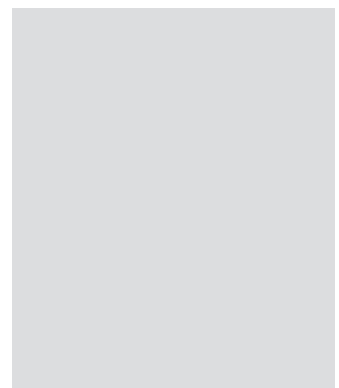


## CEO Business Review

# New Markets

- Indonesia • Myanmar
- Thailand • Vietnam



## New Markets

As the COVID-19 pandemic continues to disrupt economic activities and life around the world, growth rates in SEA are expected to contract in 2020 before rebounding in 2021. New Markets FY2020 performance has been inevitably affected, as sharp drops in domestic demand due to lockdowns and other public health safety measures negatively impacted consumer sentiments and demand.

Although restrictions on movement are starting to relax in some countries, the path to normalcy is still uncertain, and economic recovery is expected to be very gradual. Despite the challenges, efforts have been made in seeding new export markets for the Group's products, in particular, *100PLUS*, our flagship brand, with a clear focus on the SEA region. F&N will continue to drive growth through investment in our brands and extend our route-to-market capabilities. Alongside our organic growth strategy, we will continue to seek acquisitions which are value enhancing or capability-enhancing.

### (A) INDONESIA

Indonesia is the most populous country and the largest economy in SEA. Its 273m population, relatively young and fast-urbanising, represents both a sizeable workforce and pool of consumers. This is complemented by the country's strong annual GDP growth of 5% for over a decade. However, due to the COVID-19 pandemic, Indonesia's economy suffered its sharpest downturn since the 1998 Asian financial crisis. Many businesses across the country were hard hit and some were forced to shut down or down-size operations, leaving millions of locals unemployed. The re-building process will not be easy, but we are confident that its huge domestic market, fueled by a

growing middle-class population, combined with sound fiscal and monetary policies will lift the country out of this crisis stronger.

F&N's subsidiary, Yoke Foods Industries Sdn Bhd ("YFI"), continued to expand the Group's footprint in the country and make progress on enhancing its route-to-market capabilities. This financial year, YFI added *F&N* canned milk to its range of ready-to-drink products, cushioning the impact from lower soft drinks sales which has been affected by the COVID-19 pandemic. The increasing popularity of milk tea outlets across Indonesia has allowed F&N to boost our sales through strategic collaborations with key market players. Today, through targeted brand marketing initiatives and expansion of hawker sector coverage, *F&N* canned milk brand is one of the most recognised dairy brands in Indonesia.

*F&N* canned milk continues to be active and visible in food and beverage events like SIAL InterFOOD, Food & Hotel Indonesia and regional food shows. Together with our partners, we made concerted efforts to connect and engage consumers via social media platforms and support live-cooking demonstrations by celebrity chefs. Weekend cooking demonstrations and sampling in malls and supermarkets have also drove trial and repeat purchases.

To date, our range of products – *100PLUS*, *F&N* canned milk, *DAY DAY* Asian soft drinks, *UNIFRESH*, *F&N* Sparkling Drinks, *SUNKIST* and *F&N SEASONS* Asian Drinks range – are available in over 20 cities – such as Jakarta, Medan, Palembang, Padang, Pekanbaru, Jambi, Lampung, Bandung, Balikpapan, Samarinda, Pontianak, and Tarakan as well as Riau islands. We continue to focus on building our brands, distribution and making products available in all key cities.

Focus on **brand investment** and extend **route-to-market capabilities**, while seeking value- or capability-enhancing **acquisitions**

### F&N

canned milk introduced in Indonesia

### 100PLUS, F&N

canned milk, *F&N* Sparkling Drinks,

### *SUNKIST* and *F&N*

*SEASONS* Asian Drinks are available in over 20 cities in Indonesia

### 100PLUS

continued to strengthen its position as the **enabler of active lifestyles** by supporting major sporting events and national sports bodies

## CEO Business Review

### NEW MARKETS

- Indonesia • Myanmar
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Indonesia will remain a key market and a core component in our growth strategy. We are determined to pursue every opportunity to grow this important market.

This entails expanding our product range, widening our reach, forging partnerships and driving consumption through localised consumer engagement activities.

We will also continue to review our distribution structure to ensure its ability to supply our products efficiently and reliably alongside the rapid development of the different trade channels in the region.

Leveraging our regional business and brands, we will continue to look for opportunities to drive scale advantage.

#### (B) MYANMAR

The COVID-19 pandemic has dealt a severe blow to Myanmar's economy. The slowing economic growth threatens to reverse Myanmar's recent progress in poverty reduction, leading to the downward spiral of lower income households. If the domestic spread of the outbreak is brought under control and the global economy recovers, Myanmar's GDP growth rate is projected to bounce back.

In February, *100PLUS* appointed DKSH – a leading market expansion services provider in the fast-moving consumer goods sector – to distribute and sell F&N's market leading brands, *100PLUS*, *F&N SEASONS* and *F&N Sparkling Drinks*. As a strategic partner, DKSH provides full-service solution to drive sales for F&N. The new partnership seeks to broaden and deepen F&N's presence, to reach a broader base of consumers in Myanmar. Leveraging DKSH's extensive distribution network,

we have significantly reduced our route-to-market complexities and transitioned from a multi-distributor model to single-distributor. This partnership allowed us to focus on our core competencies of building strong brands and producing delicious beverages for consumers in Myanmar.

Throughout the year, *100PLUS* reinforced its image as the enabler of active lifestyles by continuing its support for major sporting events and national sports bodies, such as the *100PLUS ACTIVE RUN*, *YOMA YANGON INTERNATIONAL MARATHON*, Myanmar Football Federation ("**MFF**") and Myanmar National League events. This year, *100PLUS* and MFF jointly set up the 'MFF *100PLUS* U14 Super Cup 2019', an official football tournament to select and develop youths for the Myanmar football league.

F&N continued to strengthen our presence in the canned milk market as we focused our efforts in relevant food service channels such as tea and coffee shop operators in Yangon, Myanmar. This year, F&N successfully sought a new alliance with tea shop operator to exclusively provide *TEAPOT* condensed and evaporated milk to all its tea shops in Yangon. This new partnership increases *TEAPOT*'s on-premise presence, which has led to sales growth this year.

Responding to local demand, F&N introduced *TEAPOT* Gold in large-size pouch format in July. This larger pack size is designed for larger tea shop outlets and factories who rely heavily on *TEAPOT*'s sweetened creamer in their daily productions.

**(C) THAILAND (SOFT DRINK)**

Thailand's fast-moving-consumer-goods ("FMCG") industry faced challenges this year due to the ongoing pandemic. As COVID-19 drastically impacted Thailand's economy, consumer's purchasing power were inadvertently affected. Consumers are extremely cautious in their spending, prioritising healthier alternatives and essential products. Until Thai and global economies recover and consumer re-orient their way of life and spending, FMCG and beverage industries will continue to face recovery challenges, even in 2021.

During this challenging period, *100PLUS* continued to strengthen its unique positioning as healthy carbonated soft drinks, at point of purchase and sweat spot channels so to drive sales and to present active and healthy lifestyles. Due to the ongoing health crisis, many sport sponsorship and events have been postponed. Despite that, *100PLUS*, as the hydration drink of choice, was able to continue to sponsor numerous sport-related events throughout the year – KAOKONLAKAO 2019-2020 RUN, BURIRAM MARATHON 2020, AMARIN SAVE THE SEA, ATIRA WOMEN'S RUN and ULTRA PARK RUN THAILAND – generating trial and sustaining brand awareness.

*100PLUS* also returned for the second consecutive year as the exclusive isotonic drink and sponsor of HAPPY AND HEALTHY BIKE LANE, a world-class outdoor cycling track, drawing more than 600,000 amateur and professional cyclists annually.

Since F&N Sarsi's return to Thailand's carbonated soft drink market in August 2018, the Group has continued to expand its coverage into key convenience store channels. This much-loved beverage is now available in over 1,700 Family Mart

**100PLUS**

was the exclusive isotonic drink and sponsor of HAPPY AND HEALTHY BIKE LANE event in Thailand

Joined forces with a full-service distributor to expand our reach in Vietnam and Myanmar

stores and Mini Big C supermarkets, and HORECA and traditional trade channels.

**(D) VIETNAM: F&N VIETNAM LIMITED COMPANY**

The Group incorporated F&N Vietnam Limited Liability Company ("FNV") in August 2016, to lay the foundation for expanded business operations beyond the functions of a representative office which was set up in June 2015. FNV currently distributes, markets and conducts trading of non-alcoholic beverages in the country. This operation is in addition to the Group's investment in Vinamilk.

This year, FNV entered into a partnership with DKSH Vietnam, a leading market expansion services provider in the FMCG sector, to distribute our products, including our flagship brand, *100PLUS*, in Vietnam. Committed to driving go-to-market executions, FNV will leverage DKSH's extensive distribution network to drive sales and strengthen the Group's presence in Vietnam, an attractive market with over 90m population.

*100PLUS* continued to strengthen its brand position as the drink of choice for those who lead active lifestyles. From November to January, *100PLUS* created buzz online with its WIN YOUR DAY WITH *100PLUS* campaign. *100PLUS* used this campaign to raise brand

awareness and drive trial, reinforcing *100PLUS* as the isotonic drink for active individuals. Supported by advertisements on social media platforms, influencer marketing and on-ground activations, the campaign successfully increased *100PLUS*'s share of voice by three times.

Following its first successful marketing campaign, *100PLUS* rolled out a three-month long campaign, STAY HYDRATED STAY HEALTHY WITH *100PLUS*, at selected sports venues and facilities like football fields, tennis courts, private gyms, as well as major supermarkets across Ho Chi Minh city. Targeted at young and active individuals, *100PLUS* booths were set up at these locations with eye-catching posters in a bid to educate and engage consumers on the benefits of consuming *100PLUS*. They were also treated to samples of *100PLUS* Original and Lemon Lime flavours as they participated in sporting activities.

This year, as the enabler of active lifestyles, *100PLUS* also supported major sports and lifestyle events in key cities of Vietnam such as TECHCOMBANK INTERNATIONAL MARATHON 2019, HCMC MARATHON 2020, VIETNAM MARTIAL ARTS FESTIVAL 2020, DANANG INTERNATIONAL MARATHON 2020, COLOR MY RUN 2020, RUN MY SAI GON VIRTUAL CHALLENGE 2020 and THE CITY WARRIOR VIRTUAL RUN 2020.