

F&NHB Maintains Final Dividend Amidst Unexpected Setback in Agrivalley

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November 5, 2024



- Full year Group revenue grew by 4.9% to RM5.25 billion, underpinned by higher revenue from domestic operations of Food & Beverages Malaysia (F&B Malaysia) and Food & Beverages Thailand (F&B Thailand).
- FY2024 Group profit after tax growth remained positive despite incurring higher tax expenses and start-up costs from our integrated dairy farm. Excluding non-operating items, Group profit after tax for the year increased by 11.3% to RM545.2 million.
- F&B Malaysia's revenue for the year increased 3.5% to RM2.95 billion, mainly driven by strong festive demand supported by successful market penetration and demand-generation campaigns, partly offset by lower exports. Adjusted operating profit (excluding one-off non-operating items) for F&B Malaysia rose 33.4% to RM305.6 million.
- F&B Thailand grew its full-year revenue by 6.7% (5.7% in Thai Baht) to RM2.29 billion while adjusted operating profit (excluding one-off non-operating items) grew by 18.9% (17.8% in Thai Baht) to RM449.9 million, driven by higher volume from successful promotion, and savings in input costs and supply chain.

- Delivery of the first batch of livestock from the United States of America (USA), initially planned to depart from a port in Washington State on 29 October 2024, has been cancelled following the receipt of a suspension letter from the Malaysia Department of Veterinary Services (DVS) on 24 October 2024 due to HPAI H5N1 (Avian flu) outbreak concerns.
- The Group's regional footprint expansion solidified with the groundbreaking of a new manufacturing plant in Cambodia's Suvannaphum Special Economic Zone.
- Recommending a final single tier dividend of 33 sen per share (FY2023: final dividend of 33 sen per share and a special dividend of 17 sen per share).

FOURTH QUARTER FY2024 PERFORMANCE

Financial Highlights	Q4 FY2024	Q4 FY2023	Change
Revenue (RM million)	1,256.2	1,244.4	+1.0%
Operating profit (RM million)	119.9	166.2	-27.9%
Adjusted operating profit *	124.0	163.4	-24.1%
Profit before tax (RM million)	116.5	161.8	-28.0%
Adjusted profit before tax (RM million) *	120.7	159.0	-24.1%
Profit after tax (RM million)	84.7	139.0	-39.1%
Adjusted profit after tax (RM million) *	89.3	136.0	-34.4%
Basic earnings per share (sen)	23.2	37.5	-14.3 sen

* Adjusted to exclude one-off non-operating items such as insurance claim, restructuring costs and inventories written down due to reorganisation of Food Pillar.

Fraser & Neave Holdings Bhd ('F&NHB' or 'the Group') posted higher revenue for its fourth quarter ended 30 September 2024 (Q4 FY2024) at RM1.26 billion compared to RM1.24 billion in the corresponding quarter last year. This growth was driven by higher domestic sales in both Food & Beverage Malaysia (F&B Malaysia) and Food & Beverage Thailand (F&B Thailand), despite external challenges such as geopolitical tensions affecting global trade and logistics, and unfavourable THB/MYR translation.

Group operating profit for Q4 FY2024 declined by 27.9% to RM119.9 million (Q4 FY2023: RM166.2 million) attributed to start-up costs from our integrated dairy farm, restructuring costs, unrealised foreign exchange losses and lower profit contribution from F&B Thailand. This was partly offset by a higher profit contribution from F&B Malaysia.

Group profit after tax for Q4 FY2024 declined by 39.1% to RM84.7 million (Q4 FY2023: RM139.0 million) primarily due to higher tax expense resulting from the expiration of Board of Investment (BOI) incentive for F&B Thailand in Q3 FY2024 and higher withholding taxes on dividends repatriated from F&B Thailand.

Lim Yew Hoe, Chief Executive Officer of F&NHB said, “Q4 also reflects a period of strategic adjustment across all our business units, where we optimised trade inventory, realigned marketing investments, and managed restructuring costs. These targeted actions were undertaken to ensure an optimum start to our financial year 2025.”

F&B Malaysia recorded Q4 FY2024 revenue of RM670.5 million compared to RM681.8 million in the same period last year due to weaker exports affected by geopolitical tensions and higher freight charges. Conversely, the domestic market remained strong, bolstered by effective marketing strategies and greater outlet presence.

Excluding one-off non-operating items which include insurance claim and restructuring costs, F&B Malaysia’s adjusted Q4 FY2024 operating profit grew by 13.7% to RM60.0 million (Q4 FY2023: RM52.8 million) despite lower exports. This growth was driven by improved margins from a favourable product and country mix, and lower input costs, though partially offset by higher sea freight costs.

F&B Thailand’s revenue in Q4 FY2024 grew by 4.1% (6.2% in THB) to RM584.9 million compared to RM561.7 million in the same period last year driven by domestic sales and higher sales to Cambodia following the extended rights secured during FY2023 to exclusively manufacture and distribute BEAR BRAND sterilised milk in Cambodia. Export sales excluding Indochina market remained muted.

For bottom line, higher brand building and promotional spending for both domestic Thailand and Cambodia, as well as increased input costs for palm oil and sugar led to lower operating profit in Q4 FY2024 for F&B Thailand. Excluding the impairment loss on plant and equipment in corresponding quarter last year, the adjusted operating profit for F&B Thailand in Q4 FY2024 declined to RM102.0 million from RM124.1 million last year.

FY2024 FULL YEAR PERFORMANCE

Financial Highlights	FY2024	FY2023	Change
Revenue (RM million)	5,245.6	5,001.4	+4.9%
Operating profit (RM million)	709.5	642.9	+10.4%
Adjusted operating profit (RM million) *	709.7	592.1	+19.9%
Profit before tax (RM million)	697.0	624.7	+11.6%
Adjusted profit before tax (RM million) *	697.3	573.9	+21.5%
Profit after tax (RM million)	544.3	542.0	+0.4%
Adjusted profit after tax (RM million) *	545.2	489.7	+11.3%
Basic earnings per share (sen)	148.2	146.5	1.7 sen

* Adjusted to exclude one-off non-operating items such as remeasurement gain of Cocoland amounted to RM89.3m in FY2023, impairment loss on plant and equipment in FY2023, insurance claim and restructuring costs.

The Group sustained its growth for the full financial year of 2024 (FY2024) with revenue increasing 4.9% to RM5.25 billion, up from RM5.0 billion last year. This is primarily fuelled by higher domestic sales from F&B Malaysia and F&B Thailand, and exports to Cambodia, with beverages, water and dairy products being the key performance drivers.

Group operating profit for FY2024 increased by 10.4% to RM709.5 million, compared to RM642.9 million in the previous year, while Group profit before tax improved by 11.6% over last year, attributed to higher profits from both F&B Malaysia and F&B Thailand, despite adjustments of non-operating items, restructuring costs, and start-up costs for the integrated dairy farm.

Adjusting for one-off non-operating items which include the remeasurement gain of the previously held equity interest in Cocoaland Holdings Berhad, the adjusted Group operating profit grew by 19.9% to RM709.7 million (FY2023: RM592.1 million), driven by higher revenue, lower input costs, and savings in supply chain expenses.

The Group recorded 11.3% growth in adjusted profit after tax at RM545.2million from RM489.7 million last year despite incurring higher tax expenses this year including that from the expiration of Thailand's Board of Investment tax incentive in April 2024.

F&B Malaysia's full year revenue grew by 3.5% to RM2.95 billion driven by strong domestic sales from festive demand and sustained momentum across all channels, supported by successful market penetration and demand-generation campaigns, such as the F&N Rasa Pasti Gempak, Kipid 100 and Magnolia Garfield campaigns. This was also supported by the successful implementation of exports strategy to counter weaker exports in certain regions.

Excluding one-off non-operating items which include insurance claim and restructuring costs, the adjusted operating profit for F&B Malaysia rose 33.4% to RM305.6 million (FY2023: RM229.1 million) on the back of higher sales, improved margins from favourable product/country mix and lower input costs. The adjusted operating profit margin for F&B Malaysia improved by 2.4% compared to FY2023.

F&B Thailand recorded RM2.29 billion in revenue for FY2024, reflecting a 6.7% growth over last year (5.7% in Thai Baht). This was mainly driven by stronger sales to Cambodia following a successful nationwide promotion and full year impact of BEAR BRAND sales. Domestic sales were partly dampened by a limited supply of fresh milk and margin protection initiatives for certain products.

Excluding the impairment loss on plant and equipment recorded in the previous year, F&B Thailand's adjusted operating profit for FY2024 rose by 18.9% (17.8% in THB) to RM449.9 million (FY2023: RM378.3 million). This growth was driven by higher sales volume, lower commodity costs, and supply chain savings, partly offset by increased advertising and promotional expenses including to support new product launches. The adjusted operating profit margin for F&B Thailand nevertheless improved by 2.0% compared to FY2023.

Commenting on F&NHB's full year performance, Lim said, "Our performance this financial year reaffirms our resilience in an ever-evolving environment. We achieved commendable profit and maintained a strong cash position despite the higher start-up costs for our new ventures. Our continued strategic investments and cost optimisation initiatives have enabled us to sustain our growth momentum, while we mitigate the external challenges in the global marketplace.

KEY CORPORATE DEVELOPMENTS

Delivery of the first batch of heifers from the USA (initially planned to depart Washington port on 29 October 2024) has been cancelled following the receipt of a suspension letter from the Malaysia DVS on 24 October 2024 due to HPAI H5N1 (Avian flu) outbreak concerns.

Commenting on this, Lim said the Group is disappointed by recent development despite having taken every precautionary measure necessary to ensure the cattle is disease-free in compliance with the protocol established between Malaysian authorities (DVS) and the United States (US Department of Agriculture and Animal and Plant Health Inspection Service) for the importation of the cattle.

"It is unfortunate our plans to play a part in enhancing the nation's food security in line with the Malaysia Madani framework did not go as planned. F&NHB is exploring options," Lim added.

Despite recent setbacks, Lim expressed confidence in the Group's financial strength, solid cash flow position and strategic plans moving forward, adding that the ongoing investments align with the Group's long-term growth strategy, complement existing business operations, and position the Group for future success.

Meanwhile, our regional footprint expansion was solidified with the groundbreaking of our new manufacturing plant in Cambodia's Suvannaphum Special Economic Zone in September. "TEAPOT is already the bestselling condensed milk brand in Cambodia, and we intend to leverage that advantage to grow our Cambodian business," he added.

"Halal Packaged Foods remains a key pillar in our strategy to drive both top and bottom-line growth. We are still learning the new confectionery and culinary product categories which are different from beverages and dairies. Our continuous efforts to consolidate our packaged food manufacturing and create synergies within the Group have yielded promising outcomes, including improved profit margins for our Food segment, and many ongoing projects to transform the new businesses for a more sustainable future.

On the sustainability front, F&NHB is making strides with Phase 2 of solar photovoltaic installations nearing completion at the Group's Shah Alam, Pulau Indah and Rawang plants. Once completed, these panels are expected to reduce the Group's carbon footprint by 6,600 MT CO₂e annually, while delivering savings of up to RM3.9 million per year.

The Group has also reinforced its ESG commitment through ongoing partnerships with key stakeholders. This includes the renewal of its long-standing collaboration with the Solid Waste and Public Cleansing Management Corporation (SWCorp) Malaysia, under the Ministry of Housing and Local Government Development (KPKT), to jointly cultivate environmental responsibility through training programmes and social responsibility initiatives, and the promotion of 3R (Reduce, Reuse, Recycle) practices among school children and local communities across Malaysia for the next three years.

In FY2024, the Group touched the lives of more than 100,000 beneficiaries, including underprivileged children and senior citizens through various outreach activities organised in collaboration with valued partners, such as the Ministry of Education (MOE), Mydin, MySkills Foundation, National Athletes Welfare Foundation (Yakeb) and National Sports Council (NSC).

Y.A.M. Tengku Syed Badarudin Jamalullail, Chairman of F&NHB remarked on the Group's efforts to build relationships with the local community through F&N AgriValley's development. "As we develop the farm at F&N AgriValley, we are also strengthening our ties with the local community around Gemas, Negeri Sembilan to better understand their needs and contribute to the local economy and environment. To date, we have engaged with over 20 institutions, including local schools, Pejabat Daerah Kecil dan Tanah Gemas, Tampin District Education Office and Royal Malaysia Police, through activities ranging from sports matches and roundtable discussions to educational talks for children."

GOING FORWARD

Summarising the Group's outlook for FY2025, Lim emphasised the Group's ongoing vigilance and adaptability in navigating a volatile global landscape. "Earlier this year, we highlighted our cautious approach going into the second half and we continue to remain vigilant and adaptable to market shifts and wider geopolitical and macroeconomic movements. Indeed, over the past few years, we have systematically built agility for value creation into our operations. This has allowed us to make strategic and tactical responses in a timely manner, either to mitigate risks or capitalise on opportunities," said Lim.

Lim also reiterated the Group's balanced focus between its growth initiatives in agriculture and its traditional businesses. "Although the focus is on F&N AgriValley, we are equally committed to investing in our core businesses in which we are investing to help the Group capture value. Other than the development of our dairy manufacturing plant in Cambodia, some of the new capital expenditures include a new carbonated beverages and drinking water line in Butterworth, a new sterilised milk filling and packing line in Pulau Indah, as well as a new chocolate manufacturing line in Rawang," said Lim.

Y.A.M. Tengku Syed Badarudin said, "Drawing on our rich heritage and solid foundation, the Group continues to be well-positioned for sustainable growth. I am confident in our leadership team's commitment to navigate trends and challenges, invest strategically in our core brands and assets, and uphold our role as an industry leader across all our markets."

In line with the Group's performance, the Board proposed a final single-tier dividend of 33 sen per share (FY2023: final dividend of 33 sen per share and an additional special dividend of 17 sen per share) for the financial year ended 30 September 2024. This dividend amounting to approximately RM121.0 million (FY2023: RM183.4 million) is scheduled to be paid on 10 February 2025.

Subject to shareholders' approval at the forthcoming Annual General Meeting, the total dividend for the year would amount to 63 sen per share (FY2023: ordinary dividend of 60.0 sen per share and an additional special dividend of 17.0 sen per share), bringing the total dividend payout for FY2024 to RM231.1 million (FY2023: RM282.4 million).