

General Announcement for PLC (v13)

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MAIN	
Type	Announcement
Subject	OTHERS
Description	News Release: F&NHB Records Higher Revenue and Double-digit Growth in Profit Before Tax for FY2019
Shareholder Approval	No

Announcement Details/Table Section			
We attach herewith a news release dated 5 November 2019 entitled "F&NHB Records Higher Revenue and Double-digit Growth in Profit Before Tax for FY2019".			
Please refer attachment below.			
Attachment	No	File Name	Size
	1	Press release for Q4FY2019.pdf	192.6KB



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FRASER & NEAVE HOLDINGS BHD

(Company No. 004205-V)

**IMMEDIATE RELEASE
5 NOVEMBER 2019**

F&NHB RECORDS HIGHER REVENUE AND DOUBLE-DIGIT GROWTH IN PROFIT BEFORE TAX FOR FY2019

- Revenue grew 5.3 per cent to RM4.08 billion for FY2019 from RM3.87 billion last year.
- Achieved highest ever Group profit before tax from operations, up by 25.7 per cent to RM533.0 million from RM424.1 million last year, despite lower Q4 profit.
- Strong performance from Food & Beverages Thailand with 11.3 per cent revenue growth to RM1.91 billion in FY2019 from RM1.72 billion last year. Higher sales combined with favourable input cost led to a 40.3 per cent jump in its operating profit.
- Positive revenue growth for Food & Beverages Malaysia at RM2.16 billion, driven by higher festive sales for beverages. Slower off-take in fourth quarter due to the effect of pre-loading ahead of sugar-sweetened beverages excise duty (sugar tax) implementation.
- The overall increase in domestic sales cushioned the effects of volatile export environment and competition pressure in the canned milk category.
- Following reformulation, 90 per cent of RTD products sold in Malaysia has sugar content below 5g per 100ml as at the close of this fiscal year.
- Pending the approvals from relevant authorities on the proposed acquisition of 4,454 ha Ladang Chuping in Perlis, F&NHB is set to become a major player in the fresh liquid milk market sector and support the country's ambition to achieve fresh milk self-sufficiency.
- Recommending a final single tier dividend of 33.0 sen per share (2018: 30.5 sen per share) in line with higher earnings.

FULL YEAR 2019 PERFORMANCE

Financial Highlights	FY 2019	FY 2018 *	Change
Revenue (RM billion)	4.08	3.87	5.3%
Profit before tax (RM million)	533.0	424.1	25.7%
Profit after tax (RM million)	410.2	386.5	6.1%
Basic earnings per share (sen)	111.9	105.3	6.3% / 6.6 sen

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

Fraser & Neave Holdings Bhd's ('F&NHB' or 'the Group') concluded its financial year ended September 30, 2019 ('FY2019') with higher revenue and strong profit performance.

Group revenue grew 5.3 per cent to RM4.08 billion from RM3.87 billion while Group profit before tax increased 25.7 per cent to RM533.0 million from RM424.1 million in the previous year, mainly attributed to higher revenue and profit contribution from Food & Beverages Thailand ('F&B Thailand').

Group profit after tax rose 6.1 per cent to RM410.2 million despite the impact of corporate tax payment in Thailand this year, following the full utilisation of the tax incentives granted by Thailand Board of Investment.

Commenting on the Group's latest results, F&NHB Chairman Tengku Syed Badarudin Jamalullail said the Group has over decades of operating experience in ever-changing conditions, developed its ability to adapt strategies to overcome challenges without losing sight of its long-term vision.

"We have a diverse product portfolio and balanced geographical footprint, a strong balance sheet and research and development capabilities, and the agility to focus on immediate and long-term challenges. Our latest results demonstrated the Group's unrelenting focus on excellence and delivering sustainable performance," he added.

F&B Thailand continued to be the Group's best performing pillar. F&B Thailand's strong growth momentum in domestic, Indochina and export markets was driven by successful innovations and effective execution of marketing and branding initiatives as well as better management of pricing and discounts. Supported by capacity expansion and aided by the strengthening of Thai Baht against the Ringgit, revenue increased 11.3 per cent to RM1.91 billion. In local currency terms, revenue for F&B Thailand grew by 5.9 per cent.

On the back of higher sales, F&B Thailand's operating profit surged 40.3 per cent (33.5 per cent in local currency) to RM362.0 million, supported by favourable input and packaging costs and operational cost savings.

Food & Beverages Malaysia's ('F&B Malaysia') overall performance in FY2019 was underpinned by higher beverages sales from successful festive promotions during Chinese New Year, Hari Raya Aidilfitri and Harvest festival, continued efforts in strengthening and deepening the route-to-market; especially in East Malaysia and the successful reformulation of ready-to-drink products in Malaysia in response to the sugar tax introduction in July 2019.

F&B Malaysia revenue increased marginally from RM2.15 billion to RM2.16 billion during the year under review due to higher sales of value pack types, higher trade spending, absence of a one-off export-oriented contract packing business in the previous year, and competition in the canned milk segment.

F&B Malaysia's operating profit in FY2019 eased 4.2 per cent to RM161.1 million from RM168.1 million in FY2018. Excluding one-off and non-operating items which include brand support and sales tax refund received last year, as well as equipment written-off and employee separation benefit paid in FY2019, operating profit for F&B Malaysia was 15.5 per cent higher compared to last year.

F&NHB Chief Executive Officer, Lim Yew Hoe said, "It has been our mission to lower the overall sugar index and offer at least one healthier option in every category we are in by the year 2020. The excise duty on sweetened beverages accelerated this process and today, 90 per cent of our RTD beverages sold in Malaysia are healthier options and below the excise duty threshold."

"Our focused execution to drive excellence in the marketplace was equally critical in ensuring the prosperity of the Group's businesses in FY2019. Through impactful promotions which resonated with consumers, domestic business for the year was very encouraging both in Malaysia and Thailand, enabling us to further entrench our leadership in our core categories," he added.

The Group's core brands, *100PLUS*, *F&N SEASONS* and *OYOSHI* maintained leading positions with most growing ahead in their categories. Despite challenging market conditions, F&NHB maintained its undisputed leadership position in the condensed and evaporated milk segment with *F&N*, *TEAPOT*, *GOLD COIN* and *CARNATION* in Malaysia. Similarly, in Thailand, the Group led the market in the Total Sweetened Condensed Milk Tube category while extending its No.1 position in the Evaporated milk category.

FOURTH QUARTER 2019 PERFORMANCE

Financial Highlights	Q4 2019	Q4 2018 *	Change
Revenue (RM million)	975.1	947.6	2.9%
Profit before tax (RM million)	89.5	101.1	-11.5%
Profit after tax (RM million)	68.0	82.6	-17.7%
Basic earnings per share (sen)	18.6	22.6	-17.7% / 4.0 sen

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

For its fourth quarter ended September 30, 2019 ('fourth quarter'), F&NHB recorded a higher revenue of RM975.1 million, up by 2.9 per cent from the corresponding period last year which was mainly attributed to higher contribution by F&B Thailand and favourable foreign exchange translation.

Meanwhile, Group profit before tax in the fourth quarter declined to RM89.5 million from RM101.1 million in the corresponding quarter last year.

Revenue for F&B Thailand rose 7.7 per cent to RM475.5 million for the fourth quarter compared to RM441.4 million last year while its operating profit eased 1.8 per cent to RM60.6 million from RM61.7 million in the corresponding period last year, mainly due to higher brand investment and trade spending for new product launches.

F&B Malaysia's fourth quarter revenue eased 1.5 per cent to RM498.3 million from RM505.9 million in the same quarter last year due to slower sales post-festive season, the effect of pre-loading of products in the third quarter in anticipation of the sugar tax implementation and exacerbated by haze that limited outdoor consumer and marketing activities. This was partly mitigated by double digit growth in Exports revenue.

Operating profit for F&B Malaysia declined 27.0 per cent to RM27.7 million during the fourth quarter mainly due to one-off and non-operating items. Excluding one-off and non-operating items, operating profit for F&B Malaysia grew by 6.5 per cent.

GOING FORWARD

Commenting on F&NHB's proposed acquisition of 4,454 hectares of leasehold land in Perlis to develop the upstream fresh milk operations, Lim said, "We are confident that our latest investment will accelerate our equity in the liquid milk sector and present incremental opportunities for our future growth prospects."

He added that F&NHB intends to expand fresh milk consumption in Malaysia while reducing the country's reliance on milk imports to meet the nutritional needs of the nation's growing population.

F&NHB Chairman, Tengku Syed Badarudin Jamalullail added, "This is not just an F&N project as we see it as our contribution to the development of the agricultural and dairy sectors in Malaysia, particularly participating in the economic development of the Northern Corridor Economic Region. This project is a positive development for all, with consumers being the ultimate winner as we are committed to providing the highest quality fresh milk at a more affordable price than today."

"F&N has been around since 1883 providing high quality halal products that have been trusted by generations and support the livelihoods of many Malaysians, from the '*warungs*' to supermarket chains. This latest investment is set to propel our mission to deliver sustainable value for all our stakeholders. We envision Ladang Chuping to be another economic hub for Malaysia as well as a collaborative centre for agricultural development for the country," added Tengku Syed Badarudin.

Currently, F&NHB is evaluating various investment options with an indicative financial commitment of RM650 million inclusive of the land purchase and clearance cost for Phase 1. Phase 1 of the project involves importing 4,000 milking cows with a potential annual output of 40 million litres of fresh milk. Pending approval from the relevant authorities, F&NHB plans to commence upstream milk insourcing within 24 months after vacant possession.

In the longer term, Ladang Chuping will be capable of hosting 20,000 milking cows to produce 200 million litres of fresh milk yearly, providing the capacity for Malaysia to potentially export fresh milk.

On prospects for the current financial year ending September 30, 2020, Lim expected the overall domestic market for F&B Malaysia to remain challenging amidst the continuous competitive pressures in the canned milk and the RTD beverage segments. He said, "After the successful reformulation exercise, we will be sharpening our focus on commercial execution in preparation for 2020 Chinese New Year festive sales, which will be held earlier than past year."

"Although the Thai economy is projected to grow at a slightly higher rate of three per cent in 2020 vs current year, external and domestic headwinds remain. We believe the strong foundation that we have laid in the past and the investment in brand spending and new product launches in the fourth quarter of FY2019 will continue to drive our growth in F&B Thailand," he added.

Against a backdrop of global uncertainties, volatility and lower export competitiveness from the strengthening of Thai baht, Lim said that F&NHB is committed to continue to build Exports as its third business pillar and achieve target Group export revenue of RM800 million by 2020.

He also added that F&NHB is in preparation to establish a new subsidiary in Dubai to increase and deepen its presence in Middle East and North Africa region.

In line with higher Group earnings for the financial year ended 30 September 2019, the Board is recommending a higher final single tier dividend of 33.0 sen per share (2018: 30.5 sen per share) for approval by shareholders at the forthcoming Annual General Meeting. If approved by shareholders, the total dividend for the year would amount to 60.0 sen per share (2018: 57.5 sen per share).

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ABOUT FRASER & NEAVE HOLDINGS BHD

Fraser & Neave Holdings Bhd (F&NHB) is a Malaysian-incorporated company listed on Bursa Malaysia's Main Board 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 brand as one that is trusted by generations.

A Syariah compliant company, F&NHB boasts a portfolio of 20 well-loved brands which are leaders in many segments namely 100PLUS, F&N Fun Flavours, F&N SEASONS, F&N Condensed and Evaporated Milk, F&N Magnolia, OYOSHI, Farmhouse, CARNATION and F&N Fruit Tree.

F&NHB is a constituent of FTSE4Good Bursa Malaysia (F4GBM) Index for its strong commitment to responsible business practices on environmental, social and governance (ESG) matters and also the first runner-up for Best Employer Brands in Graduates' Choice Award 2019.

F&NHB employs 2,600 people across its operations in Malaysia, Brunei, Thailand and Indochina.

For more information, please visit www.fn.com.my

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