

FGV Holdings Berhad

Upstream Will Continue to Perform

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9MFY21 CNP of RM289.4m came above our/consensus' expectation at 90%/80%. We expect sequential earnings improvement on higher CPO prices outstripping softer FFB output. FY21 FFB output will likely miss management's previous guidance (-3% to -4% YoY) but should be within our estimate (-7% YoY). Raise FY21-22E earnings by 61-9%. Maintain MP with a higher TP of RM1.55 (from RM1.45) @ FY22E PER of 16x. ESG score is 74%.

Above expectations. 9MFY21 core net profit (CNP) of RM289.4m at 90%/80% of full-year estimate is above both our/consensus' expectations due to higher-than-expected CPO price. 9MFY21 FFB output of 2.92m MT (-5% YoY) is at 73% of full-year estimate. Absence of DPS is as expected.

Results' highlight. YoY, 9MFY21 CNP leapt (+659%) mainly due to an improvement in plantation PBT of RM902.8m (from LBT of RM57.9m in 9MFY20) due to higher average CPO price (+37%) outstripping a 5% decline in FFB output. **QoQ,** 3QFY21 rose (+62%) lifted by higher average CPO price (+14%) and a higher FFB output (+6%).

Upstream to remain strong. Premised on higher CPO prices (MPOB QTD-4QFY21: +17% QoQ) outstripping softer FFB output, we expect 4QFY21 earnings to improve sequentially. As 10MFY21 FFB output is down 9% YoY, we think FY21 FFB output will likely miss management's earlier guidance (-3% to -4% YoY), but should be closer to our estimate (-7% YoY). Meanwhile, the industry's labour situation is expected to improve with the intake of 32k foreign workers (expected in 1QCY22). FGV's current foreign worker coverage is ~70%.

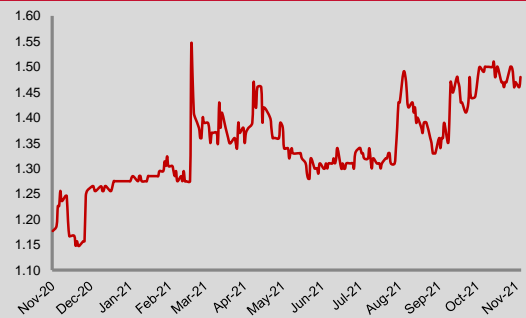
Raise FY21E earnings by 61% on higher realized CPO price of ~RM3,600/MT (from ~RM3,200/MT), and FY22E earnings by 9% on windfall levy revision.

Maintain MARKET PERFORM with a higher Target Price of RM1.55 (from RM1.45) based on FY22E PER of 16x. Traded at FY22E PER of 15.1x, we think FGV is fairly valued at this juncture, while still being exposed to ESG concerns. Upstream peer is trading at PER of <13x which is more attractive. ESG score is 74%. **Key risks include:** (i) FELDA returning with a higher offer, (ii) sharp rise/fall in CPO prices, and (iii) estates and/or operations shutdown due to COVID-19 resurgence.

MARKET PERFORM ↔

Price: RM1.48
Target Price: RM1.55 ↑

Share Price Performance



KLCI 1,513.98
YTD KLCI chg -7.0%
YTD stock price chg 15.6%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	FGV MK Equity
Market Cap (RM m)	5,399.3
Shares Outstanding	3,648.2
52-week range (H)	1.67
52-week range (L)	1.16
3-mth avg daily vol:	1,048,990
Free Float	10%
Beta	1.1

Major Shareholders

Lembaga Kemajuan Tanah Persekutuan	79.7%
Kerajaan Negeri Pahang	5.0%
Koperasi Permodalan Felda Bhd	2.8%

Summary Earnings Table

FYE Dec (RM m)	2020A	2021E	2022E
Turnover	14075.7	16804.5	16053.1
EBIT	448.4	1230.9	831.2
PBT	353.5	822.6	601.2
Net Profit (NP)	150.0	518.1	356.9
Core NP	247.0	518.1	356.9
Consensus (CNP)	N.A.	364.0	294.2
Earnings Revision	N.A.	+61%	+9%
Core EPS (sen)	6.77	14.20	9.78
Core EPS growth (%)	379.3	109.8	-31.1
NDPS (sen)	3.0	8.5	6.0
BV/Share (RM)	1.17	1.23	1.26
Core PER (x)	21.9	10.4	15.1
Price/BV (x)	1.3	1.21	1.17
Net Gearing (x)	0.56	0.49	0.38
Net Dvd Yield (%)	2.0	5.7	4.1

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Results Highlights								
FY Dec (RM m)	3Q21	2Q21	QoQ %	3Q20	YoY%	9M21	9M20	YoY%
Revenue	5,315.8	4,681.7	14%	3,294.4	61%	13,391.0	9,371.8	43%
EBIT	528.5	518.7	2%	39.3	1246%	1,089.2	-35.1	nm
Pretax Profit	508.1	501.4	1%	17.8	2751%	1,024.4	-127.4	nm
Taxation	-107.0	-136.9	-22%	-5.8	1754%	-272.7	-22.4	1120%
MI	-1.6	-25.7	-94%	8.5	nm	-49.0	48.5	nm
Net Profit	399.4	338.8	18%	20.5	1844%	702.8	-101.3	nm
Core Net Profit/ (Loss)	194.9	120.1	62%	97.4	100%	289.4	38.1	659%
EPS (sen)	10.95	9.29	18%	0.56	1844%	19.3	-2.8	-794%
Core EPS (sen)	5.34	3.29	62%	2.67	100%	7.9	1.0	659%
Net DPS (sen)	0.0	0.0	nm	0.0	nm	0.0	0.0	nm
EBIT margin	9.9%	11.1%		1.2%		8.1%	-0.4%	
PBT margin	9.6%	10.7%		0.5%		7.7%	-1.4%	
Tax rate	-21.1%	27.3%		-32.4%		-26.6%	17.6%	
CPO (RM / mt)	3,798	3,333	14%	2,309	64%	3,475	2,536	37%
FFB ('000 MT)	1,122	1,058	6%	1,188	-6%	2,922	3,088	-5%

Source: Company, Kenanga Research

Segmental Breakdown								
FY Dec (RM m)	3Q21	2Q21	QoQ %	3Q20	YoY%	9M21	9M20	YoY%
Segmental Revenue								
- Plantation	4,678.2	4,039.9	16%	2,777.9	68%	11,513.7	7,743.2	49%
- Sugar	548.6	554.1	-1%	447.3	23%	1,617.6	1,407.7	15%
- Logistics and Others	89.0	87.8	1%	69.1	29%	259.7	220.9	18%
Group Revenue	5,315.8	4,681.7	14%	3,294.4	61%	13,391.0	9,371.8	43%
Segment PBT								
- Plantation	481.2	472.4	2%	47.1	921%	902.8	-57.9	nm
- Sugar	18.2	23.1	-21%	-26.5	nm	91.9	-80.9	nm
- Logistics and Others	20.9	20.1	4%	12.9	62%	52.8	35.5	49%
- Reconciliation	-12.2	-14.2	-14%	-15.7	-22%	-23.0	-24.1	-4%
Group PBT	508.1	501.4	1%	17.8	2751%	1,024.4	-127.4	nm

Source: Company, 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.		
	(RM)	(RM'm)															
STOCKS UNDER COVERAGE																	
FGV HOLDINGS BHD	1.48	5,399.3	Y	12/2021	19.4%	-4.5%	109.8%	-31.1%	21.9	10.4	15.1	1.3	1.2	11.9%	5.7%	1.55	MP
GENTING PLANTATIONS BHD	6.74	6,047.1	Y	12/2021	23.2%	-9.2%	73.7%	-11.9%	25.4	14.6	16.6	1.2	1.2	8.3%	4.3%	8.40	OP
HAP SENG PLANTATIONS HLDGS	1.94	1,551.4	Y	12/2021	60.8%	-20.6%	174.3%	-36.2%	22.4	8.2	12.8	0.9	0.9	10.8%	7.2%	2.30	OP
IJM PLANTATIONS BHD	3.10	2,729.8	Y	03/2022	34.6%	-13.0%	147.9%	-42.4%	22.2	9.0	15.6	1.9	1.7	19.9%	4.7%	N.A.	Not Rated
IOI CORPORATION BHD	3.68	22,885.8	Y	06/2022	13.5%	-8.4%	20.6%	-14.1%	27.4	17.8	20.7	2.3	2.1	12.4%	2.6%	4.05	MP
KUALA LUMPUR KEPONG BHD	21.04	22,678.7	Y	09/2022	-5.2%	-3.2%	-15.0%	-7.4%	13.5	15.9	17.1	1.9	1.8	11.7%	2.6%	26.50	OP
PPB GROUP BERHAD	17.82	25,350.7	Y	12/2021	18.4%	11.1%	3.7%	5.2%	19.4	18.7	17.7	1.1	1.1	6.1%	2.2%	18.90	MP
SIME DARBY PLANTATION BHD	3.68	25,449.8	Y	12/2021	39.5%	-8.0%	194.3%	-35.7%	30.6	10.4	16.2	1.9	1.7	17.2%	5.7%	4.10	MP
TA ANN HOLDINGS BERHAD	3.27	1,440.3	Y	12/2021	44.8%	-19.0%	305.4%	-42.8%	22.7	5.6	9.8	1.0	0.9	17.4%	9.2%	3.25	MP
TSH RESOURCES BHD	1.09	1,504.4	Y	12/2021	80.6%	-18.9%	162.2%	-46.4%	20.9	8.0	14.8	1.0	0.9	12.4%	3.7%	1.17	MP
UNITED MALACCA BHD	5.15	1,080.3	Y	04/2022	11.1%	-1.6%	123.1%	-25.9%	38.1	17.1	23.0	0.8	0.8	4.8%	2.9%	5.25	MP
Simple Average					31.0%	-8.7%	118.2%	-26.2%	24.0	12.3	16.3	1.4	1.3	12.1%	4.6%		

Source: Bloomberg, Kenanga Research

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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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