FGV Holdings Berhad

(5222 | FGV MK) Main | Plantation

SHARIAH Compliant | FTSE4Good | ESG 4 Stars

Corporate Update

Acquisition Effort Continues

Accept Offer

Offer Price **RM1.30**

What's New. Yesterday, FELDA, together with its persons acting in concert (PACs), intends to privatize FGV Holdings Berhad by acquiring all remaining shares not already held by them. Notably, FELDA and its PACs collectively hold approximately 86.93% of FGV's total issued shares. The offer, priced at RM1.30/share – is similar to the bid back in 2020, aims to raise their stake to at least 90%, which would allow FELDA to delist FGV.

Slightly premium to market price. We recommend that investors accept the offer, as the RM1.30 offer price represents a 12% premium over our house fair value of RM1.16. Currently, the stock is valued at 16.7x PER based on the forecasted FY25 EPS of 7.6sen, 8.6% below the integrated plantation sector average PER of 18.3x. If valuation were instead based on FY24 earnings, the implied PER would be 17.2x. Although, the historical and forward implied P/E are notably below FGV's 5-year average of 20.5x and lag behind sector valuations, we view this as a fair benchmark given the company's mixed outlook.

Profit from the upstream segment is expected to be positive, supported by elevated CPO prices. However, FGV remains highly dependent on external FFB contributions from FELDA and third parties, which exposes its output volatility. This signals FGV's limited control has, over yield performance from these external sources. For the downstream, subdued earnings and contribution likely to persist due to notably high input costs at its feedstock refineries. Note that, in previous quarter its downstream earnings were somewhat effected, substantially down by -94%yoy to RM4.0m. Margins were squeezed due to 1) Price ceiling imposed to local cooking oil 2) Intensified price competition in the export market.

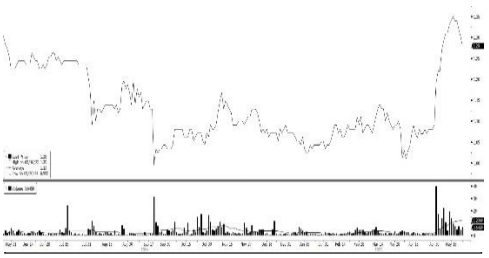
Rationale of Takeover. This development reaffirms FELDA's objective to fully privatize FGV and consolidate its ownership and strategic control over the group. FELDA has clearly stated that it does not intend to maintain FGV's listing status upon completion of the offer. Should FELDA and its PACs reach the 90% ownership threshold, Bursa Malaysia will suspend the trading of FGV shares within 5 market days, after which the delisting process will be initiated in accordance with Bursa's listing requirements.

If successful, the privatization is expected to streamline FELDA's operational oversight, align FGV's strategic direction with broader national interests, and potentially unlock long-term value through improved efficiency and coordination across the group.

Recommendation. We recommend that investors accept the offer, as the RM1.30 offer price represents a 12% premium over our fair value of RM1.16.

RETURN STATISTICS	
Price @ 26th May 2025 (RM)	1.28
Expected share price return (%)	+1.6
Expected total return (%)	+1.6

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	18.5	16.6
3months	17.4	14.1
12 months	--5.9	-0.7

INVESTMENT STATISTICS

FYE Dec (RM'm)	2025E	2026F	2027F
Revenue	24,657.5	24,190.7	23,875.8
Operating Profit	453.6	524.0	637.4
PBZT	433.5	503.9	617.3
PATAMI	279.0	333.7	413.0
EPS (sen)	7.6	9.1	11.3
DPS (sen)	5.0	5.0	4.0
Dividend Yield (%)	3.9	3.9	3.1

KEY STATISTICS	
FBM KLCI	1,534.30
Issue shares (m)	3648.15
Estimated free float (%)	10.24
Market Capitalisation (RM'm)	4,669.63
52-wk price range	RM1.00 – RM1.37
3-mth average daily volume (m)	0.48
3-mth average daily value (RM'm)	0.59
Top Shareholders (%)	
FELDA	81.91
Kerajaan Negeri Pahang	5.00
UBS	1.99

FINANCIAL SUMMARY

Income Statement (RM'm)	2023A	2024A	2025F	2026F	2027F	Cash Flow (RM'm)	2023A	2024A	2025F	2026F	2027F
Revenue	19,359.2	22,155.6	24,657.5	24,190.7	23,875.8	PAT	112.4	323.8	309.4	358.7	438.0
Operating Profit	403.1	627.3	453.6	524.0	637.4	Operating cash flow	1,550.6	1,211.9	886.5	1,138.0	1,229.1
PBZT	336.4	565.8	433.5	503.9	617.3	Investing cash flow	-866.8	-550.0	-550.0	-550.0	-550.0
PATAMI	101.6	276.3	279.0	333.7	413.0	Financing cash flow	-579.6	-109.4	-182.4	-182.4	-182.4
Core PATAMI	52.8	453.8	279.0	333.7	413.0	Net cash flow	104.3	552.5	154.1	405.6	496.7
EPS (sen)	2.8	7.6	7.6	9.1	11.3	Beginning cash flow	1,397.1	1,523.2	2,075.7	2,229.8	2,635.4
PER (x)	46.0	16.9	16.7	14.0	11.3	Ending cash flow	1,523.2	2,075.7	2,229.8	2,635.4	3,132.1
DPS (sen)	3.0	5.0	5.0	5.0	4.0						
Dividend yield (%)	2.3%	3.9%	3.9%	3.9%	3.1%						

Balance Sheet (RM'm)	2023A	2024A	2025F	2026F	2027F	Margins	2023A	2024A	2025F	2026F	2027F
PPE	7,908.3	8,110.4	7,551.0	7,340.1	7,107.7	OP margin	2.1%	2.8%	1.8%	2.2%	2.7%
ROU	2,195.9	2,100.2	2,130.9	2,096.4	2,060.5	PBT margin	1.7%	2.6%	1.8%	2.1%	2.6%
Intangible assets	889.6	889.6	889.6	889.6	889.6	PATAMI margin	0.5%	1.2%	1.1%	1.4%	1.7%
Non-current assets	12,332.5	12,420.8	11,500.0	11,301.8	11,081.7	Core PATAMI margin	0.3%	2.0%	1.1%	1.4%	1.7%
Inventories	1,626.9	2,318.9	1,643.8	1,612.7	1,591.7						
Trade receivables	1,333.7	1,254.7	1,643.8	1,612.7	1,591.7						
Current assets	4,950.2	6,076.6	5,585.3	5,928.7	6,383.3						
Total Assets	17,282.8	18,497.4	17,085.3	17,230.5	17,465.1						
Lease Liabilities	30.6	40.9	40.9	40.9	40.9						
Trade & other payables	1,296.5	2,075.3	1,643.8	1,612.7	1,591.7						
Current liabilities	4,241.4	5,130.3	4,698.9	4,667.7	4,646.8						
Non-current liabilities	5,459.4	5,751.3	5,751.3	5,751.3	5,751.3						
Equity	7,582.0	7,615.8	7,597.1	7,773.4	8,029.1						
Liabilities & equity	17,282.8	18,497.4	17,085.3	17,230.5	17,465.1						

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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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