

03 May 2021

## FGV Holdings

### Proposed Acquisition of MSM Perlis

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FGV has announced a proposed acquisition of MSM Perlis Sdn Bhd along with 11 parcels of lands and buildings (totalling 4,499 Ha). The reference final consideration of RM206.1m translates to EV/Ha of RM45.8k (vs. the typical c.RM80k benchmark for planted agricultural land in West Malaysia) which we think is fair as: (i) the lands are only partially planted, and (ii) it is valued at 31% premium to F&N's offer. Win-win situation for MSM (to unlock value – RM91.6m gain in disposal) and FGV (tapping into Northern Corridor economic developments). No changes to earnings estimates, pending further details. Maintain MP with unchanged TP of RM1.30.

**Related party transaction.** FGV announced a proposed acquisition of MSM Perlis Sdn Bhd along with 11 parcels of lands and buildings in Chuping, Perlis totalling 4,499 Ha for a reference final consideration of RM206.1m, taking into account: (i) cash consideration (RM175.0m), (ii) reference net working capital (RM23.2m), and (iii) reference net debt (RM7.8m). These figures are subject to adjustment at completion date, estimated by end of 3QCY21. We estimate that the planted area of the land merely comprises of: (i) c.44.5 Ha of rubber, (ii) c.106 Ha of oil palm, and (iii) c.911 Ha of mango trees.

**Fair price.** The reference final consideration of RM206.1m translates to an EV/Ha of RM45.8k (vs. the typical RM80k benchmark in West Malaysia for planted agricultural land), which we think is fair as the lands are only partially planted. We also reference F&N's offer of RM156m for the same Ladang Chuping estate (4,454 Ha) which translates into an EV/Ha of RM35.0k. FGV's offer is c.31% higher, likely due to the additional sugar refinery plant.

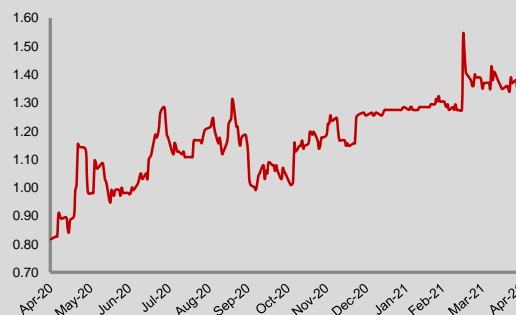
**Win-win for both FGV and MSM.** The sale will allow MSM to unlock the value of its non-core assets with a disposal gain of RM91.6m (BV/share of c.RM0.130), while potentially enabling FGV to tap into: (i) Chuping Valley Industrial Area which is centered on green and halal industries, as well as (ii) Perlis Inland Port which is aiming to facilitate cross-border trade between Malaysia and Thailand. Post announcement, we made **no changes to our earnings estimate**, pending further details from management.

**Maintain MARKET PERFORM with unchanged TP of RM1.30** based on FY21E PER of 16x, in line with peers. Meanwhile, its FY21E PBV of 1.14x reflects valuation slightly above its 3-year mean and peers' average of c.1.0x PBV. At this juncture, we believe there is limited upside potential, hence our MARKET PERFORM call.

## MARKET PERFORM ↔

Price: RM1.38  
Target Price: RM1.30 ↔

### Share Price Performance



KLCI 1,601.65  
YTD KLCI chg -1.6%  
YTD stock price chg 7.8%

### Stock Information

Shariah Compliant Yes  
Bloomberg Ticker FGV MK Equity  
Market Cap (RM m) 5,034.4  
Shares Outstanding 3,648.2  
52-week range (H) 1.67  
52-week range (L) 0.83  
3-mth avg daily vol: 4,646,663  
Free Float n.a.  
Beta 1.1

### Major Shareholders

Lembaga Kemajuan Tanah Persekutuan 78.1%  
Minister of Finance 5.5%  
Kerajaan Negeri Pahang 5.0%

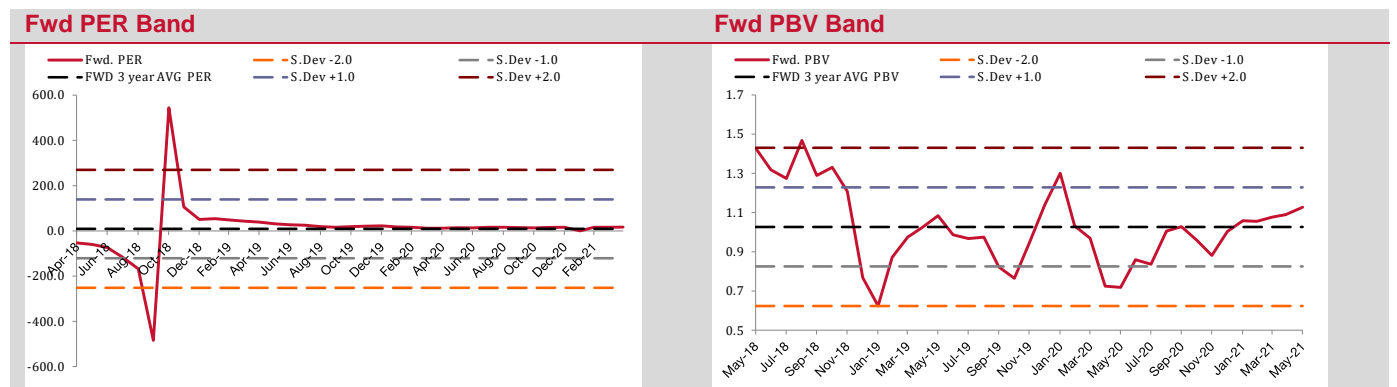
### Summary Earnings Table

FY Dec (RM m)	2020A	2021E	2022E
Turnover	14075.7	14845.6	15101.6
EBIT	1118.0	1280.9	1440.9
PBT	353.5	330.6	459.1
<b>Net Profit (NP)</b>	<b>150.0</b>	<b>292.2</b>	<b>327.9</b>
<b>Core NP</b>	<b>247.0</b>	<b>292.2</b>	<b>327.9</b>
Consensus (CNP)	N.A.	282.8	278.1
Earnings Revision	N.A.	0%	0%
Core EPS (sen)	6.77	8.01	8.99
Core EPS grwth (%)	379	18	12
NDPS (sen)	3.0	4.0	4.5
BV/Share (RM)	1.17	1.21	1.25
Core PER (x)	20.4	17.2	15.4
Price/BV (x)	1.2	1.1	1.1
Net Gearing (x)	0.56	0.48	0.41
Net Dvd Yield (%)	2.2	2.9	3.3



Income Statement						Financial Data & Ratios					
FY Dec (RM m)	2018A	2019A	2020A	2021E	2022E	FY Dec	2018A	2019A	2020A	2021E	2022E
Revenue	13464	13259	14076	14846	15102	<b>Growth (%)</b>					
EBITDA	-140	405	1118	1281	1441	Revenue	-1.9	-20.4	-1.5	6.2	5.5
Depreciation	686	598	587	611	636	EBITDA	5.5	-113.3	-388.0	176.4	14.6
Operating Profit	-827	-194	448	639	775	Operating Profit	28.7	-270.3	-76.5	-331.2	42.5
Interest Exp	-189	-183	-161	-123	-121	Pre-tax Income	54.6	-354.1	-66.9	-204.3	-6.5
Interest Inc	34	25	39	56	62	Core Net Income	-158.5	-288.0	-125.6	379.3	18.3
Associate	-12	-2	0	9	9	<b>Profitability (%)</b>					
JV	-29	15	27	21	21	EBITDA Margin	6.3	-1.0	3.1	7.9	8.6
PBT	-1023	-339	353	331	459	Operating Margin	2.9	-6.1	-1.5	3.2	4.3
Taxation	-119	-32	-215	-99	-147	PBT Margin	2.4	-7.6	-2.6	2.5	2.2
Minority Interest	62	125	11	61	16	Core Net Margin	0.6	-1.5	0.4	1.8	2.0
Net Profit	-1080	-246	150	292	328	Effective Tax Rate	-51.8	11.6	9.5	-60.7	-30.0
Core Net Profit	-201	52	247	292	328	ROE	2.3	-24.1	-5.9	3.5	6.6
						ROA	0.6	-5.8	-1.4	0.9	1.6
<b>Balance Sheet</b>						<b>DuPont Analysis</b>					
FY Dec (RM m)	2018A	2019A	2020A	2021E	2022E	Net Margin (%)	0.8	-8.0	-1.9	1.1	2.0
Fixed Assets	10521	10423	10336	10225	10089	Assets T/over (x)	0.8	0.7	0.8	0.8	0.8
Biological Assets	42	42	42	42	42	Leverage Factor(x)	3.7	4.2	4.2	4.0	4.1
Intangibles	996	996	996	996	996	ROE (%)	2.3	-24.1	-5.9	3.5	6.6
Other FA	1895	1895	1895	1895	1895	<b>Leverage</b>					
Inventories	2063	1989	2111	2227	2265	Debt/Asset (x)	0.23	0.24	0.24	0.22	0.22
Receivables	1236	947	1005	1060	1078	Debt/Equity (x)	0.95	1.00	0.96	0.91	0.86
Other CA	737	331	-131	-131	-131	Net Cash/(Debt)	-3024	-2555	-2371	-2122	-1871
Cash	1220	1618	1729	1907	2085	Net Debt/Equity (x)	0.68	0.61	0.56	0.48	0.41
<b>Total Assets</b>	<b>18711</b>	<b>17651</b>	<b>17120</b>	<b>18220</b>	<b>18320</b>	<b>Valuations</b>					
Payables	1228	1232	1308	1379	1403	Core EPS (sen)	-5.52	1.41	6.77	8.01	8.99
ST Borrowings	3253	3193	3133	3073	3013	NDPS (sen)	0.0	2.0	3.0	4.0	4.5
Other ST Liability	618	618	618	618	618	BVPS (RM)	1.23	1.14	1.17	1.21	1.25
LT Borrowings	992	980	968	956	944	Core PER (x)	-25.0	97.7	20.4	17.2	15.4
Other LT Liability	6004	6004	6004	6004	6004	Net Div. Yield (%)	0.0	1.4	2.2	2.9	3.3
Minorities Int.	2142	1927	1839	1778	1763	P/BV (x)	1.13	1.21	1.18	1.14	1.10
<b>Net Assets</b>	<b>4475</b>	<b>3698</b>	<b>3250</b>	<b>4412</b>	<b>4576</b>	EV/EBITDA (x)	-57.4	18.8	6.6	5.6	4.8
Share Capital	7030	7030	7030	7030	7030						
Retained Earnings	462	-2856	-2763	-2617	-2453						
Other Reserves	-3018	0	-1	-1	-1						
<b>Equity</b>	<b>4475</b>	<b>4173</b>	<b>4266</b>	<b>4412</b>	<b>4576</b>						
<b>Cashflow Statement</b>											
FY Dec (RM m)	2018A	2019A	2020A	2021E	2022E						
Operating CF	918	1975	1706	1673	2675						
Investing CF	-814	-484	-292	-500	-500						
Financing CF	-739	-1017	-1303	-596	-614						
Change In Cash	-635	474	111	577	1561						
Free CF	104	1491	1414	1173	2175						

Source: Kenanga Research



Source: Bloomberg, Kenanga Research

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### Peer Comparison

Name	Last Price	Market Cap	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div. Yld. (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.		
<b>STOCKS UNDER COVERAGE</b>																	
FGV HOLDINGS BHD	1.38	5,034.4	Y	12/2021	5.5%	1.7%	18.3%	12.2%	97.7	24.9	19.7	1.2	1.2	6.7%	1.4%	1.30	MP
GENTING PLANTATIONS BHD	8.73	7,832.5	Y	12/2021	-1.7%	5.5%	31.2%	9.1%	32.8	25.0	23.0	1.6	1.5	6.3%	2.2%	8.95	MP
HAP SENG PLANTATIONS HLDGS	1.90	1,519.4	Y	12/2021	8.4%	4.2%	39.2%	6.5%	21.9	15.8	14.8	0.9	0.9	5.6%	3.7%	2.15	OP
IJM PLANTATIONS BHD	1.81	1,593.9	N	03/2021	24.9%	3.0%	155.9%	-0.2%	45.8	17.9	17.9	1.3	1.3	7.3%	2.2%	1.80	MP
IOI CORPORATION BHD	4.09	25,602.0	Y	06/2021	24.2%	6.2%	23.8%	5.6%	33.8	30.5	23.3	2.7	2.6	10.8%	2.1%	4.55	MP
KUALA LUMPUR KEPONG BHD	22.00	23,728.2	Y	09/2021	11.5%	4.4%	35.6%	9.7%	31.2	23.0	21.0	2.2	2.1	9.2%	2.5%	25.40	OP
PPB GROUP BERHAD	18.50	26,318.1	Y	12/2021	18.4%	11.1%	3.3%	7.9%	20.1	19.5	18.0	1.2	1.1	6.0%	2.2%	20.70	OP
SIME DARBY PLANTATION BHD	4.54	31,256.0	Y	12/2021	14.1%	5.0%	80.5%	5.2%	37.3	20.6	19.6	2.3	2.2	10.8%	2.2%	5.50	OP
TA ANN HOLDINGS BERHAD	2.83	1,246.5	Y	12/2021	6.2%	3.2%	35.0%	10.5%	19.6	14.5	13.1	0.9	0.8	5.8%	3.5%	3.00	MP
TSH RESOURCES BHD	1.07	1,476.8	Y	12/2021	19.8%	1.4%	7.5%	11.3%	20.5	19.1	17.1	1.0	0.9	7.8%	2.3%	1.00	UP
UNITED MALACCA BHD	5.10	1,069.8	Y	04/2021	38.8%	9.1%	72.9%	60.6%	N.A.	31.5	19.6	0.8	0.8	2.6%	1.8%	5.30	MP
<b>Simple Average</b>					<b>15.5%</b>	<b>5.0%</b>	<b>45.7%</b>	<b>12.6%</b>	<b>36.1</b>	<b>22.0</b>	<b>18.8</b>	<b>1.5</b>	<b>1.4</b>	<b>7.2%</b>	<b>2.4%</b>		

Source: Bloomberg, Kenanga Research

Stock Ratings are defined as follows:

**Stock Recommendations**

- OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
- MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
- UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

- OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
- NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
- UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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