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FRASER & NEAVE HOLDINGS BHD

(Company No. 004205-V)

NEWS RELEASE

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F&NHB FIRST HALF NET PROFIT RISES DOUBLE DIGIT FUELLED BY STRONG SECOND QUARTER PERFORMANCE

- Group revenue rose 3.8 per cent to RM2,035.7 million in the first half ended 31 March 2019.
- Group's profit before tax improved 33.3 per cent to RM288.0 million for the first half compared to same period last year.
- Higher beverages sales for Food & Beverages Malaysia (F&B Malaysia) driven by successful festive promotions and improved route-to-market, offset by softer canned milk sales. Revenue marginally lower by 0.7 per cent to RM1,095.0 million.
- Strong first half performance by Food & Beverages Thailand (F&B Thailand). Revenue improved 9.5 per cent to RM940.1 million from successful marketing and branding initiatives in both domestic and Indochina markets.
- F&B Thailand's profit after tax grew 14.8 per cent despite commencing corporate tax payment this year following the full utilisation of the promotional privileges granted by the Board of Investment. The strong performance is underpinned by higher sales and favorable input costs.
- Interim single tier dividend of 27.0 sen per share (2018: 27.0 sen per share) amounting to RM99.0 million.

HALF YEAR 2018/2019 PERFORMANCE

Financial Highlights	Half Year 2018/2019	Half Year 2017/2018 *	Change
Revenue (RM million)	2,035.7	1,961.4	3.8%
Profit before tax (RM million)	288.0	216.0	33.3%
Profit after tax (RM million)	227.3	199.4	14.0%
Basic earnings per share (sen)	62.0	54.5	13.8% / 7.5 sen

* The comparatives have been restated for adjustments in respect of MFRS 15 *Revenue from Contracts with Customers*

Fraser & Neave Holdings Bhd (“F&NHB” or “the Group”) posted higher revenue for the first half ended 31 March 2019 which grew 3.8 per cent to RM2,035.7 million from RM1,961.4 million in the same period last year while profit before tax rose 33.3 per cent to RM288.0 million from RM216.0 million in 2018. Profit after tax for the same period increased 14.0 per cent to RM227.3 million from RM199.4 million in the corresponding period last year.

The improved half year performance was attributed to traction gained in beverage sales from additional market activations and effective festive campaigns as well as the strengthening of route-to-market, especially in East Malaysia. This was enhanced further by stronger uptake in the domestic Thai and Indochina markets from successful marketing and branding initiatives.

F&B Thailand’s revenue grew 9.5 per cent to RM940.1 million for the period under review from RM858.4 million in the previous year fuelled by capacity expansion as well as higher sell-in for the Songkran festival.

Higher revenue, net favourable input and packaging costs and one-off income amounting to RM3.8 million contributed to F&B Thailand’s operating profit which rose 45.6 per cent to RM202.2 million from RM138.9 million last year. Despite commencing corporate tax payment in Thailand this year following the full utilisation of the promotional privileges granted by the Board of Investment, F&B Thailand recorded improved profit after tax for its first half, up by 14.8 per cent from the same period last year.

F&B Malaysia grew sales volume by 2.9 per cent in the first half ended 31 March 2019, contributed mainly by beverage sales. This was offset by softer canned milk sales due to stiff price competition in the local market, impacting F&B Malaysia’s overall performance during the period under review.

F&B Malaysia’s revenue reduced marginally to RM1,095.0 million from RM1,102.4 million in the corresponding period last year while operating profit declined by 0.5 per cent to RM80.6 million due to higher trade promotions, marketing expenses and distributions costs, offset by net favourable input and packaging costs.

F&NHB Chief Executive Officer, Lim Yew Hoe said that the continuing resilient performance of the Group’s Thai and Malaysian F&B businesses despite prolonged weak macro-environment reflected the Group’s unrelenting focus and drive to achieve stronger results and sustainable growth through solid sales strategies and operational excellence.

“We are pleased that the successful Chinese New Year (“CNY”) sales and marketing executions, with 100PLUS achieving its five-year record high in market share in CNY 2019 has given us a strong start for the year. We will continue to refine our route-to-market execution and drive impactful promotions, especially during Ramadan and Hari Raya Aidilfitri to maintain the growth momentum in the second half,” he added.

SECOND QUARTER 2018/2019 PERFORMANCE

Financial Highlights	Second Quarter 2018/2019	Second Quarter 2017/2018 *	Change
Revenue (RM million)	1,025.4	959.6	6.9%
Profit before tax (RM million)	134.0	100.9	32.7%
Profit after tax (RM million)	104.4	92.6	12.8%
Basic earnings per share (sen)	28.5	25.3	12.6% / 3.2 sen

* The comparatives have been restated for adjustments in respect of MFRS 15 *Revenue from Contracts with Customers*

For its second quarter ended 31 March 2019, the Group’s revenue grew by 6.9 per cent to RM1,025.4 million from RM959.6 million in the corresponding quarter last year.

The Group’s profit before tax for the second quarter rose 32.7 per cent to RM134.0 million from RM100.9 million while its profit after tax rose 12.8 per cent to RM104.4 million compared to 2018.

The second quarter results were driven by the strong performance of F&B Thailand which recorded a 17.1 per cent revenue growth at RM483.6 million compared to the corresponding quarter in 2018.

Higher exports from the expansion of TEAPOT Sweetened Beverage Creamer Squeeze Tubes to Indochina as well as effective sales and marketing programs in domestic market contributed to the revenue growth for F&B Thailand. During the same period, F&B Thailand's operating profit rose 55.6 per cent to RM103.0 million underpinned by higher sales, favorable input costs and one-off income amounting to RM3.7 million in the second quarter.

F&B Malaysia grew its sales volume by 6.5 per cent in the second quarter on the back of higher beverages sales from successful CNY activations combined with improvements in the route-to-market in East Malaysia.

Revenue however declined marginally by 0.9 per cent to RM541.5 million from RM546.3 million, due to higher trade promotions and lower canned milk sales. Meanwhile, F&B Malaysia's operating profit declined 29.4 per cent to RM28.2 million from RM39.9 million in the corresponding quarter last year due to higher packaging material cost and advertising and promotions expenditure.

GOING FORWARD

Commenting on the Government's announcement to postpone the implementation of excise duty on sugar sweetened beverages (SSB) to July 1 from April 1, 2019, Lim expressed F&NHB's appreciation to the authorities for considering feedback from industry players.

"We are grateful for the Government's decision which will provide us with more time to execute our mitigation plan and enable Malaysians to enjoy the Hari Raya Aidilfitri celebrations. We will continue to leverage on innovation and reinvention to offer healthier, affordable and delicious products that are easily accessible to all," he said.

In mitigating the effects of the SSB excise duty, the Group would be producing smaller packs, reformulating and reducing sugar content in existing offerings as well as speed up innovations on healthier product categories.

Besides focusing on the impending excise duty on SSB, F&NHB will continue to deliver special promotions and trade activities for the upcoming Ramadan and Hari Raya festivity. This includes introducing limited editions of F&N Lychee Pear drink, with improved recipe certified with the Healthier Choice Logo as well as the fruity variants of 100PLUS that consist of 100PLUS ORANGE, 100PLUS BERRY, 100PLUS LEMON LIME and 100PLUS BLACKCURRANT.

Recent new products launched in Malaysia also include F&N SEASONS Apple Pomegranate and F&N SEASONS Watermelon Lychee as well as CARNATION Sweetened & Condensed Creamer. In Thailand, F&NHB added the F&N Magnolia Plus – Lactose Free Pasteurised Milk range in Plain, Vanilla White Chocolate and Peppermint Brownie flavours; and F&N TEAPOT Caramel Flavoured Sweetened Condensed Milk Tube with Added Fresh Milk to its product portfolio.

Reflecting on the Group's outlook for the rest of the financial year, F&NHB Chairman, Tengku Syed Badarudin Jamalullail said the overall domestic market for Malaysia is expected to remain challenging especially in the canned milk segment and the implementation of excise duty on SSB. The postponement of the imposition of excise duty on SSB to July 1 instead of the earlier proposed date of April 1 will help F&NHB better mitigate the impact for the financial year.

“The prospects for Thailand are expected to be better, following the improvement in the sweetened and unsweetened condensed milk segments. The Group will increase investment in brand building to strengthen our product portfolio in the second half of the financial year.”

“The Board and management will continue to be vigilant and explore new growth opportunities in managing the changes in the external environment,” he added.

According to Lim, the Group will sharpen its focus on strengthening its commercial strategies, refining route-to-market execution, accelerating innovations post sugar tax and improving operation efficiencies across the business to generate profit and sustainable growth while expanding F&N's global reach and increasing the brand's presence in new markets.

For the first half, export volume to halal markets has more than doubled compared to the same period last year. The Group is also on track to meet the RM800 million Group sales target in 2020 through continued efforts to widen the distribution channels in the Middle East, Northern Africa and ASEAN countries and expanding product application.

“Raw and packaging material prices in the subsequent quarters are expected to remain volatile with uptrends in packaging and milk-based commodity prices. The Group has hedged its core commodity requirements with the corresponding foreign currency exposure wherever possible,” Lim added.

In line with the Group's performance, the Board declared an interim single tier dividend of 27.0 sen per share (2018: 27.0 sen per share) for the year ending 30 September 2019. The dividend amounting to about RM99.0 million will be paid on 13 June 2019.

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About Fraser & Neave Holdings Bhd

Fraser & Neave Holdings Bhd (F&NHB) is a Malaysian company listed on the Main Market of Bursa Malaysia Securities Berhad with expertise and a prominent standing in the food and beverage business. F&NHB has a rich history spanning 136 years, positioning the Company and its brand as one that is trusted by generations. The Company boast a portfolio of 20 well-loved brands which are leaders in many segments namely 100PLUS, F&N Fun Flavours, F&N SEASONS, OYOSHI, F&N Condensed and Evaporated Milk, F&N Magnolia, Farmhouse, CARNATION and F&N Fruit Tree. F&NHB has 2,800 employees and is Malaysia's Top 5 Best Employer Brands in Graduates' Choice Award 2018. F&NHB operates in Malaysia, Brunei, Thailand and Indochina, and is a subsidiary of Fraser and Neave, Limited, a company listed on the Singapore Exchange. www.fn.com.my

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