

Gan Huey Ling, CFA

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03 2036 2305

Risk of trading suspension

SELL

(Maintained)

Rationale for report: Company results

Price	RM1.35
Fair Value	RM1.35
52-week High/Low	RM2.12/RM1.31

Key Changes

Fair value	↔
EPS	↔

YE to Dec	FY21	FY22E	FY23F	FY24F
Revenue (RMmil)	19,565.9	22,614.3	17,691.7	17,865.6
Net Profit (RMmil)	1,167.9	963.5	270.7	184.6
EPS (sen)	32.0	26.4	7.4	5.1
EPS growth (%)	699.1	-17.5	-71.9	-31.8
Consensus net (RMmil)		1,253.0	635.6	440.7
DPS (sen)	8.0	8.5	3.0	3.0
PE (x)	4.2	5.1	18.2	26.7
EV/EBITDA (x)	2.9	2.8	4.7	4.9
Div yield (%)	5.9	6.3	2.2	2.2
ROE (%)	21.5	15.9	4.3	2.9
Net gearing (%)	41.4	38.6	28.6	23.0

Stock and Financial Data

Shares Outstanding (million)	3,648.2
Market Cap (RM'mil)	4,925.1
Book value (RM/share)	1.49
P/BV (x)	0.9
ROE (%)	21.5
Net Gearing (%)	41.4

Major Shareholders	FELDA (81.2%) Pahang State Government (5.0%)
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Free Float (%)	18.8
Avg Daily Value (RM mil)	0.7

Price performance	3mth	6mth	12mth
Absolute (%)	-0.2	-20.1	-7.5
Relative (%)	-9.2	-17.3	-5.4



Investment Highlights

- We maintain SELL on FGV Holdings with an unchanged fair value of RM1.35/share, based on a FY23F PE of 18x. We ascribe a 3-star ESG rating to FGV.
- Our forecasts are maintained as FGV's 9MFY22 core net profit (ex-land lease changes) was within our forecast but 23% below consensus estimates.
- FGV's core net profit climbed by 68% YoY to RM785mil in 9MFY22 on the back of robust palm product prices. Average realised CPO price grew to RM4,989/tonne in 9MFY22 from RM3,475/tonne in 9MFY21. On a negative note, FGV's FFB production declined by 2%.
- The increase in CPO price compensated for higher costs of production in 9MFY22. FGV's cost of production (ex-depreciation and land lease payments) increased to RM2,174/tonne in 9MFY22 from RM1,787/tonne in 9MFY21 due to higher costs of wages and fertiliser.
- Pre-tax profit of the logistics and others division rose to RM74mil in 9MFY22 from RM53mil in 9MFY21, underpinned by higher volume of throughput and increased handling charges. Pre-tax profit margin of the unit improved to 13.8% in 9MFY22 from 11.4% in 9MFY21.
- Comparing 3QFY22 against 2QFY22, FGV's core net profit dived by 58% to RM125mil, dragged by higher cost of production and weaker palm product prices. Average realised CPO price slid to RM4,830/tonne in 3QFY22 from RM5,254/tonne in 2QFY22. FGV's cost of production rose to RM2,262/tonne in 3QFY22 from RM2,203/tonne in 2QFY22.
- FGV is currently trading at a FY23F PE of 18x, which is higher than the 2-year average of 13x.
- There is a risk that Bursa Malaysia may suspend trading in FGV if the public shareholding spread is not resolved. FGV's public shareholding stood at 13.1% as of 21 November.
- Bursa Malaysia has not announced whether it will give more time for FGV to resolve its public shareholding spread. The previous deadline was 3 August. FGV said that it has appointed an advisor to advise on various options to address the non-compliance of the public shareholding spread requirement.

EXHIBIT 1: EARNINGS SUMMARY (RM MIL)

	9MFY21	9MFY22	YoY	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	QoQ	YoY
Revenue	13,391.0	19,463.1	45%	5,315.8	6,184.3	5,853.8	7,427.1	6,182.3	-17%	16%
Cost of sales	(11,665.6)	(16,910.6)	45%	(4,488.4)	(5,199.7)	(5,015.0)	(6,481.1)	(5,414.5)	-16%	21%
Gross profit	1,725.5	,552.5	48%	827.4	984.6	838.7	946.0	767.8	-19%	-7%
Other op income	76.5	109.4	43%	14.6	21.8	29.9	4.3	35.2	-20%	>100
Selling & distribution	(139.2)	(193.6)	39%	(66.1)	(64.7)	(37.2)	(87.4)	(69.0)	-21%	4%
Admin expenses	(564.2)	(619.3)	10%	(192.7)	(228.6)	(186.6)	(207.0)	(225.7)	9%	17%
Impairment on fin assets	(7.6)	2.8	>100	(7.2)	1.8	(8.0)	(6.2)	16.9	>100	>100
Other op expenses	(28.6)	(53.9)	88%	(13.9)	(69.9)	(2.4)	(7.0)	(44.5)	>100	>100
Other (losses)/gains, net	97.2	(22.7)	(>100)	73.5	(12.2)	33.9	(12.1)	(44.4)	>100	>100
FV chg in land lease	(70.4)	(268.3)	>100	(107.0)	66.5	(159.1)	(57.9)	(51.4)	-11%	-52%
Finance costs	(112.5)	(83.0)	-26%	(44.0)	(23.9)	(35.7)	(27.5)	(19.8)	-28%	-55%
Finance income	13.3	16.6	24%	3.3	9.2	4.2	3.0	9.4	>100	>100
Share of results in assoc	1.0	1.1	16%	0.5	2.6	0.5	0.5	0.1	-75%	-76%
Share of results in JV	33.4	45.2	35%	19.7	2.4	22.9	11.5	10.8	-6%	-45%
PBT	1,024.4	1,486.8	45%	508.1	689.5	501.1	600.3	385.5	-36%	-24%
Tax&zakat	(272.7)	(547.5)	>100	(107.0)	(265.7)	(134.5)	(244.5)	(168.5)	-31%	57%
Minority interest	(49.0)	45.6	>100	(1.6)	41.3	2.7	18.3	24.7	35%	>100
Net profit	702.8	984.9	40%	399.4	465.1	369.2	374.0	241.7	-35%	-39%
Core net profit ex LLA	466.2	785.0	68%	369.8	291.7	359.5	300.7	124.8	-58%	-66%
EPS	19.3	27.0	40%	11.0	12.8	10.1	10.3	6.6	-35%	-40%
DPS	-	4.0		-	8.0	-	4.0	-		
Effective tax rate	24.9%	31.2%		17.4%	42.6%	20.4%	37.2%	38.6%		
GP margin	12.9%	13.1%		15.6%	15.9%	14.3%	12.7%	12.4%		
CPO price (RM/tonne)	3,475	4,989	44%	3,798	4,194	5,058	5,254	4,830	-8%	27%
FFB production (tonnes)	2,922,292	2,859,830	-2%	1,121,539	1,053,279	826,348	958,018	1,075,464	12%	-4%

Source: Bursa Announcement

EXHIBIT 2 : ESG RATING

Overall	★	★	★		
RSPO certification	★	★			
Supply chain auditing	★	★	★		
Migrant workers welfare	★	★	★		
Fires	★	★	★		
Work site safety	★	★	★		
Corporate social responsibility	★	★	★		
Corruption free pledge	★	★	★		
Accessibility and transparency	★	★	★		

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star

EXHIBIT 3 : PB BAND CHART

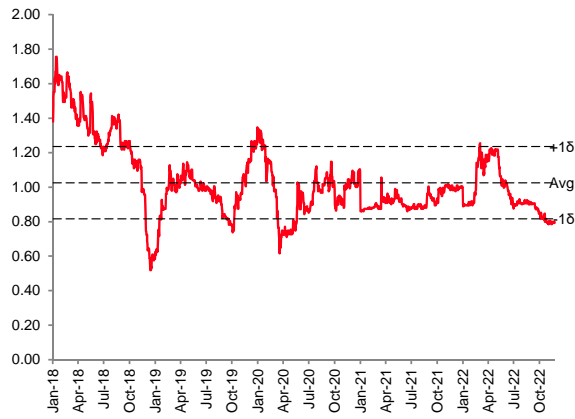


EXHIBIT 4 : PE BAND CHART

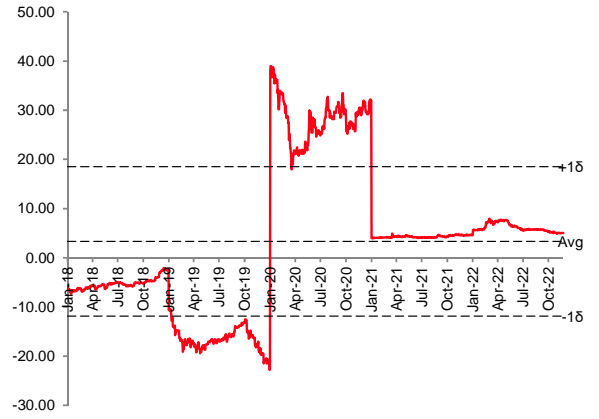


EXHIBIT 5: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	2020	2021	2022E	2023F	2024F
Revenue	14,075.7	19,565.9	22,614.3	17,691.7	17,865.6
EBITDA	1,094.4	2,448.9	2,499.1	1,298.9	1,160.4
Depreciation & amortisation	782.8	765.3	771.1	785.5	799.9
Operating income (EBIT)	311.6	1,683.7	1,728.0	513.4	360.5
Other income, associates & JV	156.3	134.5	93.2	97.3	101.8
Net interest	(121.9)	(104.2)	(160.0)	(144.0)	(144.0)
Exceptional items	0.0	0.0	0.0	0.0	0.0
Pretax profit	346.1	1,714.0	1,661.2	466.7	318.3
Taxation	(211.9)	(538.4)	(531.6)	(149.3)	(101.9)
Minorities/pref dividends	12.0	(7.7)	(166.1)	(46.7)	(31.8)
Loss from discount opes	0.0	0.0	0.0	0.0	0.0
Net profit	146.2	1,167.9	963.5	270.7	184.6
Core net profit	9.66	757.88	963.5	270.7	184.6
Balance Sheet (RMmil, YE 31 Dec)	2020	2021	2022E	2023F	2024F
Fixed assets	10203.8	9952.0	9580.9	9195.4	8795.5
Intangible assets	958.3	948.4	948.4	948.4	948.4
Other long-term assets	1330.9	1203.8	2371.5	2588.4	2778.7
Total non-current assets	12,493.0	12,104.2	12,900.8	12,732.2	12,522.5
Cash & equivalent	1729.2	2031.7	2095.8	2631.7	2939.2
Stock	1192.6	1914.4	2168.5	1696.5	1713.1
Trade debtors	1438.8	1388.3	1388.3	1388.3	1388.3
Other current assets	325.8	517.8	507.7	504.6	501.6
Total current assets	4686.5	5852.2	6160.3	6221.1	6542.3
Trade creditors	1153.6	1546.8	1668.3	1376.3	1403.3
Short-term borrowings	2633.6	2330.4	2283.7	2238.1	2193.3
Other current liabilities	635.7	936.0	1125.3	1126.1	1127.0
Total current liabilities	4422.9	4813.1	5077.3	4740.5	4723.6
Long-term borrowings	773.2	1033.1	1053.8	1074.9	1096.4
Other long-term liabilities	5883.2	4923.7	4923.7	4923.7	4923.7
Total long-term liabilities	6656.4	5956.8	5977.5	5998.6	6020.1
Shareholders' funds	4261.7	5420.8	6074.2	6235.4	6310.6
Minority interests	1838.5	1765.9	1932.0	1978.7	2010.5
BV/share (RM)	1.17	1.49	1.67	1.71	1.73
Cash Flow (RMmil, YE 31 Dec)	2020	2021	2022E	2023F	2024F
Pretax profit	346.1	1,714.0	1,661.2	466.7	318.3
Depreciation	759.1	744.7	771.1	785.5	799.9
Net change in working capital	147.3	(635.4)	(422.8)	34.7	(87.7)
Others	503.2	118.6	(750.2)	396.7	222.8
Cash flow from operations	1,755.7	1,941.9	1,259.4	1,683.6	1,253.3
Capital expenditure	(435.5)	(566.1)	(400.0)	(400.0)	(400.0)
Net investments & sale of fixed assets	4.8	0.8	0.0	0.0	0.0
Others	68.8	(3.9)	0.0	0.0	0.0
Cash flow from investing	(361.9)	(569.2)	(400.0)	(400.0)	(400.0)
Debt raised/(repaid)	(887.6)	(456.8)	(439.0)	(437.6)	(436.3)
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Dividends paid	(164.8)	(190.9)	(291.9)	(310.1)	(109.4)
Others	(237.2)	(440.2)	0.0	0.0	0.0
Cash flow from financing	(1,289.6)	(1,087.9)	(730.8)	(747.7)	(545.7)
Net cash flow	104.2	284.7	128.6	535.9	307.6
Net cash/(debt) b/f	1,568.5	1,665.4	1,967.2	2,095.8	2,631.7
Forex	(7.2)	17.1	0.0	0.0	0.0
Net cash/(debt) c/f	1,665.4	1,967.2	2,095.8	2,631.7	2,939.2
Key Ratios (YE 31 Dec)	2020	2021	2022E	2023F	2024F
Revenue growth (%)	6.2	39.0	15.6	-21.8	1.0
EBITDA growth (%)	123.6	123.8	2.0	-48.0	-10.7
Pretax margins (%)	2.5	8.8	7.3	2.6	1.8
Net profit margins (%)	1.0	6.0	4.3	1.5	1.0
Interest cover (x)	9.0	23.5	15.6	9.0	8.1
Effective tax rate (%)	-61.2	-31.4	-32.0	-32.0	-32.0
Net dividend payout (%)	74.9	25.0	32.2	40.4	59.3
Debtors turnover (days)	37	26	28	28	28
Stock turnover (days)	31	36	35	35	35
Creditors turnover (days)	33	33	31	31	31

Source: Company, AmlInvestment Bank estimates

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