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## FRASER AND NEAVE, LIMITED

Company Registration No. 189800001R  
Incorporated in the Republic of Singapore

### Fraser and Neave full-year attributable profit rises 24 per cent to \$153.2 million

- ***FY2019 revenue increased 4 per cent to \$1,902.3 million on higher sales from Food & Beverage division***
- ***FY2019 PBIT<sup>1</sup> rose 32 per cent to \$283.5 million; profit growth was broad-based across business segments, led by Dairies***
  - ***Dairies earnings rose 19 per cent, benefitting from higher sales and lower input costs***
  - ***Beverages PBIT improved significantly to \$6.7 million from \$0.4 million in prior year due to strong soft drinks sales and lower input costs***
- ***Profit after taxation grew 18 per cent to \$212.4 million***
- ***Proposed final dividend of 4.0 cents per share brings total full-year dividend to 5.5 cents, up from 4.5 cents in prior year***

Financial Highlights (S\$ 'million)	Full-year ended 30 Sep 2019	Full-year ended 30 Sep 2018 (restated) <sup>3</sup>
Revenue	1,902.3	1,834.8
PBIT <sup>1</sup>	283.5	215.3
Profit After Taxation	212.4	180.7
Attributable Profit <sup>2</sup>	153.2	123.1
Earnings Per Share (basic)(cents) <sup>2</sup>	10.6	8.5
Net Asset Value Per Share	\$2.02	\$1.95

<sup>1</sup> PBIT denotes profit before interest, taxation and exceptional items

<sup>2</sup> Before fair value adjustment and exceptional items

<sup>3</sup> Restated upon adoption of SFRS(I) 15

SINGAPORE, 14 November 2019 – Fraser and Neave, Limited (“**F&N**” or the “**Group**”) today reported strong results for the twelve months ended 30 September 2019 (“**FY2019**”). These results reflected broad-based strength across business segments, led by Dairies.

Underpinned by solid performance from Food & Beverage (“**F&B**”) division, the Group posted full-year revenue of \$1,902.3 million, up 4 per cent over the prior year (“**FY2018**”); while profit before interest and taxation (“**PBIT**”) rose 32 per cent, to \$283.5 million from \$215.3 million. Profit after taxation grew 18 per cent to \$212.4 million, from \$180.7 million in the prior year. The lower after-tax growth was due to higher effective tax rate (20.9 per cent in FY2019 versus 9.9 per cent in FY2018), primarily the result of higher foreign tax rate following the expiration of corporate tax incentive in Thailand.

This year, higher soft drink and dairy sales contributed to F&B’s strong top line of \$1,624.6 million, representing a growth of 4 per cent from \$1,555.3 million in the previous year. The strong performance was spurred by the successful execution of festive campaigns, improvement in route-to-market, the continuing rollout of new products in core markets as well as higher export volumes.

The Group posted double-digit profit growth in FY2019, outpacing sales. Bolstered by higher soft drink and dairy sales, favourable input costs, contribution from newly-acquired businesses and higher profit share in Vietnam Dairy Products Joint Stock Company (“**Vinamilk**”), the Group’s associate company in Vietnam, FY2019 PBIT improved 32 per cent, to \$283.5 million.

Dairies remained the star performer. It posted a 19-per-cent increase in PBIT, reaching \$275.5 million in the FY2019. The strong performance from Dairies this year was mainly underpinned by the Group’s profit share of \$110.9 million from Vinamilk and the 37-per-cent profit growth in Dairies Thailand. Lifted mainly by

its 10-per-cent top line growth, favourable input costs and lower advertising and promotion expenses, Dairies Thailand PBIT rose 37 per cent. Dairies Malaysia, on the other hand, continued to be adversely impacted by intense canned milk competition. Despite recording a 1-per-cent increase in sales, Dairies Malaysia FY2019 PBIT fell 6 per cent, impacted by higher trade promotion expenses.

Beverages also grew at a stronger pace this year despite a tough sales environment. Driven by successful festive campaigns and trade replenishment of existing and rollout of new healthier products in F&N's core markets of Malaysia and Singapore, Beverages sales grew 7 per cent. Accelerating sales growth, lower sugar prices and marketing spend saw a significant improvement in Beverages FY2019 PBIT to \$6.7 million, from \$0.4 million in the prior year. This earnings growth was achieved despite higher logistic cost, as well as pre-operating costs associated with the new brewery in Myanmar. Excluding the brewery pre-operating costs, Beverages earnings would have been higher, at \$10.5 million.

Publishing and Printing (“P&P”) revenue declined marginally this year – by 1 per cent over prior year to \$277.4 million. Its decline was due mainly to change in the sales mix of education publishing business and lower retail revenue due to store closures. Despite lower revenue, P&P posted earnings of \$9.6 million, up from \$0.1 million in FY2018. The better performance was driven by higher margins, prudent cost management, improving profitability from its core print business, maiden profit contribution from newly-acquired business, Print Lab, and non-operating income from the sale of non-core assets.

**Mr Koh Poh Tiong, Chairman of the F&N Board Executive Committee said,** “2019 was a year of good growth for F&N. We grew all our business segments, lifting attributable profit by 24 per cent to \$153.2 million, despite an economic environment which became more challenging as the year progressed. Our

unrelenting focus on innovation, brand-building and operational and commercial excellence, as well as systematic execution of our acquisition strategy to expand our business continued to yield results. We are particularly pleased that F&N has returned to Myanmar's beer market, with the start of commercial production of Emerald Brewery Myanmar Limited on 1 October 2019. We are also pleased that F&N made its maiden entry into the food service business with two strategic acquisitions in Thailand – Starbucks Thailand with a fast-expanding footprint of 372 stores, and Genki Sushi, a franchised sushi restaurant business. Times Publishing Limited also successfully acquired a majority stake in Print Lab in a strategic move to keep abreast of evolving market developments in the print segment.”

“We remain confident in our long-term strategy, and we have the right team in place to ensure our continued ability to deliver long-term value for all our stakeholders,” Mr Koh added.

### **Proposed Final Dividend of 4.0 cents per share**

The Directors have determined that it is prudent to maintain a strong balance sheet to provide the flexibility for the Group to invest and take advantage of opportunities as they arise. In spite of the anticipated working capital requirement in the coming year, Directors have proposed a final dividend of 4.0 cents per share. Together with the interim dividend of 1.5 cents per share paid in June 2019, total dividend for this year amounted to 5.5 cents, an increase of 1.0 cent over the prior year. This corresponds to a total dividend ratio of 52 per cent of Group attributable profit before fair value adjustment and exceptional items. If approved by shareholders at the AGM on 29 January 2020, the final dividend will be paid on 18 February 2020.

## Corporate Developments

### **(A) F&N returns to Myanmar**

We officially re-entered the beer business this year. Emerald Brewery Myanmar Limited (“**Emerald Brewery**”), a joint-venture company in which F&N holds 79.86 per cent stake, completed its first canning run on 25 September, a year after investing US\$70 million (\$105 million) in a state-of-the-art brewery, located in Hlegu Township, Yangon. Led by a leadership team with many years of in-market industry experience, the brewery has, on 1 October, started to produce the award-winning *CHANG* beer, and build nationwide distribution to bring this international brew to all corners of the country. With our investment in Emerald Brewery, F&N is now better positioned to capture further growth opportunities in Myanmar.

Through Emerald Brewery, F&N will contribute to Myanmar’s economic and social success by investing in local manufacturing, employing local people, engaging local suppliers and distributors and supporting community investment programs. F&N’s capital investment has been deployed to build a modern brewery which will deliver an annual beer production capacity of 500,000 hectolitres, to grow logistics including sales and distribution operations, as well as drive marketing and people capabilities.

### **(B) F&N acquires 60.0 per cent interest in Print Lab Pte Ltd**

In April 2019, the Group’s Publishing & Printing arm, Times Publishing Limited (“**TPL**”) acquired a 60 per cent stake in Print Lab Pte. Ltd. (“**PL**”) for a cash consideration of \$24.5 million. The acquisition is part of TPL’s continuing strategy to diversify its print portfolio and strengthen the company’s foothold in the growing integrated marketing and print solution market.

PL is a one-stop integrated print, creative and digital out-of-home solution provider in Singapore. It serves clients across a diverse set of industries including clients in the creative retail marketing segment, FMCG, retail, automobile and financial institutions, many of which are blue-chip companies.

**(C) F&N enters food service business with investments in (i) a Japanese franchised business and (ii) the fast-growing retail coffee segment in Thailand**

**(i) Genki Sushi Bangkok Co., Ltd**

F&N owns an effective 20.75 per cent stake in Genki Sushi Bangkok Co. Ltd. (“**GSB**”), a franchised sushi restaurant business in Thailand under its principal brand, *GENKI SUSHI*.

This investment in GSB marked F&N’s foray into the food service industry, a move that leverages the knowledge and network of Thai Beverage PCL in Thailand.

**(ii) Starbucks Coffee (Thailand) Co., Ltd**

In May 2019, F&N through Coffee Concepts (Thailand) Co., Ltd., a partnership between F&N Retail Connection Co., Ltd. and Maxim’s Caterers Limited (“**Maxim’s**”), entered into an agreement to acquire the entire issued share capital of Starbucks Coffee (Thailand) Co., Ltd (“**Starbucks Thailand**”). This acquisition adds an iconic coffee brand to F&N’s portfolio of renowned brands which includes its proprietary *100PLUS* isotonic beverage, strengthen F&N’s regional footprint and extend its presence into the retail coffee segment of the total beverage market.

Maxim's is a long-time strategic partner of US-headquartered Starbucks Coffee Company, and has been operating and developing Starbucks retail coffee stores as Starbucks' licensee since 2000. Maxim's currently operates Starbucks stores in Hong Kong, Macau, Singapore, Vietnam and Cambodia.

The acquisition allows F&N to leverage Maxim's long-standing partnership with Starbucks and its extensive experience in running Starbucks stores in multiple markets as well as other food and beverage retail outlets, to grow Starbucks Thailand's fast-expanding footprint of 372 Starbucks stores.

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