MINORITY SHAREHOLDER WATCHDOG GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia – Company No. 524989-M)

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FGV share price drops to 5-month low dragged by weak CPO prices

The company is in the middle of a turnaround plan to improve it's palm-tree-age profile, optimise costs and troubleshoot operational weak spots

by ALIFAH ZAINUDDIN

FGV Holdings Bhd's share price slumped to a five-month low yesterday as investors dumped the shares of the planters battered by dropping crude palm oil (CPO) prices and uncertainties over the board's remuneration package.

The planters, which recently witnessed three major shareholders rejecting resolutions to approve the board's remuneration, saw its share price drop 3.57% to RM1.08 yesterday as its market capitalisation declined below the RM4 billion mark.

Inter-Pacific Research Sdn Bhd head of research Pong Teng Siew said the FGV share price drop was largely due to the depressed CPO and weak palm kernel oil prices.

"Investors have been quite hopeful that things will turn around for the better. However, the key factor that is holding back the complete turnaround in fortune is low palm oil and palm kernel oil prices.

"It used to be that palm kernel is a good supplement to earnings. Even if CPO is down, palm kernel would make up for it. But now, both prices are down," Pong told *The Malaysian Reserve*.

The world's largest CPO producer is currently in the midst of a turnaround plan to improve the company's palm-tree-age profile, optimise costs and troubleshoot operational weak spots.

Despite some improvements, FGV continued to post losses in the first quarter ended March 31, 2019 (1Q19), with a net loss of RM3.37 million against a net profit of RM1.13 million posted a year ago. FGV had attributed the losses to low CPO prices.

"Obviously the efforts have not been enough to turn the company around quickly, and this is partly due to CPO prices. If prices had been better, they would have probably seen better results. This has made the turnaround doubly difficult," Pong said.

The economist said generally, the plantation index continued to slide and has failed to make any turnaround.

"On a year-to-date basis, it is almost as bad as the property index — both are underperforming," Pong said. However, he noted that the remuneration problem at FGV has made matters worse.

The Federal Land Development Authority (Felda) made an unprecedented move at FGV's annual meeting in Kuala Lumpur earlier in June to reject all three resolutions linked to the remuneration of the board members, sending the company into a tailspin.

As of now, all directors are still working despite no official word on their remuneration.

Felda, which owns more than two-thirds of FGV's total landbank, shunned a pay package for its board committees although the amount was no different than the previous financial year.

Koperasi Permodalan Felda Malaysia Bhd and the Armed Forces Fund Board had also voted against the resolutions.

"In general, board payments are usually not that big of an issue. The fact that shareholders are on a war path with the board is probably due to share price where pressure has lingered," Pong said.

In a related development, the company announced the addition of three new members to its remuneration committee on Bursa Malaysia last week.

Minority Shareholder Watchdog Group CEO Devanesan Evanson said the changes to the remuneration committee was probably thought fit since shareholders did not approve the directors' remuneration resolution at the last AGM and felt it was necessary to re-examine the way FGV intends to remunerate its directors.

Evanson said, however, he does not foresee resignation *en masse* as they would have done so by now.

"I believe the directors are committed to the cause of turning around FGV. Being a government-linked company (GLC), there is an element of 'national duty' involved and they cannot be expecting normal commercial remuneration packages.

"Thus, FGV is on the right track in revamping its remuneration committee to propose remuneration packages that are more in line with those expected from a GLC. If the FGV directors do not want to work for free, FGV will have to call for an EGM to approve a revised directors' remuneration resolution," he said.

He added that newly-appointed Felda chairman Tan Sri Mohd Bakke Salleh is expected to play a mediating role between the single-largest shareholder Felda and FGV, as communication was dysfunctional as reflected in the lack of support for the remuneration resolutions.

"There was no 'meeting of minds' or *consensus ad idem*," he said.

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Felda has rejected a pay package for its board members although the amount was no different than the previous financial year