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FRASER & NEAVE HOLDINGS BHD

(Company No: 196101000155 (4205-V))

NEWS RELEASE

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F&NHB profitability rises in Q2

PAT rises 8.6% in Q2, FY2023 following effective cost management and growth strategies

- Group profit after tax for Q2 FY2023 rose 8.6% to RM102.0 million versus RM93.9 million last year despite significantly higher interest commitment.
- Group revenue for Q2 FY2023 grew by 8.9% to RM1,206.6 million versus RM1,107.7 million last year.
- Food & Beverages Malaysia achieved a 15.0% increase in revenue in Q2 FY2023 to RM707.6 million on the back of positive momentum from festive sales and Cocoland contribution.
- Food & Beverages Thailand achieved solid margin recovery in Q2 FY2023 from better price and margin management. Operating profit for the second quarter surged 26.3% to RM78.1 million.
- F&NHB improved its earnings despite higher interest costs from recent strategic acquisitions, demonstrating the Group's ability to manage additional financial commitments.
- Overall improved Group performance attributable to better price management, aggressive cost management measures, and strategic business decisions made over the last two years.
- The Group remains committed to meeting its Phase 1 completion of the integrated dairy farm project by December 2024.
- Interim single-tier dividend of 27.0 sen per share (2022: 27.0 sen per share) amounting to RM99.0 million to be paid on 1 June 2023.

SECOND QUARTER FY2023 PERFORMANCE

Financial Highlights	Q2 FY2023	Q2 FY2022	Change
Revenue (RM million)	1,206.6	1,107.7	+8.9%
Operating profit (RM million)	126.0	109.5	+15.1%
Adjusted operating profit (RM million) *	125.9	108.4	+16.1%
Profit before tax (PBT) (RM million)	119.7	112.0	+6.9%
Adjusted PBT (RM million) *	119.6	110.8	+7.9%
Profit after tax (PAT) (RM million)	102.0	93.9	+8.6%
Adjusted PAT (RM million) *	101.9	93.0	+9.5%
Basic earnings per share (sen)	27.6	25.6	+2.0 sen

* Adjusted to exclude one-off non-operating items (flood-related expenses and restructuring costs)

Fraser & Neave Holdings Bhd (“F&NHB” or “the Group”) registered a stronger second quarter ended 31 March 2023 (Q2 FY2023) driven by better performance in all its F&B business units.

Group revenue grew 8.9% to RM1,206.6 million from RM1,107.7 million last year. Group operating profit for Q2 FY2023 increased by 15.1% to RM126.0 million, while PAT grew by 8.6% to RM102.0 million compared to the same period last year despite higher interest costs.

Positive sales momentum from the festive season and contribution from Cocoland led Food & Beverages Malaysia (“F&B Malaysia”) to record a 15.0% increase in its Q2 revenue to RM707.6 million compared to Q2 last year. F&B Malaysia has also ramped up its trade and marketing activities as economic activities return to normalcy. Despite higher brand investments, F&B Malaysia's adjusted operating profit grew by 9.4% to RM48.1 million in Q2 FY2023, up from RM43.9 million in the previous year.

Meanwhile, Food & Beverages Thailand (“F&B Thailand”) achieved a solid margin recovery in Q2 FY2023. Operating profit for F&B Thailand surged 26.3% to RM78.1 million from RM61.8 million last year. Strategic measures to manage price and better discount management helped moderate slower than anticipated tourist arrivals and lower exports. F&B Thailand recorded a marginally higher revenue of RM498.1 million compared to RM491.8 million in the same period last year.

HALF YEAR FY2023 PERFORMANCE

Financial Highlights	1H FY2023	1H FY2022	Change
Revenue (RM million)	2,425.1	2,214.3	+9.5%
Operating profit (RM million)	350.9	216.7	+61.9%
Adjusted operating profit (RM million) *	256.5	240.7	+6.6%
PBT (RM million)	342.1	220.1	+55.4%
Adjusted PBT (RM million) *	247.8	244.1	+1.5%
PAT (RM million)	299.8	186.8	+60.5%
Adjusted PAT (RM million) *	205.5	205.0	+0.2%
Basic earnings per share (sen)	81.9	50.9	31.0 sen

* Adjusted to exclude one-off non-operating items (RM89.3 million fair value gain recognised from remeasurement of previously held equity interest in Cocoland, RM5.0 million insurance claim received for plant and equipment damaged during the flood in Shah Alam, flood-related expenses and restructuring costs)

Overall, Group revenue for the first half year ended 31 March 2023 (1H FY2023) improved by 9.5% to RM2,425.1 million, an increase of RM210.8 million over the previous year. Group operating profit rose 61.9% over last year to RM350.9 million, and PAT jumped 60.5% to RM299.8 million, up from RM186.8 million last year mainly due to one-off non-operating items and moderated by higher interest costs of RM15.5 million over the previous year. Excluding one-off non-operating items, the adjusted Group operating profit increased by 6.6% to RM256.5 million (1H FY2022: RM240.7 million) despite the persistent high cost of goods sold (COGS).

F&B Malaysia recorded RM1,420.9 million in revenue for 1H FY2023, representing a 19.3% growth over the previous year. Excluding one-off non-operating items, operating profit for F&B Malaysia rose 24.4% to RM113.5 million, bolstered by festive demand and continuing sales momentum. These figures also include Cocoland's contribution over five months.

F&B Thailand recorded RM1,002.3 million in revenue for 1H FY2023, a slight decrease from RM1,021.7 million the previous year due to subdued domestic demand and lower export orders. However, successful margin and discount management measures in the second quarter led to an improved operating profit for the period under review. F&B Thailand's operating profit for 1H FY2023 grew by 2.6% (1.6% in Thai Baht) to RM145.9 million.

Commenting on F&NHB's results, F&NHB Chief Executive Officer Lim Yew Hoe noted that the Group's improved performance was due to several strategic business decisions over the last two years that enabled the company to be more competitive and agile. These decisions also laid the foundations for further growth in the marketplace.

"We have had a very busy and fruitful start to the year. We successfully navigated the highly fluid and challenging market conditions with better pricing and portfolio strategies. Moreover, our investments into renewable energy, flood mitigation, and supply chain management solutions have begun to show long-term cost and logistical efficiencies, as well as improved risk management for our operations," explained Lim.

Lim further elaborated that the Group has managed to maintain growth in its existing food & beverage business while integrating new businesses and setting up its agriculture pillar. He believes that this showcases F&NHB's adaptability and resilience as an organisation, which will serve the company well as it continues to grow and expand its reach.

GOING FORWARD

One of the key growth segments that the Group had invested significant resources into its halal packaged food, its fourth pillar of growth.

Lim said, “Cocoaland has contributed positively to the Group, and we see a promising future in this acquisition. Integration of the businesses is ongoing.”

Regarding the integrated dairy farm at Ladang Permai Damai, Lim said the Group remains committed to meeting its Phase 1 completion by December 2024, when the first milking is expected to begin. This will allow the Group to be less dependent on imported milk while promoting the growth of the local agricultural industry and contributing to food security in Malaysia.

Lim also expressed confidence in the Group’s financial strength and strong cash flow. He noted that the Group was able to deliver a higher bottom line despite the RM15.5 million increase in interest costs due to the recent strategic acquisitions. This proves that F&NHB can shoulder the additional financial commitments. He added that with the operationalisation of some of the capex projects, the resulting savings and earnings would also offset the higher interest commitments.

“We are cautiously optimistic going into the second half of the fiscal year as markets continue to recover. Our strategic decisions have placed us on a firm footing to defend our margins, strengthen our brands and enable future growth,” said Lim.

While some commodity prices have begun to stabilise, prices of tin plates/cans, milk, palm oil and sugar are expected to remain high in 2023. The Group will navigate economic uncertainties by better forecasting and hedging.

As F&N approaches its 140th anniversary, Chairman of F&NHB Y.A.M. Tengku Syed Badarudin Jamalullail said these results are an indication of the company’s resilience and adaptability, sharpened over its long history.

“Today, F&NHB continues to evolve its business through strategic acquisitions and expansion of its footprint across the food and beverages value chain. This will put the Group in a solid position to become a stable and sustainable F&B business, and create a more sustainable future for all,” he concluded.

In line with the Group’s performance, the Board declared an interim single-tier dividend of 27 sen per share (2022: 27.0 sen). This dividend amounting to approximately RM99.0 million will be paid on 1 June 2023.

ABOUT FRASER & NEAVE HOLDINGS BHD

Fraser & Neave Holdings Bhd (F&NHB) is a Malaysian-incorporated and Shariah compliant company listed on Bursa Malaysia's Main Board. The Group has an annual turnover of RM4 billion from its core businesses in the manufacture, sales and marketing of beverage, dairy and food products. With a rich heritage spanning 140 years, F&NHB is today synonymous with quality and halal products that are trusted by generations.

F&NHB boasts a portfolio of brands which are leaders in many segments such as; 100PLUS, F&N Fun Flavours, F&N SEASONS, OYOSHI, F&N Magnolia, FARMHOUSE, F&N ICE MOUNTAIN; Condensed and Evaporated Milk under F&N, TEAPOT, Gold Coin, Cap Junjung, IDEAL and CARNATION brands; as well as NONA brand of ketupat and sauces. The Group's subsidiary, Cocoaland, is also the largest gummy candy producer in Malaysia with its flagship Lot 100 brand.

F&NHB is a constituent of FTSE4Good Bursa Malaysia (F4GBM) and F4GBM Shariah Index. The Group employs about 4,000 people across its operations in Malaysia, Brunei, Thailand and Indochina.

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