



TH PLANTATIONS BERHAD (12696-M)

# **46<sup>th</sup> ANNUAL GENERAL MEETING**

**3<sup>rd</sup> August 2020**

**Muzmi Mohamed**  
Chief Executive Officer



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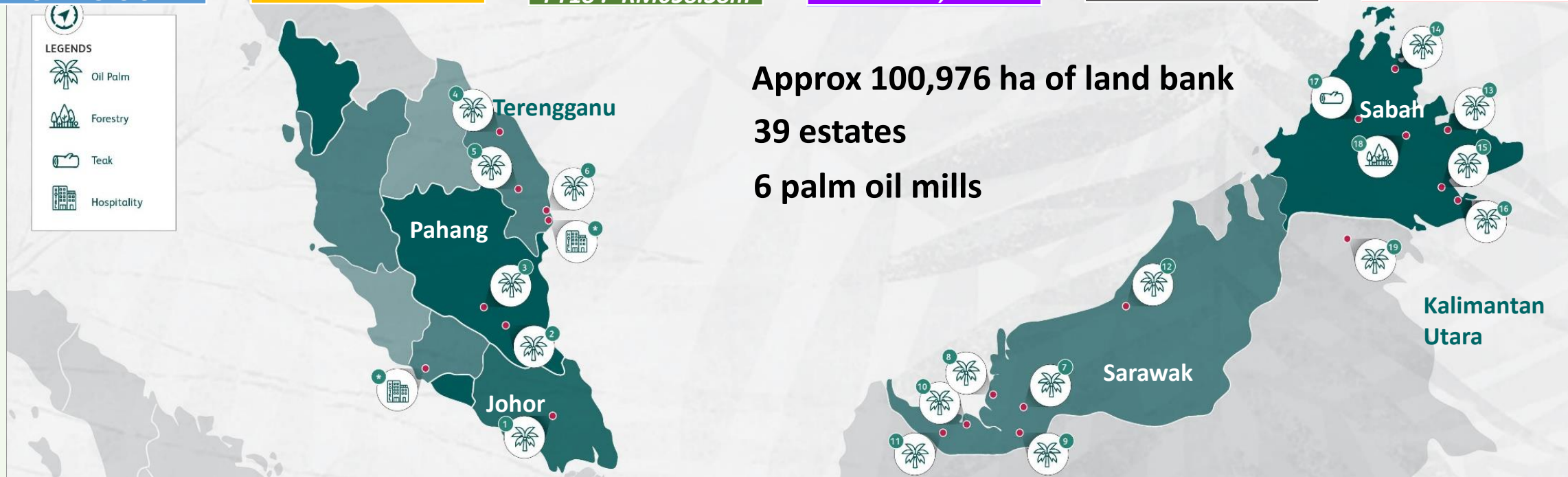
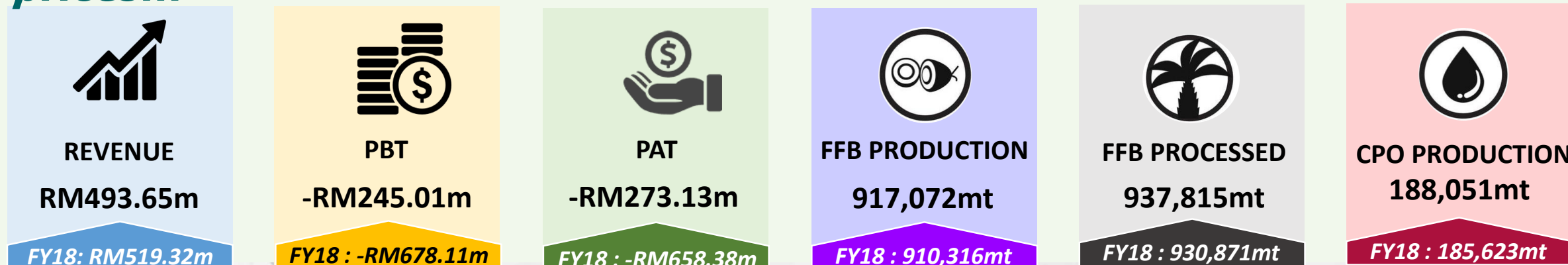
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REVIEW**
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# THP OVERVIEW | AT A GLANCE



TH PLANTATIONS BERHAD (12696-M)

*Lower losses on the back of improved FFB production but lower CPO prices...*





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# FINANCIAL PERFORMANCE FY2019

*Lower revenue amid improved expenditures*



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|                                   | FY2019    | FY2018    | YoY  |
|-----------------------------------|-----------|-----------|------|
|                                   | RM'000    |           |      |
| Revenue                           | 493,650   | 519,324   | 5%   |
| Cost of Sales                     | (414,362) | (484,229) | 14%  |
| Gross profit/(loss)               | 47,104    | (109,061) | 143% |
| Results from operating activities | (170,361) | (612,106) | 72%  |
| (Loss)/Profit Before Tax          | (245,009) | (678,111) | 64%  |
| (Loss)/Profit After Tax           | (273,134) | (658,382) | 59%  |

# FINANCIAL PERFORMANCE FY2019



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## *Main factors affecting financial performance*

|  | 2019                 | 2018                 | YoY   |
|--|----------------------|----------------------|-------|
| <b>1. LOWER SELLING PRICES</b>                 | <b><u>RM/mt</u></b>  | <b><u>RM/mt</u></b>  |       |
| CPO  | 1,968.10             | 2,120.63             | ↓ 7%  |
| PK   | 1,172.18             | 1,709.44             | ↓ 31% |
| FFB  | 376.73               | 408.27               | ↓ 8%  |
| <b>2. LOWER OPERATING COSTS</b>                | <b><u>RM/mt</u></b>  | <b><u>RM/mt</u></b>  |       |
| Estate Production Cost                         | 218.09               | 272.00               | ↓ 20% |
| <b>3. LOWER IMPAIRMENT COST</b>                | <b><u>RM'000</u></b> | <b><u>RM'000</u></b> |       |
| Further impairment cost for estates in Sarawak | 172,811              | 335,151              | ↓ 48% |
| Further impairment cost for other estates      | 29,285               | 70,517               | ↓ 59% |
| <b>TOTAL</b>                                   | <b>202,096</b>       | <b>405,668</b>       | ↓ 50% |
| <b>4. HIGH FINANCE COST</b>                    | 75,296               | 67,006               | ↑ 12% |
| <b>5. FAIR VALUE ON RUBBER ESTATE</b>          |                      |                      |       |
| Immature rubber estate in Sabah                | (43,215)             | (134,300)            | ↓ 68% |

# FINANCIAL PERFORMANCE FY2019



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*Liquidity and high debt level still main issue...*

|                            | FY2019    | FY2018    | YoY    |
|----------------------------|-----------|-----------|--------|
|                            | RM'000    |           |        |
| Total Assets               | 2,736,602 | 2,868,303 | ↓ 5%   |
| Total Liabilities          | 1,918,798 | 1,773,208 | ↑ 8%   |
| Total Equity               | 817,804   | 1,095,095 | ↓ 25%  |
| Borrowings                 | 1,279,415 | 1,241,054 | ↑ 3%   |
| Trade and Other Payables   | 219,436   | 213,089   | ↑ 3%   |
| *Current Assets            | 159,640   | 167,551   | ↓ 5%   |
| *Current Liabilities       | 351,671   | 244,246   | ↑ 44%  |
| *(Net Current Liabilities) | (192,031) | (76,695)  | ↑ 150% |
| Market Capitalisation      | 574,503   | 415,410   | ↑ 38%  |

\* Exclude Assets / Liabilities Classified Held For Sale

- Low commodity prices in 2019 continue to adversely affects the company's financial position
- Difficulties to fulfil all financial obligations and provide the necessary resources for operation requirement, hence the need for a **Strategic Recovery Plan**

# OPERATIONAL SNAPSHOT FY2019

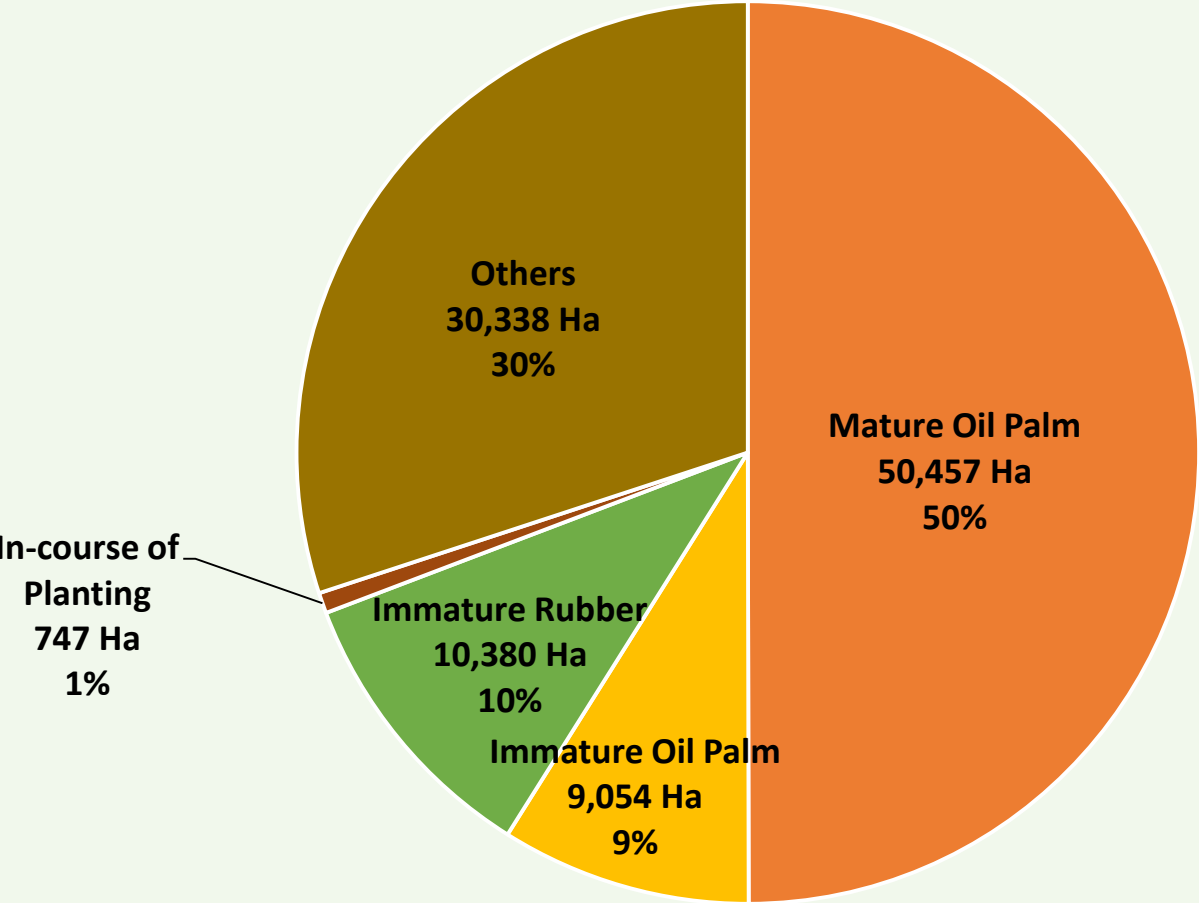
*Only 60% of land area is planted and yielding*



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## AREA STATEMENT

Total Area: 100,976 Ha



|                        | 2019 (Ha)       |
|------------------------|-----------------|
| Mature Oil Palm        | 50,457<br>(50%) |
| Immature Oil Palm      | 9,054<br>(9%)   |
| In-course of Planting  | 747<br>(1%)     |
| Immature Rubber & Teak | 10,380<br>(10%) |
| *Others                | 30,338<br>(30%) |
| Total                  | 100,976         |

|   |             |
|---|-------------|
| *Plantable reserve / greenfield             | 14,253.15Ha |
| Infrastructure                              | 2,055.44Ha  |
| Riparian / Wildlife Reserve                 | 1,023.35Ha  |
| Nursery                                     | 152.42Ha    |
| NCR Land (Undeveloped Area / Disputed Area) | 8,669.19Ha  |
| Unplantable Area                            | 4,183.95Ha  |

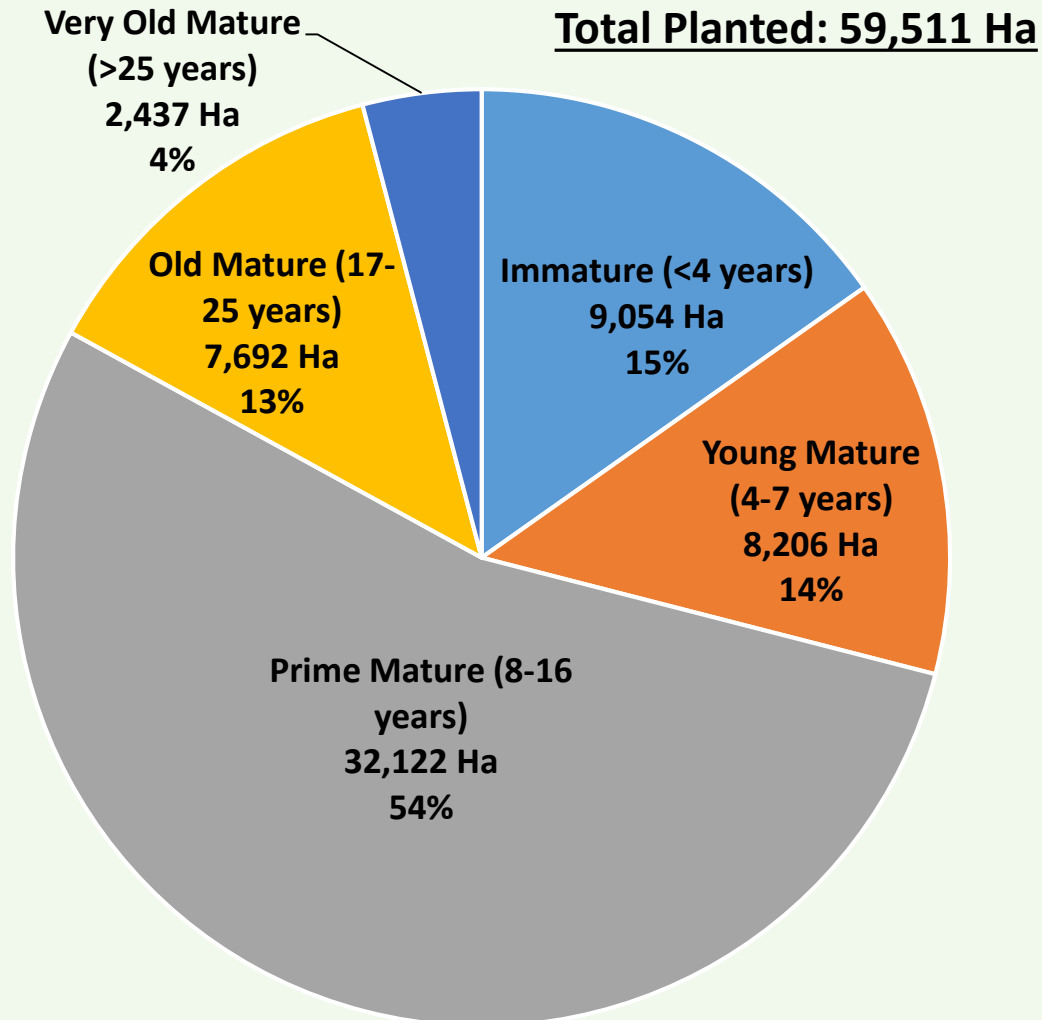
# OPERATIONAL SNAPSHOT FY2019

*67% of planted area yielding prime income*



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## AREA STATEMENT | AGE PROFILE



|                              | 2019 (Ha)       |
|------------------------------|-----------------|
| Immature (<4 years)          | 9,054<br>(15%)  |
| Young Mature (4-7 years)     | 8,206<br>(14%)  |
| Prime Mature (8-16 years)    | 32,122<br>(54%) |
| Old Mature (17-25 years)     | 7,692<br>(13%)  |
| *Very Old Mature (>25 years) | 2,437<br>(4%)   |
| Total                        | 59,511          |

*\*Very old mature consists of year:*

**1986** (34 years) - 427.14Ha,

**1988** (32 years) - 55.16Ha,

**1992** (28 years) - 386.47Ha,

**1993** (27 years) - 1,568.39Ha

# OPERATIONAL SNAPSHOT FY2019

## *Marginal operation improvements*



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|                     | FY2019  | FY2018  | YoY  |
|---------------------|---------|---------|------|
|                     | RM'000  |         |      |
| Mature Area (Ha)    | 50,457  | 48,955  | 3.1% |
| FFB Production (Mt) | 917,072 | 910,316 | 0.7% |
| FFB Processed (Mt)  | 937,815 | 930,871 | 0.8% |
| Yield (Mt/Ha)       | 18.18   | 18.59   | 2.2% |
| CPO Production (Mt) | 188,051 | 185,623 | 1.3% |
| PK Production (Mt)  | 42,209  | 40,078  | 5.3% |
| OER (%)             | 20.05%  | 19.94%  | 0.1% |
| KER (%)             | 4.50%   | 4.31%   | 0.2% |

- Increase in production due to higher area coming into maturity
- However – new young mature area → lower yield/ha



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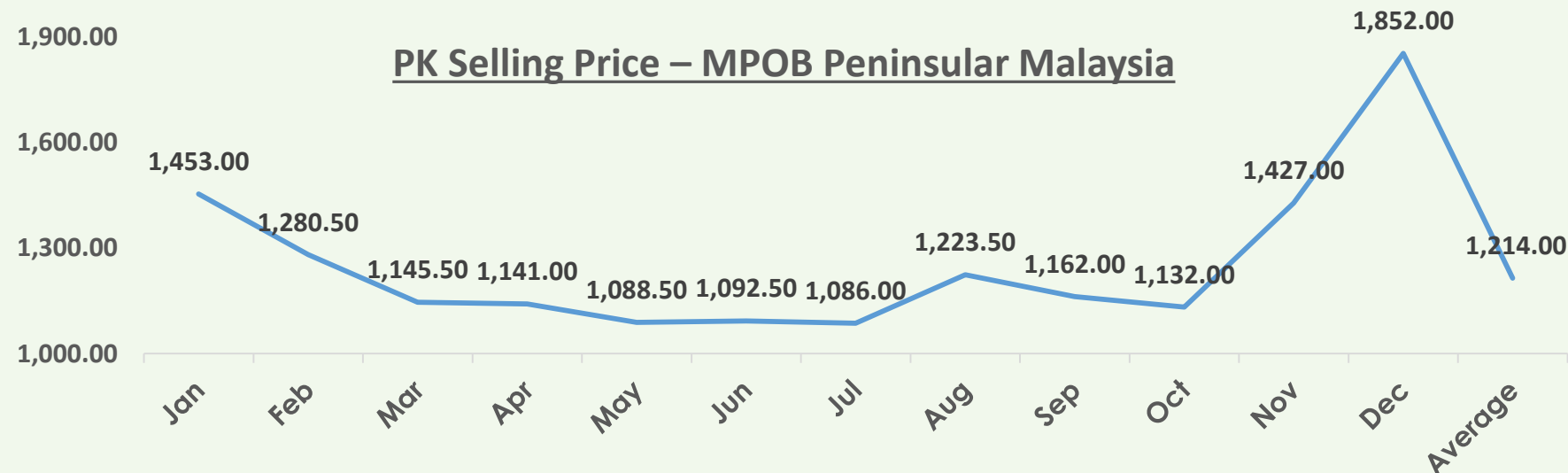
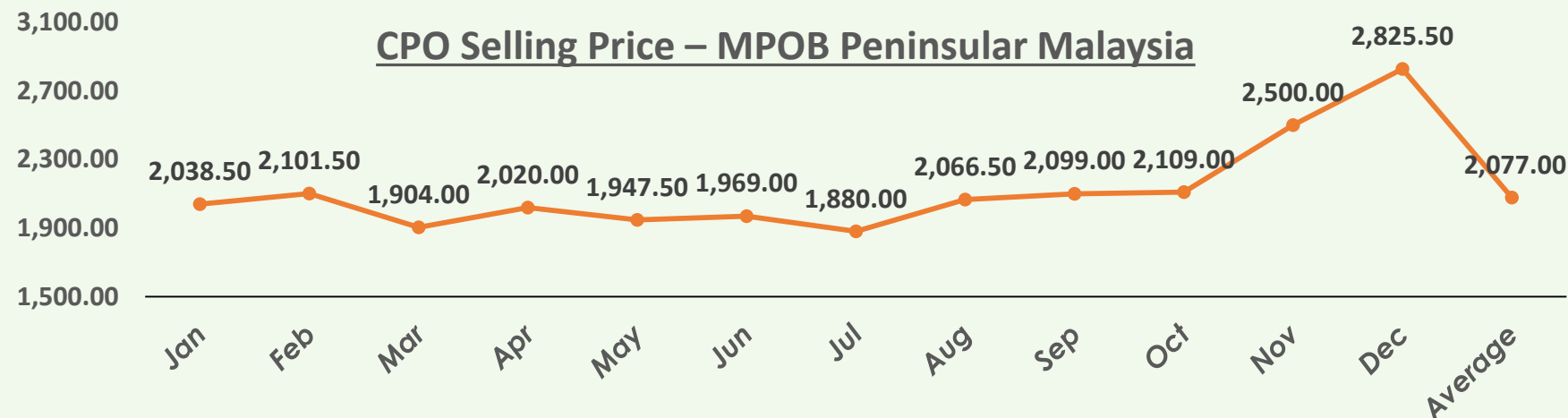
# CHALLENGES & OUTLOOK



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*Prices remained low throughout 2019, but improving towards year end...*

## Challenging Environment – Volatility of Prices in FY2019



| CPO Prices (RM/MT) |       |
|--------------------|-------|
| 2015               | 2,158 |
| 2016               | 2,656 |
| 2017               | 2,783 |
| 2018               | 2,239 |
| 2019               | 2,077 |
| 1H2020             | 2,434 |

# CHALLENGES & OUTLOOK: Operations



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## 1 LABOUR SHORTAGE AND INCREASING COST

- i) Shortage of labour is main issue to industry
    - ~ Recent Covid-19 pandemic - country's border closed to foreign workers
  - ii) Cost to recruit labour is increasing
    - ~ Other compliance costs are also increasing - environmental control, sustainability, labour, standard of living
- THP embarking to enhance mechanisation to reduce dependence on labour

## 2 INSUFFICIENT FUNDS

- Inadequate resources for estates and mills requirements
- Fertilizer, machineries, infrastructure
  - **Strategic Recovery Plan** to transform estates and mills operations

## 3 CONSTRAINT ON LAND UTILISATION

- 40% of Company's land, not yielding revenue
- Immature rubber
- Land issues in Sarawak and Indonesia
- Unplantable land – non-compliance to MSPO



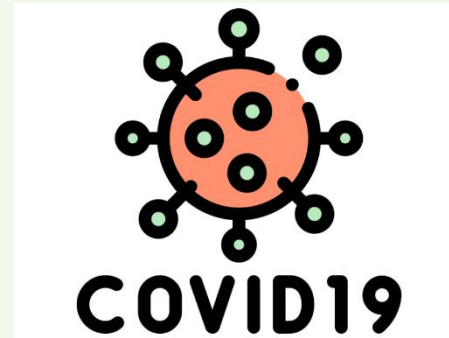
# CHALLENGES & OUTLOOK: Economy & The Industry



## Trade war

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The prevailing uncertainties surrounding global trade and US-China trade tensions continue to pressure the agricultural commodity prices.



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Demand could be impacted by the spread of Covid-19 coronavirus globally, which affected worldwide production, investment, consumer sentiment and consumptions.



## International campaign against palm oil

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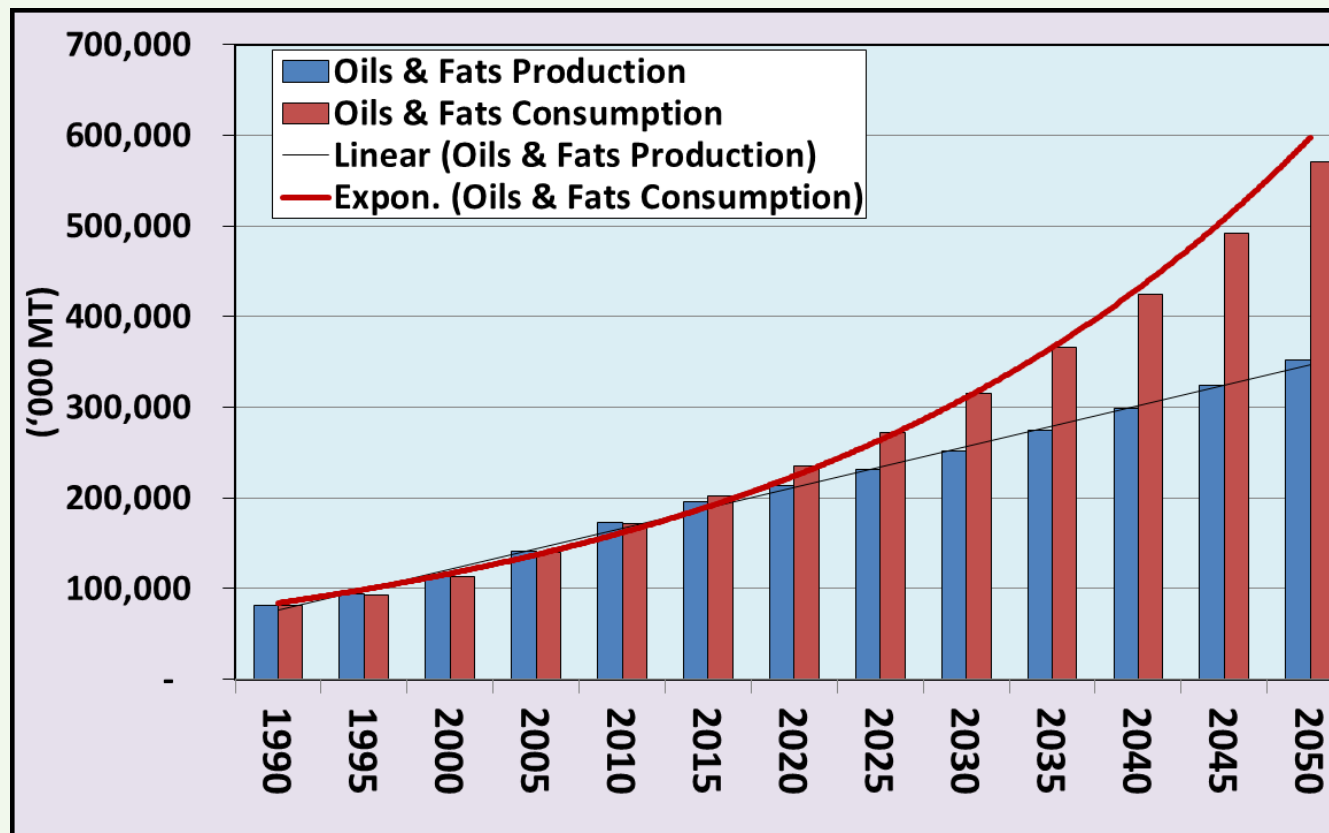
Forecast CPO prices to trade at RM2,200 – RM2,600 / tonne for 2H 2020



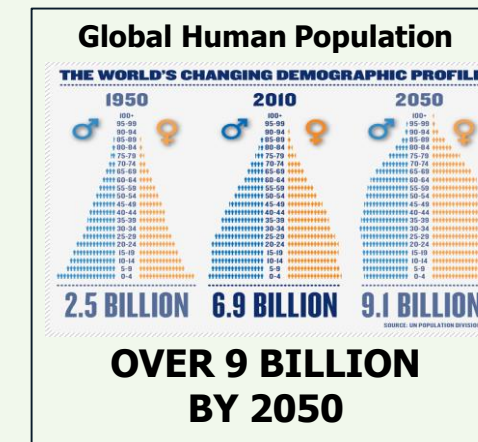
# CHALLENGES & OUTLOOK: Economy & The Industry

## Long Term Industry Outlook: Demand > Supply

### Projected Production & Consumption



Source : Oil World/MPOC - Techno Economic Marketing For Palm Oil (TEMPO),  
18 July 2019, Lahore, Pakistan)



'World will have to produce about **60% to 70% more food** in the next 35 years'



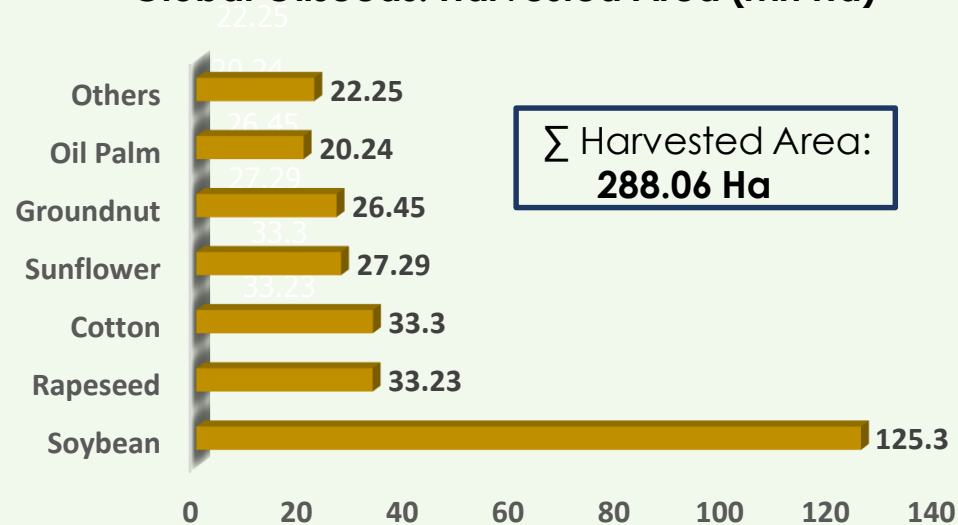
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# CHALLENGES & OUTLOOK: Economy & The Industry

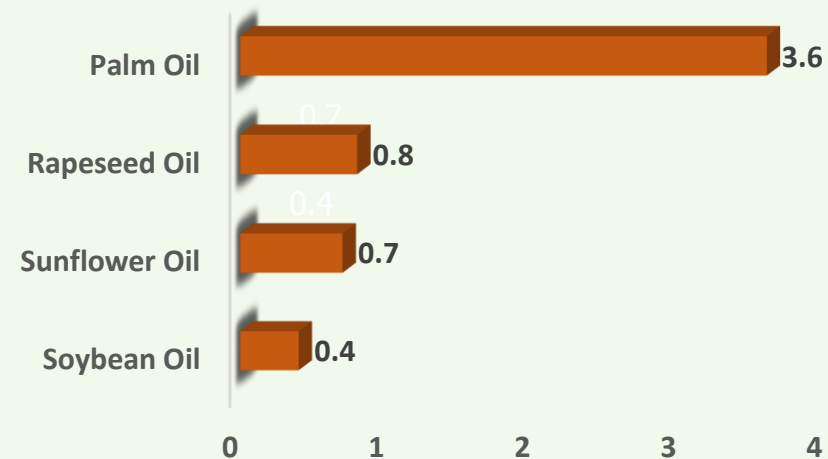
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## Long Term Overview: Most Productive & Competitive Oils

Global Oilseeds: Harvested Area (Mn Ha)



Oil Yield (MT/Ha)



Consumed only **7%** of global oilseed areas  
(20.24 million Ha vs 288.06 million Ha)



Utilized **six times less**  
land compared to soya



**Nine times** higher in productivity  
compared to soya bean



Harvesting is done **all year round**

# CHALLENGES & OUTLOOK: Economy & The Industry



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*Mainly domestic driven...*

## FACTORS SUPPORTING OIL PALM INDUSTRY

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- ☐ Restocking from key palm oil destination would potentially take place once Covid-19 lockdowns are lifted.
- ☐ Weak Ringgit Malaysia Vs US Dollar.
- ☐ 100% exemption on export duties for CPO, crude palm kernel oil and processes palm kernel oil from July 1 to Dec 31 help to raise the value of palm oil exports.
- ☐ Improvement in trade relations between Malaysia and India.
- ☐ Progress of Bio-diesel implementation in Indonesia and Malaysia.

# CHALLENGES & OUTLOOK: Economy & The Industry

## *International and domestic issues*



TH PLANTATIONS BERHAD (12696-M)



### CHALLENGING FACTORS

- ☐ Palm oil production seen increasing from June-July as crops enter high production season.
- ☐ Covid-19 affect palm oil demand from food sector.
- ☐ Weak global economic and high unemployment rate will curb demand in the long run.
- ☐ Lower crude oil prices and supply increases will constrain international demand for palm bio-fuel feedstock.



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# STRATEGIC RECOVERY PLAN



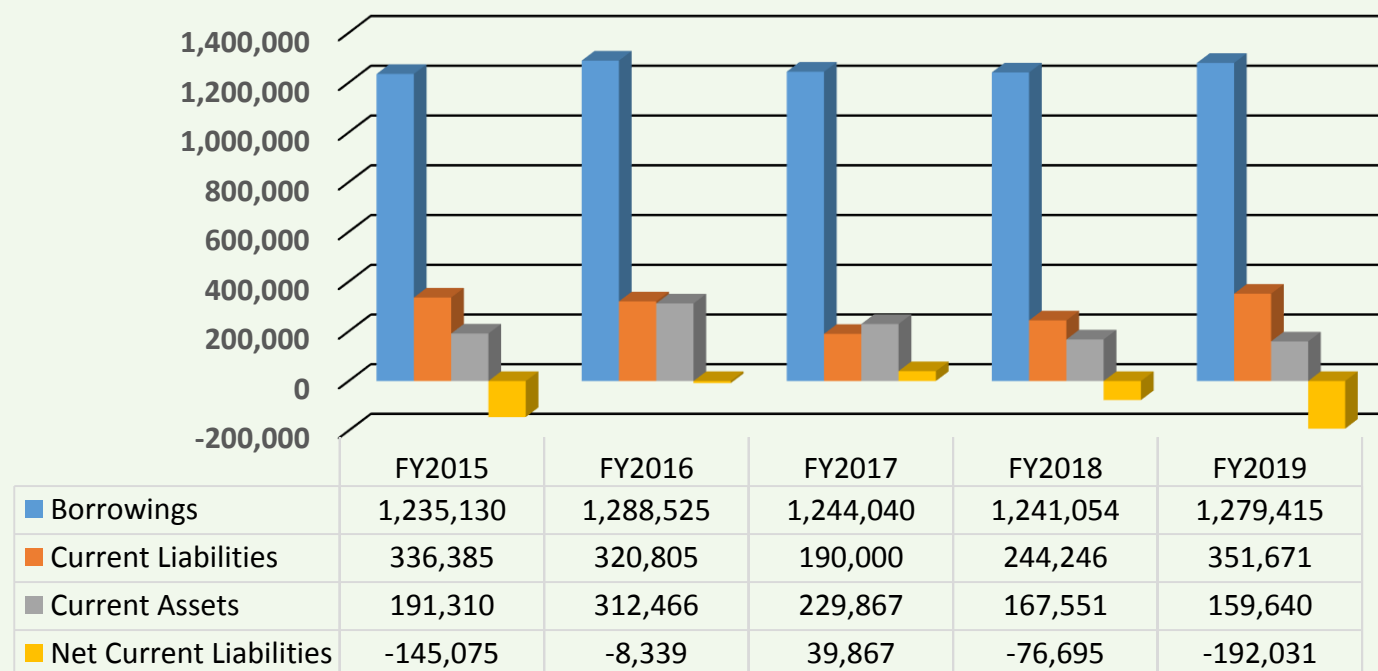
TH PLANTATIONS BERHAD (12696-M)

## *Towards a strengthen and sustainable THP*

In 2018, the Company embarked on a Strategic Recovery Plan (SRP) to stabilise and strengthen our operations and finances and return us to a stronger path of growth.

### Deterioration of Financial Position

RM'000



*\* Exclude Assets / Liabilities Classified Held For Sale*

Most of the assets acquired previously did not performed and yield returns which was much lower than previously projected.

# STRATEGIC RECOVERY PLAN



TH PLANTATIONS BERHAD (12696-M)

## *The Plan...*

The Plan consists of Rationalisation of Assets and Transformation of Operations

| STRATEGIC OBJECTIVES   |  | STRATEGIES   |
|------------------------|--|--|
| <b>Rationalisation</b> |  |  |
| Divestment             | To consolidate & manage balance sheet            | Proposed divestment of 14 non-performing companies   |
| Capital Structure      | To pare down debt, de-gear and improve liquidity | Part of proceeds from divestments will be utilised to pare down debt   |
| <b>Transformation</b>  |  |  |
| Operational Efficiency | To further improve yields and profitability      | <ul style="list-style-type: none"><li>i. To focus on back-to-basics by aiming to reduce costs and increasing yields with a smaller yet more efficient land bank</li><li>ii. Part of proceeds from divestments will be used to provide required resources</li></ul> |

- Objective to be a medium sized plantation but profitable company

# STRATEGIC RECOVERY PLAN

*The progress so far...*



TH PLANTATIONS BERHAD (12696-M)

## 1 RATIONALISATION OF ASSETS

| Details  | Expected Completion* |
|--|----------------------|
| Proposed disposal of 100% equity interests in BSV and MWM by THP to Tamaco for a total cash consideration of RM170 million. The SPA was signed on 5 December 2019.   | 3Q2020               |
| Proposed disposal of 70% equity interests held by THP in THP-YT for a cash consideration of RM7 million and proposed settlement of part of the inter-company advances by THP-YT to THP Suria Mekar Sdn. Bhd., a wholly-owned subsidiary of THP for RM62 million. The SPA was executed on 3 March 2020. | 3Q2020               |

Progress of SRP were hindered by poor commodity and industry outlook in 2019 and Covid-19 pandemic.

*... still pursuing rationalisation of other assets*

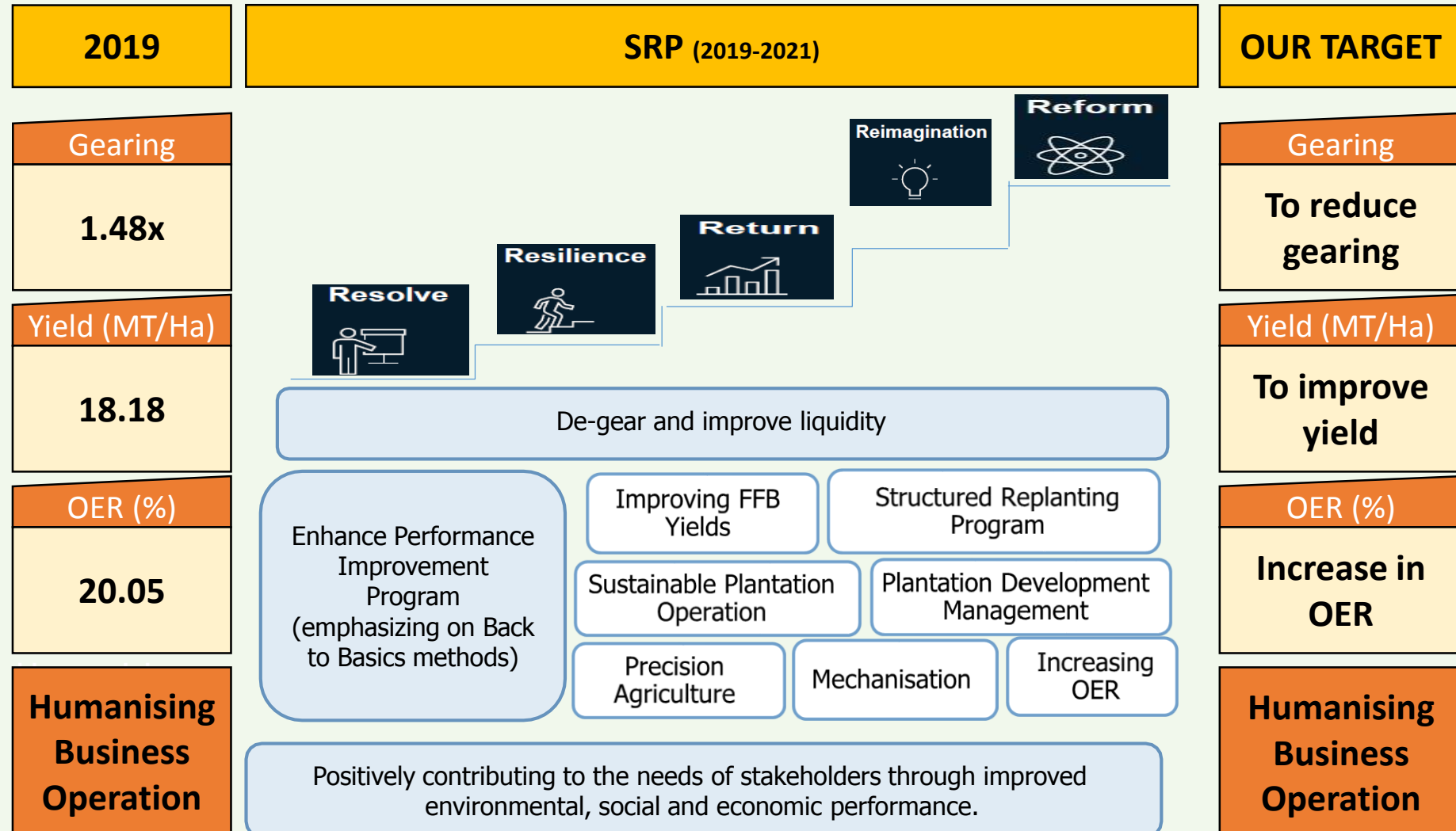
# STRATEGIC RECOVERY PLAN

*A better THP for the future*



TH PLANTATIONS BERHAD (12696-M)

## THE TRAJECTORY



# STRATEGIC RECOVERY PLAN

*The return of a stronger and sustainable THP in meeting stakeholders expectation*



TH PLANTATIONS BERHAD (12696-M)

## MOVING FORWARD: OUR FUTURE



We aim to reposition  
THP as a strong &  
robust pure upstream  
palm oil player



Building better  
prospects for future  
growth organically



Endeavouring into  
new business  
ventures

- We aim to set up a strong base, highly profitable and efficient medium - sized oil palm plantation  
→ For future growth

**“THP remained committed to value creation and sustainable returns to stakeholders”**



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**Thank you**