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Tuesday, March 3rd, 2020

FGV to divest RM150m of non-core assets

by SHAHEERA AZNAM SHAH / pic by RAZAK GHAZALI

FGV Holdings Bhd is expected to divest its non-core and non-performing assets worth approximately RM150 million in the financial year 2020 (FY20).

Group CEO Datuk Haris Fadzilah Hassan *(picture)* said among the assets are its 30% stakes in Nilai Education Sdn Bhd — which operates Nilai University, Malaysia Cocoa Manufacturing Sdn Bhd and FGV Cambridge Nanosystems Ltd.

"Some of the things that we are going to divest are the remnants from last year. They are our smaller assets and some of them are not bleeding, but when opportunity arises, we will let them go.

"We expect some of the disposal to register profit in the first quarter of 2020 (1Q20)," Haris Fadzilah said in a media briefing last Friday.

He added that the RM150 million excludes the 50:50 joint-venture (JV) company with Lembaga Tabung Haji (TH), Trurich Resources Sdn Bhd, which is expected to complete the disposal in 1Q20.

On the group's core business, Haris Fadzilah said FGV's crude palm oil (CPO) production is expected increase in FY20 due to the anticipated higher fresh fruit bunches production by 2% to 4% from 4.45 million tonnes last year.

"In the first quarter, the entire industry is experiencing a low production season and that is a bit of a concern. However, due to the disruption in demand from China and India, it is somewhat stabilised.

"The key aspect now is the CPO prices. If the prices maintain between RM2,400 and RM2,500 per tonne, we are in a good position as our operational costs have been brought down to a much lower level," he explained. Commenting on the impact of the Covid-19 outbreak to palm oil demand from China, the group CEO said FGV expects the effect to be marginal.

"Although our exposure in China is small, the virus outbreak is something that we need to look at if it prolongs.

"The impact on us at the moment is quite marginal, and in the longer term as palm oil being the major item in food products, it will eventually settle and stabilise," he said.

On FGV's 51% stakes in MSM Malaysia Holdings Bhd, Haris Fadzilah said the planter's plan to sell its strategic stake has been stalled due to the anticipated improved outlook of the sugar industry.

"There are no plans to divest our stakes in MSM at the moment, but we are open to any proposal as they come.

"Previously, MSM was looking for a partner that can provide an uptake due to surplus in production. With MSM's Johor Baru plant coming on stream, its capacity has reached 2.25 million tonnes.

"However, in terms of the situation surrounding the sugar industry, things are getting better due to the shortage of raw sugar supply in addition to the prices holding up," Haris Fadzillah said.

He added that MSM is currently in talks with a potential strategic partner from China to unload a large portion of MSM's sugar production and address the surplus.

In its 4Q19, FGV recorded a net profit of RM75.79 million against a net loss of RM209.16 million a year earlier, boosted by the plantation segment amid improved CPO margins and significantly reduced operating costs.

Its revenue for the quarter fell 11% to RM3.15 billion from RM3.23 billion, largely contributed by lower yields which were in line with the national average. Its earnings per share stood at 2.1 sen compared to a loss per share of 5.7 sen previously.

The planter's net loss in its FY19 narrowed to RM242.19 million from RM1.08 billion. The revenue for the year slipped 1.5% to RM13.26 billion from RM13.46 billion.

FGV proposed a final dividend of two sen per share for FY19.

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