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PALM OIL INDUSTRY

FGV'S EFFORTS BEARING FRUIT

Plantation giant now best Asia performer after shares jumped 39.86pc last month

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FGV Holdings Bhd started the new year on a strong note, having emerged from being Asia's worst performer last year to be the best palm oil company in the region so far.

The plantation giant's shares jumped 39.86 per cent to end at RM1 last month. It is also a staggering 57 per cent increase from its 12-month low.

Indonesia's Astra Agro Lestari TBK PT was the second best performer in the region with a 18.39 per cent rise last month, followed by Singapore-based Indofood Agri Resources Ltd with a 15.18 per cent increase.

Global investment banks have revised their crude palm oil price forecasts higher to a median of RM2,275 a tonne for this year, from RM1,950 a week ago.

Most of the plantation companies have also seen an increase in their share prices over the past month.

Out of the 13 companies tracked by Bloomberg, only two ended with negative returns year-to-date. They are Kuala Lumpur Kepong Bhd and Sawit Sumbermas Sarana TBK PT.

Last year, FGV was the worst performer with a negative return of 60.28 per cent.

The jump in its share price prompted RHB Research to set a higher target for FGV at RM1.20, 20 per cent higher than its last estimate.

"We believe there is more room to grow, particularly after the announcements on non-core disposals and profit improvements resulting from cost-cutting initiatives. The new management has to prove its mettle by pushing through with the implementation of these targets," said RHB Research in a note.

Stock market analyst Nazarry Rosli believes FGV shares will perform better this year as long as the new management keeps its promises to move the company forward.

FGV's consensus target price has risen to 97 sen from 93 sen set two days ago. Four out of 12 research firms that provided ratings on FGV have set its target share price above the current level.

RHB Research said assuming all of FGV's cost savings and production targets were met, the group should be able to save RM150 million from the total costs, which included production and overheads such as procurement and staff costs.

"Nevertheless, while we are imputing the cost savings from a mutual separation scheme into our forecasts, we are keeping our unit cost projections at a more conservative RM1,600 to RM1,800 a tonne, given our more muted fresh fruit bunch growth projections of six to seven per cent increase for 2019 and 2020," it said.

FGV Holdings Bhd's share price jumped 39.86 per cent last month to RM1 — also a staggering 57 per cent increase from its 12-month low.