FGV chairman Azhar says group now back in M&A mode

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KUALA LUMPUR: Felda Global Ventures Holdings Bhd is now back in mergers and acquisition (M&A) mode, according to chairman Datuk Azhar Abdul Hamid in an interview with *The Edge Malaysia*, as it looks to correct its ageing oil palm age profile in order to raise its fresh fruit bunch (FFB) yield per hectare.

"If you look at 2017, we only did only 15-plus tonnes of FFB [per hectare] but that's because a lot of our age profile was basically off," Azhar, who has been with FGV six months now, told *The Edge* executive editor Jenny Ng and writer Emir Zainul in the weekly's cover story, 'Mammoth task ahead for FGV', that was published for the week of April 2 to April 8.

The group is correcting that now, he said, and aggressively replanting to make sure the age profile issue gets corrected. "So, there are two ways to correct it — one is to do aggressive replanting and the other is, if opportunities come our way we can acquire brownfields that add to or enhance or improve our age profile," Azhar, who was formerly with the Mass Rapid Transit Corp as CEO, said.

Though Azhar gave a quick "yes" when asked if the group is now in M&A mode, he also admitted that the group's cash pile is not nearly enough to outright finance any acquisitions. "But [what] we are going to do is we're looking to do some refinancing and we're looking to issue sukuk. We're also looking to dispose of some of the assets that are not core to us, so that will also bring in cash," he said.

FGV's cash pile stood at RM1.74 billion as at end-2017, down from RM5.09 billion almost six years ago when it was listed on Bursa Malaysia. Age profile is a problem FGV has been grappling with for some time, the weekly wrote. In 2012, when it was listed, about 50% of its palm trees were aged 21 years or older. The percentage is expected to fall to 33% this year.

Meanwhile, its sugar business under MSM Malaysia Holdings Bhd is also evaluating some proposals, Azhar confirmed, including one from Tan Sri Peter Sondakh. "But as I said, we will still evaluate. You have to understand that we have a responsibility to all our stakeholders. Whatever we do, we must always bear them in mind and we are not going to do anything that is going to destroy value for our stakeholders," he said.

Before Azhar's entry, one of the concerns raised was about FGV's aggressive and, in some cases, expensive expansion, largely financed by the proceeds of RM4.5 billion from its initial public offering in mid-2012, the weekly wrote. The expansion included the RM1.2 billion acquisition of Sabah-based United Plantations Bhd, the £120 million or RM628 million acquisition of Asian Plantations Ltd, 8,478ha of oil palm land in Sabah from Golden Land Bhd for RM655 million cash and the RM2.2 billion purchase of the remaining 51% stake in its associate company Felda Holdings Bhd.

Also present in the weekly's interview was FGV group president and CEO Datuk Zakaria Arshad. When Zakaria was appointed in April 2016, he almost immediately put all the proposed acquisitions on hold, calling off the talks to acquire a 55% stake in China-based edible oils producer Zhong Ling Nutril-Oil Holdings Ltd for RM976.25 million cash, and a 37% stake in Indonesian plantation company PT Eagle High for US$680 million (RM2.8 billion) from Sondakh.

Zakaria told the weekly that when he took on the job, the first thing he said was there would be no M&As, "because to me, there was a lot of things to do with our existing assets." Now, he said the group want to sweat its assets and improve its yield.

Mulls exiting investments, JVs that 'don't give any value'

FGV is also considering disposing of investments that it don't see a future of hanging on to. To Azhar, the group has not made very good investments in the past and needs to evaluate a lot of those investments now.

The same is true for some joint ventures (JVs). "We have some joint ventures as well that we may get out of ... because they don't actually give us any value," Azhar told the weekly.

To read more about what the duo is planning, pressing issues faced, whether they will be given a free hand in running the company that has been perceived to be a "political animal", and if Zakaria will leave after the upcoming general election, pick up a copy of *The Edge* at newsstands near you today.

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