FGV Holdings Berhad

(5222 | FGV MK) Main | Plantation

Maintain NEUTRAL

Stable Upstream Performance

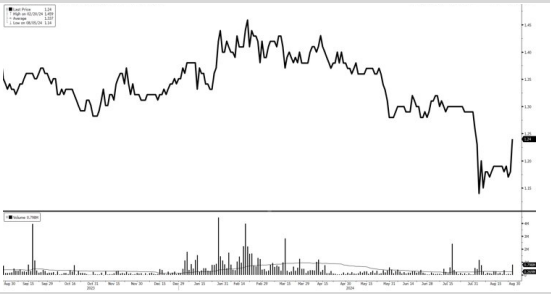
Revised Target Price: RM1.16
(Previously RM1.31)

KEY INVESTMENT HIGHLIGHTS

- **Earnings sustained in black**
- **Plantation business: profit jumped on higher CPO selling price**
- **Sugar subsegment maintained its red**
- **Maintain NEUTRAL with a revised TP of RM1.16**

RETURN STATISTICS	
Price @ 26th Nov 2024 (RM)	1.15
Expected share price return (%)	+1.2
Expected dividend yield (%)	+2.0
Expected total return (%)	**+3.2**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-3.9	-6.2
3 months	-3.1	-9.5
12 months	-12.7	-23.7

Robust results. The 3FY24 PATAMI surged to RM87.2m brings 9M24 PATMI to RM160.0m (>100%yoy), driven by a higher average CPO selling price of RM4,004/Mt together with all Divisions reporting improvements except for Oils & Fats, which reported a 2%yoy decline in profit due to contraction in margin in bulk commodities and chemical subsegment as a result of price competition in the overseas market. Overall, the results came in broadly above/within our and consensus expectation at >100%/73% of full-year estimates.

Plantation and Downstream division. During the quarter, upstream's earnings surprisingly surged to RM95.4m (>100%yoy) as opposed loss of -RM0.68m in prior year. A part of the profit was somewhat supported by higher CPO production (+20.0%) which grew to 1.2m Mt, which resulted in a higher yield of 4.72Mt/ha. Notably, average CPO price realized was higher above RM4,000/Mt level, with estate operational costs narrowed -18%yoy. Meanwhile, a recovery in oil & fats profitability continued, albeit slower than expected c. RM94.8m (-14.9%yoy), margins were tighter, stemming from intense price competition in the local market exacerbated by strengthening Ringgit to USD.

Sugar division. The sugar segment continues its losses of -RM54.2m mainly due to a +14% increase in production costs, resulted from higher NY11, forex rate, and freight costs.

Logistic and Support division. The bulking segment continued to gain strong earnings momentum at RM46.6m (+12.1%yoy) primarily driven by a +7% rise in profits from the logistics segment, attributed to higher throughput handled and increased handling rate in bulking operations, as well as higher tonnage handled in the transport business.

Earnings. We have tweaked our earnings estimate to align with the new baseline projection. This is after considering new average CPO price target revision of RM4,2000/RM4,3000/RM4,000 per Mt, elevated cost of production, stabilized OER and FFB output, in light of the softer FFB yield anticipation over FY24E-26F on biological tree rest conditions and adverse weather conditions, as a result, our new normalised earnings are RM205.6m/ RM254.3m/ RM281.2m in those periods.

Maintain NEUTRAL. Our **NEUTRAL** call remains with a revised **TP** of **RM1.15** as we rollover valuation year to FY25 BV/PS of 1.66 pegged to 0.7x P/BV - nearly to the mean 2y historical average.

INVESTMENT STATISTICS

FYE Mar	2024E	2025F	2026F
Revenue	24,339.5	24,869.3	24,425.7
Operating profit	363.4	450.2	481.0
PBZT	358.5	430.4	461.2
PATMI	205.6	254.3	281.2
EPS	5.6	7.0	7.7
DPS	3.0	3.0	3.0
Dividend Yield %	2.6	2.6	2.6

KEY STATISTICS	
FBM KLCI	1,604.25
Issue shares (m)	3648.15
Estimated free float (%)	10.24
Market Capitalisation (RM'm)	4,195.37
52-wk price range	RM1.1 - RM1.6
3-mth average daily volume (m)	0.27
3-mth average daily value (RM'm)	0.34
Top Shareholders (%)	
FELDA	81.91
KERAJAAN NEGERI PAHANG	5.00
UBS	1.99

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FGVH: 3Q24 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulative		
Income Statement	**3QFY23**	**2QFY24**	**3QFY24**	**QoQ%**	**YoY%**	**9MFY23**	**9MFY24**	**YoY%**
Revenue	4,907.0	5,515.7	6,175.2	12.0	25.8	13,994.5	16,235.4	16.0
Operating profit after LLA	115.9	169.3	179.1	5.8	54.5	223.6	415.3	85.7
Net Finance cost	-22.6	-28.3	-31.4	10.9	39.2	-67.7	-79.8	17.9
PBZT	82.8	140.7	156.6	11.3	89.2	157.0	347.0	>100
Zakat	-17.6	-1.5	-8.8	>100	-50.0	-18.4	-10.7	-41.5
Tax expense	-41.8	-54.5	-74.6	37.1	78.5	-125.5	-175.0	39.5
PAT	23.4	84.8	73.2	-13.7	>100	13.2	161.2	>100
PATMI	50.7	86.4	87.2	0.9	71.9	31.2	160.0	>100
EPS	1.4	2.4	2.4	0.9	71.9	0.9	4.4	>100
				+/-ppt				
Operating margin (%)	2.4	3.1	2.9	-0.2	0.5	1.6	2.6	1.0
PBZT margin (%)	1.7	2.6	2.5	0.0	0.8	1.1	2.1	1.0
Core PATAMI margin (%)	-1.4	0.6	3.0	2.5	4.4	-0.6	1.4	2.0

SEGMENTAL BREAKDOWN & OPERATIONAL STATS.

FYE Dec (RM'm)	Quarterly					Cumulative		
Revenue	**3QFY23**	**2QFY24**	**3QFY24**	**QoQ%**	**YoY%**	**9MFY23**	**9MFY24**	**YoY%**
Plantation	3,954.6	4,560.2	5,126.3	12.4	29.6	11,487.9	13,210.4	15.0
Sugar	806.7	832.6	861.3	3.5	6.8	2,141.3	2,600.8	21.5
Logistics and Others	136.0	116.5	180.4	54.8	32.6	332.6	403.6	21.3
Pre-Tax								
Plantation	111.0	168.1	190.8	13.5	71.9	186.6	323.4	73.3
Sugar	-31.9	-30.3	-54.2	NM	NM	-77.4	-17.4	NM
Logistics and Others	41.7	37.5	46.5	24.1	11.6	102.6	116.6	13.7
Pre-Tax Margin %								
Plantation	2.8	3.7	3.7	0.0	0.9	1.6	2.4	0.8
Sugar	-4.0	-3.6	-6.3	-2.7	-2.3	-3.6	-0.7	2.9
Logistics and Others	30.7	32.2	25.8	-6.4	-4.9	30.8	28.9	-1.9
Operational Stats.								
FFB Production '000	1,000.0	962.0	1,202.0	24.9	20.2	2,595.0	2,900.0	11.8
FFB Yield	3.7	3.8	4.7	25.5	26.5	9.7	11.4	17.5
OER %	20.9	20.5	20.7	1.1	-0.9	20.5	20.6	0.4
Avg CPO realised 'RM/Mt	3,879	4,103	3,980	-3.0	2.6	3,948	4,004	1.4

Source: FGVH, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	25,561.5	19,359.2	24,339.5	24,869.3	24,425.7
EBITDA	2,624.8	1,165.2	1,120.9	1,230.6	1,284.2
Operating profit	1,906.7	403.1	363.4	450.2	481.0
PBZT	1,955.2	336.4	358.5	430.4	461.2
PATMI	1,329.2	101.6	205.6	254.3	281.2
EPS (sen)	36.4	2.8	5.6	7.0	7.7
PER (x)	3.2	41.3	20.4	16.5	14.9
DPS (sen)	15.0	3.0	3.0	3.0	3.0
Dividend yield (%)	13.0	2.6	2.6	2.6	2.6

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
PPE	7,728.0	7,908.3	7,740.4	7,551.0	7,340.1
Right-of-use assets	2,150.8	2,195.9	2,164.1	2,130.9	2,096.4
Investment properties	73.8	66.1	58.3	50.5	42.8
Non-current assets	12,049.2	12,332.5	11,724.8	11,556.4	11,358.7
Inventories	2,361.4	1,626.9	1,622.6	1,658.0	1,628.4
Receivables	1,615.1	1,333.7	1,622.6	1,658.0	1,628.4
Current assets	6,061.4	4,950.2	5,946.7	6,325.6	6,690.5
Total Assets	18,110.6	17,282.8	17,671.5	17,882.1	18,049.2
Contract liabilities	109.4	91.7	91.7	91.7	91.7
Borrowings	1,881.6	2,269.4	2,269.4	2,269.4	2,269.4
Current liabilities	5,165.7	4,241.4	4,567.5	4,602.8	4,573.3
Borrowings	844.1	1,163.4	1,163.4	1,163.4	1,163.4
Lease liabilities	293.7	351.9	351.9	351.9	351.9
Non-current liabilities	5,060.3	5,459.4	5,459.4	5,459.4	5,459.4
Equity	7,884.7	7,582.0	7,576.0	7,751.2	7,947.9
Liabilities & equity	18,110.6	17,282.8	17,671.5	17,882.1	18,049.2

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PAT	1,268.6	112.4	249.4	284.7	306.2
Cash flow from operations	1,781.8	1,321.8	987.1	967.7	1,083.5
Cash flow from investing	-832.5	-1,089.9	-550.0	-550.0	-550.0
Cash flow from financing	-291.9	-547.2	-109.4	-109.4	-109.4
Net cash flow	657.4	-315.3	327.6	308.3	424.0
Net cash/(debt) b/f	1,967.2	2,624.6	2,309.4	2,637.0	2,945.2
Net cash/(debt) c/f	2,624.6	2,309.4	2,637.0	2,945.2	3,369.3

Source: Bloomberg, 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