

General Announcement for PLC (v13)

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Company Name	FRASER & NEAVE HOLDINGS BHD		
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MAIN	
Type	Announcement
Subject	OTHERS
Description	News release: F&NHB maintained profit for its second quarter supported by Thailand operations
Shareholder Approval	No

Announcement Details/Table Section	
We attach herewith a news release dated 4 May 2020 entitled "F&NHB maintained profit for its second quarter supported by Thailand operations".	
Please refer to the attachment below.	

Attachment	No	File Name	Size
	1	FNHB-First Half FY2020 Results News Release.pdf	186.7KB

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FRASER & NEAVE HOLDINGS BHD

(Company No. 004205-V)

**FOR IMMEDIATE RELEASE
MAY 4, 2020**

F&NHB MAINTAINED PROFIT FOR ITS SECOND QUARTER SUPPORTED BY THAILAND OPERATIONS

- Group operating profit and profit before tax for second quarter maintained at RM130.0 million and RM134.1 million respectively compared to last year while Group revenue eased 1.9 per cent.
- F&NHB continued to deliver positive results for the first half driven by strong contribution from Thailand operations and export business. Group revenue up by 4.0 per cent to RM2.1 billion while Group profit before tax grew 2.3 per cent to RM294.7 million.
- Double digit growth in Exports and new product launches helped Food & Beverages Malaysia maintained its first half volume as last year while revenue eased marginally.
- Food & Beverages Thailand builds on strong first quarter momentum to achieve 9.6 per cent revenue growth in the first half.
- F&NHB to explore a renewable energy programme at three plants in Malaysia following the successful commissioning of solar PV system at its Rojana plant in Thailand.
- Interim single tier dividend of 27.0 sen per share (2019: 27.0 sen per share) amounting to RM99.0 million.

SECOND QUARTER FY2020 PERFORMANCE

Financial Highlights	Q2 FY2020	Q2 FY2019	Change
Revenue (RM million)	1,005.6	1,025.4	-1.9%
Operating profit (RM million)	130.4	130.1	+0.2%
Profit before tax (RM million)	134.1	134.0	0.1%
Profit after tax (RM million)	102.2	104.4	-2.2%
Basic earnings per share (sen)	27.9	28.5	-2.1% / -0.6 sen

For the second quarter ended March 31, 2020, Fraser & Neave Holdings Bhd (F&NHB or the Group) maintained its Group operating profit and profit before tax at RM130.0 million and RM134.1 million respectively. The results were driven by strong contribution from F&B Thailand.

Group revenue eased marginally from RM1,025.4 million to RM1,005.6 million from adverse impact of the COVID-19 pandemic and movement control measures on consumer demand.

This is reflected in Food & Beverages Malaysia's (F&B Malaysia) revenue for the second quarter, which declined by 7.8 per cent to RM499.2 million due to an earlier sell-in for Chinese New Year this year; added impact from the Movement Control Order (MCO) which commenced from March 18, 2020 and partially offset by higher growth in export revenue especially in the ASEAN and Greater China region.

Despite recording growth in exports compared to last year, the quantum increase was limited due to postponement of orders as a result of lockdown and quarantine imposed on shipping vessels in certain countries due to COVID-19.

Lower revenue, higher dairies input cost, unfavourable foreign currency impact and partially offset by lower advertising and promotions spend led to lower operating profit for F&B Malaysia in the second quarter, which declined 13.7 per cent to RM24.3 million from RM28.2 million last year.

Meanwhile, Food & Beverages Thailand (F&B Thailand) grew its revenue by 4.3 per cent to RM504.2 million for the second quarter from RM483.6 million last year aided by favourable RM/THB forex translation. Its revenue in Thai Baht terms grew marginally by 1.3 per cent while weathering the impact of the COVID-19 outbreak. This was attributed to higher load of shipments delivered ahead for the export OEM business; products front-loaded into the trade ahead of the emergency decree implemented in Thailand from March 26, 2020; and slight growth in the Indochina market.

Operating profit for F&B Thailand rose by 2.5 per cent in the second quarter, from RM103.0 million last year to RM105.5 million mainly due to net favourable input costs aided by a stronger Thai Baht and offset by higher marketing and trade spending.

HALF YEAR FY2020 PERFORMANCE

Financial Highlights	Half Year FY2020	Half Year FY2019	Change
Revenue (RM million)	2,116.7	2,035.7	+4.0%
Operating profit (RM million)	288.3	282.1	+2.2%
Profit before tax (RM million)	294.7	288.0	+2.3%
Profit after tax (RM million)	230.5	227.3	+1.4%
Basic earnings per share (sen)	62.9	62.0	+1.5% / +0.9 sen

Meanwhile, the Group posted higher revenue for the first half ended 31 March 2020 which grew 4.0 per cent to RM2,116.7 million from RM2,035.7 million last year. Group operating profit rose by 2.2 per cent to RM288.3 million whilst Group profit before tax grew 2.3 per cent to RM294.7 million for the first half year compared to 2019.

Despite subdued consumer demand, F&B Malaysia maintained its sales volume as last year while its revenue eased marginally by 1.0 per cent to RM1,084.2 million for the first half year. This result is bolstered by double digit growth in exports and contributions from new products including Sunkist Pure Juice Drink, F&N Ice Mountain Sparkling Water, OYOSHI Gold No Sugar Premium Japanese Green Tea, F&N TEAPOT Sweetened Condensed Milk Squeeze Tube in two new local flavours – Gula Melaka and Pandan, 100PLUS Zero and F&N Teh Tarik Ori.

Meanwhile, net unfavourable dairies input costs led to operating profit for F&B Malaysia declining 9.5 per cent to RM73.0 million for its first half year.

Revenue for F&B Thailand rose 9.6 per cent to RM1,030.0 million for the first half year from RM940.1 million last year due to a strong first quarter performance. The revenue growth was attributed to a successful customer loyalty programme and initiatives that widened hawker and outlet coverage nationwide; the launch of F&N TEAPOT Sweetened Condensed Milk Squeeze Tube in Matcha flavor, CARNATION PLUS Sweetened Condensed Milk with 0% Fat as well as CARNATION and TEAPOT evaporated milk in 1kg pouch; and favourable RM/THB foreign exchange (forex) translation.

Higher revenue, net favourable input and packaging costs, offset by higher marketing spending for new product launches contributed to 7.0 per cent growth in F&B Thailand's operating profit which rose to RM216.4 million.

Commenting on F&NHB's first half financial results, F&NHB Chief Executive Officer, Lim Yew Hoe attributed the Group's sustained growth to a strong first quarter performance, combined with balanced geographical footprint and a relentless focus on innovation and cost efficiency efforts.

"Although the situation is still evolving, we are gratified to have navigated through the challenges from the containment measures in recent months. Besides executing strict health and safety regulations and enhanced sanitisation at the workplace, we have been working closely with the Ministry of International Trade and Industry (MITI), relevant local authorities and our raw and packaging material suppliers, to ensure maximum output within the reduced production hours and workforce during the MCO period."

"Our goal is to ensure continued availability of our core products to consumers during these trying times while safeguarding the welfare of our employees, trade partners and community at large," said Lim.

MOVING FORWARD

As part of the strategic direction to reduce fossil fuel consumption and carbon footprint reduction, the Group is exploring a renewable energy programme at its Shah Alam, Pulau Indah and Bentong plants in Malaysia which entail the setting up of Solar Photovoltaic (PV) system at the three plants.

This follows the commissioning of solar PV system at its Rojana plant in Thailand since April 2020. The 30 million Baht solar PV system with 1MWp generating capacity is expected to significantly reduce energy offtake from the grid by utilising renewable energy for its daily operations.

F&NHB has also commenced its pasteurised product line at Pulau Indah manufacturing plant. This in-sourcing initiative is part of F&NHB's RM40 million investment to expand its Pulau Indah plant capability to enable the Group to be more cost competitive in addition to better control of quality assurance as well as inventory and capacity planning.

Mindful that this year's Ramadan and Hari Raya will be celebrated under different circumstances, the Group has pledged to support frontliners and 10,000 families from underprivileged homes and B40 communities in Peninsular and East Malaysia. Over 500,000 F&N products will be contributed for food packs and *buka puasa* treats under '*Tabahkan Rakyat Malaysia di Ramadan Mulia*' programme. Since the outbreak of the COVID-19 pandemic in Malaysia, F&NHB has contributed over 150,000 products to support the communities in need and keep the nation frontliners hydrated and energised in both Peninsular and East Malaysia.

As F&NHB enters the third quarter, Lim said "We have adjusted and sharpened our route-to-market and channel strategies in view of the movement restrictions and changes in consumer buying behaviour. We will continue to work closely with our trade partners to ensure minimal disruption during this period when cash flow is likely to be tight and explore opportunities to sustain mutual growth."

Commenting on prospect for rest of the year, F&NHB Chairman, Tengku Syed Badarudin Jamalullail said that the Group foresees weak consumer demand to continue into second half of the financial year, especially for its beverage sales as consumers adjust to a 'new normal' of reduced social activities.

"While there are many uncertainties as the crisis is still unfolding, we remain positive given our strong fundamentals, our robust balance sheet and strong portfolio of brands."

"We will continue to execute cost optimisation initiatives to deliver efficiencies and savings and re-invest in our brands. We have hedged a portion of our raw materials requirements ahead for the financial year to mitigate the impact of the rise in certain dairies input prices. We are strengthening our businesses to be ready when economic activities eventually normalise and consumer demand recover," Tengku Syed Badarudin added.

Tengku Syed also expressed gratitude and hailed the selfless efforts of Malaysia's medical personnel from the health services, the police and army as well as other unseen heroes in the background for their unrelenting efforts in safeguarding the health, safety and welfare of the community.

In line with the Group's performance, the Board declared an interim single tier dividend of 27.0 sen per share (2019: 27.0 sen) for the financial year ending 30 September 2020. This dividend amounting to approximately RM99.0 million will be paid on 12 June 2020.

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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 137 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, Sunkist, 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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