

## Company report

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## Receives offer from Perspective Lane

# HOLD

(Maintained)

Rationale for report: Company Update

Price	RM1.07
Fair Value	RM1.14
52-week High/Low	RM1.59/RM0.715

### Key Changes

Fair value	Unchanged
EPS	Unchanged

YE to Dec	FY19	FY20E	FY21F	FY22F
Revenue (RMmil)	13,259.0	14,379.6	14,998.8	15,398.8
Net Profit (RMmil)	(246.2)	(50.3)	74.8	92.5
EPS (sen)	-6.7	-1.4	2.1	2.5
EPS growth (%)	-77.2	-79.6	-248.8	23.6
Consensus net (RMmil)	(100.2)	(16.6)	89.7	128.7
DPS (sen)	2.0	2.5	3.0	3.5
PE (x)	-15.9	-77.6	52.2	42.2
EV/EBITDA (x)	8.8	10.6	6.7	6.3
Div yield (%)	1.9	2.3	2.8	3.3
ROE (%)	-5.9	-1.2	1.9	2.3
Net gearing (%)	84.0	104.2	108.2	109.7

### Stock and Financial Data

Shares Outstanding (million)	3,648.2
Market Cap (RM'mil)	3,903.5
Book value (RM/share)	1.14
P/BV (x)	0.9
ROE (%)	-5.9
Net Gearing (%)	84.0
Major Shareholders	FELDA (34%) Felda Asset Holdings (12.4%)

Free Float (%)	66.0
Avg Daily Value (RMmil)	18.4

Price performance	3mth	6mth	12mth
Absolute (%)	-0.1	+26.6	-3.6
Relative (%)	-2.1	+16.0	+0.3



### Investment Highlights

- We maintain HOLD on FGV Holdings with an unchanged fair value of RM1.14/share. Our fair value of RM1.14/share for FGV is based on a P/BV of 1.0x.
- We are neutral over Perspective Lane Sdn Bhd's proposed injection of plantation assets into FGV via share consideration. We believe that Perspective Lane Sdn Bhd owns Tradewinds Plantation. We are unsure if there are other plantation assets in Perspective Lane.
- FGV said that it would explore Perspective Lane's proposition and make further announcements if there are material developments.
- We believe that the proposed asset injection may result in an enlarged share base, which may be earnings dilutive. Also, we believe that a substantial portion of the oil palm estates are located in Sarawak, which sit on peat soil.
- Assuming a market price of RM80,000/ha, Tradewinds Plantation's 129,975ha of oil palm estates may be valued at RM10.4bil (ignoring the assumption of debts). Assuming FGV issues new shares at RM1.23/share, which is a 15% premium to its closing price, the group may be issuing additional shares of more than 8bil. FGV's current share base is 3.6bil.
- In the *Bursa Announcement*, FGV said that Perspective Lane would be its single largest shareholder if the exercise goes through.
- The enlarged group may have 468,412ha of oil palm estates in Malaysia. Including the land leased from FELDA, FGV has 338,437ha of oil palm estates currently while Tradewinds Plantation has planted areas of about 129,975ha (according to its website).
- We do not have Tradewinds Plantation's latest net profit as the group was privatised at a share price of RM5.00 in 2013. Tradewinds Plantation recorded a net profit of RM142.3mil on the back of a revenue of RM2.8bil in FY12. Net gearing was 70.0%. Gross borrowings were RM1.47bil as at end-December 2012.

TABLE 1 : FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	2018	2019	2020E	2021F	2022F
Revenue	13,464.5	13,259.0	14,379.6	14,998.8	15,398.8
EBITDA	(207.3)	489.4	667.8	1,133.5	1,201.0
Depreciation & amortisation	729.6	783.7	758.4	781.2	803.9
Operating income (EBIT)	(936.9)	(294.4)	(90.6)	352.3	397.0
Other income, associates & JV	80.4	113.6	64.6	66.2	67.9
Net interest	(168.5)	(158.1)	(131.1)	(140.4)	(146.0)
Exceptional items	0.0	0.0	0.0	0.0	0.0
<b>Pretax profit</b>	<b>(1,025.0)</b>	<b>(338.8)</b>	<b>(157.1)</b>	<b>278.1</b>	<b>318.9</b>
Taxation	(118.6)	(32.3)	69.1	(136.5)	(149.9)
Minorities/pref dividends	62.7	125.0	37.7	(66.7)	(76.5)
Loss from discount opes	0.0	0.0	0.0	0.0	0.0
<b>Net profit</b>	<b>(1,080.9)</b>	<b>(246.2)</b>	<b>(50.3)</b>	<b>74.8</b>	<b>92.5</b>
<b>Balance Sheet (RMmil, YE 31 Dec)</b>	<b>2018</b>	<b>2019</b>	<b>2020E</b>	<b>2021F</b>	<b>2022F</b>
Fixed assets	10985.0	10509.9	10651.5	10770.3	10866.3
Intangible assets	996.0	969.8	969.8	969.8	969.8
Other long-term assets	1759.6	1580.3	1956.2	1928.0	1881.5
<b>Total non-current assets</b>	<b>13,740.6</b>	<b>13,060.0</b>	<b>13,577.4</b>	<b>13,668.1</b>	<b>13,717.6</b>
Cash & equivalent	1220.4	1617.6	1645.9	1745.6	1672.6
Stock	2063.2	1313.0	1812.2	1890.3	1940.7
Trade debtors	1269.6	1241.6	1241.6	1241.6	1241.6
Other current assets	698.4	469.4	388.8	386.7	384.5
<b>Total current assets</b>	<b>5251.6</b>	<b>4641.7</b>	<b>5088.6</b>	<b>5264.2</b>	<b>5239.5</b>
Trade creditors	1269.0	984.6	1310.9	1323.3	1355.1
Short-term borrowings	3252.6	3254.5	3580.0	3615.8	3543.4
Other current liabilities	619.9	581.7	920.3	922.3	924.3
<b>Total current liabilities</b>	<b>5141.5</b>	<b>4820.8</b>	<b>5811.2</b>	<b>5861.3</b>	<b>5822.8</b>
Long-term borrowings	991.5	766.1	919.3	1103.1	1125.2
Other long-term liabilities	6255.4	6014.5	6014.5	6014.5	6014.5
<b>Total long-term liabilities</b>	<b>7246.9</b>	<b>6780.6</b>	<b>6933.8</b>	<b>7117.6</b>	<b>7139.7</b>
<b>Shareholders' funds</b>	<b>4465.2</b>	<b>4173.2</b>	<b>4031.7</b>	<b>3997.1</b>	<b>3961.9</b>
Minority interests	2138.6	1927.1	1889.4	1956.1	2032.7
BV/share (RM)	1.22	1.14	1.11	1.10	1.09
<b>Cash Flow (RMmil, YE 31 Dec)</b>	<b>2018</b>	<b>2019</b>	<b>2020E</b>	<b>2021F</b>	<b>2022F</b>
Pretax profit	(1,025.0)	(338.8)	(157.1)	278.1	318.9
Depreciation	698.6	756.0	758.4	781.2	803.9
Net change in working capital	(195.5)	913.6	171.7	(200.1)	(165.5)
Others	1,526.2	644.7	47.3	260.8	278.0
<b>Cash flow from operations</b>	<b>1,004.3</b>	<b>1,975.5</b>	<b>820.4</b>	<b>1,119.9</b>	<b>1,235.4</b>
Capital expenditure	(958.7)	(620.9)	(900.0)	(900.0)	(900.0)
Net investments & sale of fixed assets	0.1	0.4	0.0	0.0	0.0
Others	144.4	136.4	0.0	0.0	0.0
<b>Cash flow from investing</b>	<b>(814.2)</b>	<b>(484.1)</b>	<b>(900.0)</b>	<b>(900.0)</b>	<b>(900.0)</b>
Debt raised/(repaid)	(392.4)	(746.0)	230.0	(29.0)	(298.9)
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Dividends paid	(46.1)	(82.4)	(73.0)	(91.2)	(109.4)
Others	(347.4)	(189.0)	0.0	0.0	0.0
<b>Cash flow from financing</b>	<b>(785.9)</b>	<b>(1,017.4)</b>	<b>157.0</b>	<b>(120.2)</b>	<b>(408.4)</b>
<b>Net cash flow</b>	<b>(595.8)</b>	<b>474.0</b>	<b>77.4</b>	<b>99.7</b>	<b>(73.0)</b>
<b>Net cash/(debt) b/f</b>	<b>1,693.3</b>	<b>1,096.0</b>	<b>1,568.5</b>	<b>1,645.9</b>	<b>1,745.6</b>
<b>Forex</b>	<b>(1.5)</b>	<b>(1.5)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Net cash/(debt) c/f</b>	<b>1,096.0</b>	<b>1,568.5</b>	<b>1,645.9</b>	<b>1,745.6</b>	<b>1,672.6</b>
<b>Key Ratios (YE 31 Dec)</b>	<b>2018</b>	<b>2019</b>	<b>2020E</b>	<b>2021F</b>	<b>2022F</b>
Revenue growth (%)	-20.4	-1.5	8.5	4.3	2.7
EBITDA growth (%)	-123.3	-336.1	36.5	69.7	6.0
Pretax margins (%)	-7.6	-2.6	-1.1	1.9	2.1
Net profit margins (%)	-8.0	-1.9	-0.3	0.5	0.6
Interest cover (x)	-1.2	3.1	5.1	8.1	8.2
Effective tax rate (%)	11.6	9.5	-44.0	-49.1	-47.0
Net dividend payout (%)	0.0	-29.6	-181.4	146.3	138.1
Debtors turnover (days)	34	34	39	39	39
Stock turnover (days)	56	36	46	46	46

Source: Company, AmInvestment Bank estimates

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