fats sales volume rose by +8%yoy to 107,000 Mt. Oleochemical sales volume, on the other hand, dropped by -14%yoy to 70,000 Mt due slower uptake of full vegetable-based products and a production issue.

Dividend. Final dividend of 11.0 sen per ordinary share was declared for FY22. Making the full year FY22 dividend (FY21: 8.0 sen) to 15.0 sen/share (about 42% div. payout).

Earnings forecast. Maintain.

Recommendation. Maintain NEUTRAL call with unchanged TP of RM1.38 pegged to PER of 8x (nearly -1SD historical 2-yr average) on FY23F EPS of 17.1 sen.

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Table 1: Operating Profit breakdown (RM'm)

Sector	4Q22	4Q21	Variance (%)	Remarks
Plantation	506	630	-20	Attributable to the Lower profit contribution from palm upstream due to a +14 increase in CPO cost-mill.
Downstream	80	48	+67	Higher sales volume for packed products due to higher intake from export customers.
R&D and fertiliser	7	29	-76	Decrease in seeds sales volume and lower margin in fertiliser business.

Source: Company, MIDFR.

INVESTMENT STATISTICS

Financial year ending 31st December (in RM'm, unless otherwise stated)	FY21	FY22	FY23F	FY24F	FY25F
Revenue	**19,575.3**	**25,563.9**	**16,295.0**	**14,396.0**	**13,612.0**
EBIT	1,818.2	2,034.5	1,521.5	1,344.2	1,083.3
PBZT	1,714.0	1,951.0	1,426.8	1,260.5	1,038.8
PATZAMI	1,167.9	1,322.6	628.0	547.0	261.4
Normalized PATZAMI	**1,162.7**	**1,303.2**	**628.0**	**547.0**	**261.4**
Normalized EPS (Sen)	31.9	35.7	17.2	15.0	7.2
Normalized EPS Growth (%)	675.7	12.1	-51.8	-12.9	-52.2
PER (x)	4.2	3.8	8.4	9.7	20.2
Dividend Per Share (Sen)	8.0	15.0	5.0	3.0	3.0
Dividend yield (%)	5.4	11.4	3.4	2.1	2.1

FGV HOLDINGS BERHAD: 4QFY22 RESULTS SUMMARY

FYE 31st Dec (All in RM'm, unless otherwise stated)	Quarterly					Cumulative		
	4Q21	3Q22	4Q22	% QoQ	% YoY	FY22	FY21	% YoY
Revenue	6,174.9	5,315.0	6,100.8	14.8	-1.2	25,563.9	19,575.3	30.6
EBITDA	850.8	708.3	667.6	-5.7	-21.5	2,756.7	2,562.9	7.6
EBIT	694.6	548.7	481.3	-12.3	-30.7	2,034.5	1,818.2	11.9
PBZT	689.5	508.1	464.1	-8.6	-32.7	1,951.0	1,714.0	13.8
PATZAMI	438.8	399.4	348.7	-12.7	-20.5	1,322.6	1,167.9	13.3
Normalised PATZAMI	465.1	404.5	355.2	-12.2	-23.6	1,303.2	1,162.7	12.1
Normalised EPS (Sen)	12.7	11.1	9.7	-12.2	-23.6	35.7	31.9	12.1
				+/- ppts				
EBITDA margin (%)	13.8	13.3	10.9	-2.4	-2.8	10.8	13.1	-2.3
EBIT margin (%)	11.2	10.3	7.9	-2.4	-3.4	8.0	9.3	-1.3
Normalized PATZAMI margin (%)	7.5	7.6	5.8	-1.8	-1.7	5.1	5.9	-0.8
Effective tax rate (%)	36.4	21.0	30.4	9.4	-5.9	33.5	30.4	3.1

Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology