

COMPANY RESULTS

Food Empire Holdings (FEH SP)

2024: Results Above Expectations; Healthy Pass-through Of Higher Coffee Costs

FEH's 2024 core profit of US\$50m (-11% yoy) beat our expectations by 8%. Revenue hit a record high (+12% yoy) due to strong double-digit growth in the SEA, South Asia, Ukraine, Kazakhstan and CIS segments. A final dividend and special dividend totalling 8 S cents/share has been declared. FEH is reaping the benefits of its diversification strategy and growing emphasis on Asia. We also note the healthy pass-through of the higher coffee bean costs. Upgrade to BUY with a 9% higher target price of S\$1.20.

2H24/2024 RESULTS

Year to 31 Dec (US\$m)	2H24	2H23	yoy % chg	2024	yoy % chg
Revenue	251.1	227.5	10.4	476.3	11.9
Gross profit	76.8	71.9	6.7	144.4	2.1
Gross margin (%)	30.6	31.6	(1.0ppt)	30.3	(2.9ppt)
Net profit	29.7	29.8	(0.6)	52.9	(6.4)
Net margin (%)	11.8	13.1	(1.3ppt)	11.1	(2.2ppt)
Core net profit*	26.8	29.8	(10.1)	50.0	(11.4)
Core net margin* (%)	10.7	13.1	(2.4ppt)	10.5	(2.8ppt)

Source: Food Empire, UOB Kay Hian

*Excluding a one-off gain on fair value gain of derivatives of US\$2.8m from redeemable exchangeable notes in 2H24

RESULTS

- Results above expectations.** After excluding a one-off fair value gain of US\$2.8m from redeemable exchangeable notes, Food Empire Holdings' (FEH) 2024 core net profit of US\$50m (-11% yoy) is above expectations, forming 108% of our full-year forecast. Revenue for 2024 rose 12% yoy, due to its effective diversification strategy and increasing emphasis on the fast-growing Asia region. However, core net margin fell 3ppt yoy, due to record-high coffee prices, as well as a rise in sales and marketing expenses (+14% yoy) and legal and professional expenses (+16% yoy).
- Fourth straight year of revenue growth.** Top-line grew 12% yoy to a new record high, primarily driven by strong double-digit growth from: a) Southeast Asia (SEA) (+27% yoy), due to increased contribution from Vietnam with more marketing activities and Malaysia with higher sales volume; b) South Asia (+25% yoy), from increased sales of instant coffee products and pricing adjustments; and c) Ukraine, Kazakhstan and Commonwealth of Independent States (CIS) (+13% yoy) due to pricing adjustments, new product launches and contributions from its new subsidiary Tea House LLP. Revenue from Russia declined 1% yoy due to the weaker Russian ruble against the US dollar, but rose 7% yoy in local currency terms due to pricing adjustments to reflect higher ingredient costs.
- Higher final dividend but lower total dividend.** FEH has proposed a first and final dividend of 6 S cents/share (2023: 5 S cents/share) and a special dividend of 2 S cents/share (2023: 5 S cents/share), bringing the total dividend lower to 8 S cents/share (2023: 10 S cents/share). This translates to a higher-than-expected yield of 7.4%.

KEY FINANCIALS

Year to 31 Dec (US\$m)	2023	2024	2025F	2026F	2027F
Net turnover	426	476	505	536	567
EBITDA	79	72	75	80	85
Operating profit	71	63	65	70	75
Net profit (rep./act.)	57	53	54	58	62
Net profit (adj.)	57	50	54	58	62
EPS (US\$ cent)	10.8	9.4	10.3	11.0	11.8
PE (x)	7.4	8.5	7.8	7.3	6.8
P/B (x)	1.4	1.4	1.3	1.2	1.1
EV/EBITDA (x)	3.9	4.3	4.2	3.9	3.7
Dividend yield (%)	9.2	7.4	7.4	7.4	7.4
Net margin (%)	13.3	11.0	10.7	10.8	10.9
Net debt/(cash) to equity (%)	(32.1)	(31.1)	(35.1)	(38.9)	(42.8)
Interest cover (x)	n.a.	273.8	254.9	287.2	317.9
ROE (%)	19.7	17.8	17.7	17.6	17.2
Consensus net profit	-	-	49	53	-
UOBKH/Consensus (x)	-	-	1.09	1.10	-

Source: FEH, Bloomberg, UOB Kay Hian

BUY

(Upgraded)

Share Price	S\$1.07
Target Price	S\$1.20
Upside	+12.1%
(Previous TP:	S\$1.10)

COMPANY DESCRIPTION

Food Empire Holdings manufactures and markets instant beverage products, frozen convenience food, confectioneries and snacks. The company exports its products to markets such as Russia, Eastern Europe, Central Asia, the Middle East and Indochina.

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	FEH SP
Shares issued (m):	526.4
Market cap (S\$m):	563.2
Market cap (US\$m):	421.2
3-mth avg daily t'over (US\$m):	0.3

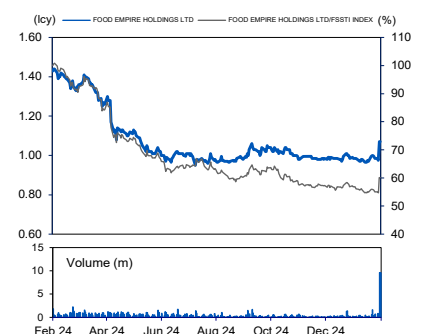
Price Performance (%)

52-week high/low	S\$1.47/S\$0.95			
1mth	3mth	6mth	1yr	YTD
8.6	7.0	9.7	(25.7)	8.1

Major Shareholders

Major Shareholders	%
Anthoni Salim	24.6
Tan Wang Cheow	22.5
FY25 NAV/Share (US\$)	0.60
FY25 Net Cash/Share (US\$)	0.21

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

• **Strategic expansion across Asia.** FEH anticipates continued growth fuelled by both past and ongoing investments in its brands, with a particular focus on Asia. In Malaysia, the expansion of the non-dairy creamer manufacturing facility was completed in 2Q24, with full capacity expected within the next 2-3 years. The expansion of the snack manufacturing facility is on track, with production set to begin in 2Q25. FEH is also constructing its first coffee-mix production facility in Kazakhstan and in Central Asia, expected to be completed by end-25. In Vietnam, FEH will focus on enhancing brand visibility and expanding its consumer base. It has committed to building a freeze-dried coffee facility there, expected to be completed by 2028. We are of the view that this will help FEH sustain business growth and effectively diversify from Russia, its largest market.

• **Climbing coffee bean prices continue to hamper margins.** Prices of coffee beans, FEH's main raw material, remain elevated due to poor weather, but have eased slightly from the highest point. We note that FEH has made pricing adjustments across Russia, CIS and South Asia to reflect the higher costs. This is evident in the improving gross margin of 0.6ppt, from 30.0% in 1H24 vs 30.6% in 2H24. However, we expect margins to continue to face pressures due to the persistently high coffee prices.

EARNINGS REVISION/RISK

• **We revise our 2025/26 revenue forecasts upward by 5%/4% respectively,** on the back of stronger-than-expected revenue growth and margins. Accordingly, our net profit estimates increased by 9%/8% across the same period. We also introduce 2027 forecasts.

VALUATION/RECOMMENDATION

• **Upgrade to BUY with a 9% higher PE-based target price of S\$1.20 (S\$1.10 previously),** after raising our earnings forecasts. Our target price is pegged to an unchanged 9x 2025F PE, or 0.5SD below its long-term historical mean.

• While FEH is positioned for business growth through strategic expansion with its strong brand equity, the ongoing surge in coffee prices to record levels present a challenge. We opine that FEH may take time to better adjust prices, and its margins will continue to be impacted amid these cost pressures.

SHARE PRICE CATALYST

- Dividend surprise from robust financials.
- Better-than-expected sales volumes across all business segments.
- Improving net margin from higher ASPs and effective cost management.

PEER COMPARISON

Company	Ticker	Trading Curr (lcy)	Price @ 26 Feb 25 (lcy)	Market Cap (US\$m)	PE			P/B 2025 (x)	ROE 2025 (%)	Yield 2025 (%)	Net Gearing (%)
					2024 (x)	2025 (x)	2026 (x)				
Food Empire	FEH SP	SGD	1.07	421	8.0	8.4	7.8	1.3	4.6	(11.9)	1.07
Singapore											
Thai Beverage	THBEV SP	SGD	0.52	9,773	12.1	11.3	10.4	2.0	5.2	81.8	0.52
Fraser And Neave	FNN SP	SGD	1.35	1,471	13.1	n.a.	n.a.	n.a.	n.a.	(9.1)	1.35
Delfi	DELFI SP	SGD	0.725	331	9.8	8.5	8.1	1.1	7.3	(8.7)	0.725
Yeo Hiap Seng	YHS SP	SGD	0.56	262	n.a.	n.a.	n.a.	n.a.	n.a.	(15.6)	0.56
Average (Excl. YHS SP)						11.7	9.9	9.3	1.6	6.2	
Regional											
Nestle (Malaysia)	NESZ MK	MYR	88.48	4,687	49.9	37.7	33.9	31.7	2.5	192.9	88.48
Fraser & Neave	FNH MK	MYR	25.88	2,144	17.5	16.8	15.8	2.4	2.9	(12.1)	25.88
Coca-Cola Conso	COKE US	USD	1393.24	12,146	19.9	n.a.	n.a.	n.a.	n.a.	33.2	1393.24
Dydo Group	2590 JP	JPY	2963	658	18.3	27.4	23.3	1.0	1.0	(17.3)	2963
Power Root	PWRT MK	MYR	1.43	138	17.0	15.9	14.6	1.8	4.3	(8.6)	1.43
Tac Consumer	TACC TB	THB	4.18	74	10.2	9.0	n.a.	3.2	9.6	(17.2)	4.18
Average (Excl. NESZ MK & 2590 JP)						16.1	13.9	15.2	2.5	5.6	

Source: Bloomberg, UOB Kay Hian

REVENUE BREAKDOWN, BY GEOGRAPHY

(US\$m)	2H24	yoy % chg	2024	yoy % chg
Russia	73.7	1.4	141.7	(1.1)
South-East Asia	67.5	21.1	129.4	27.3
Ukraine, Kazakhstan and CIS	67.4	10.0	124.7	12.6
South Asia	31.8	16.0	61.4	24.9
Others	10.7	3.0	19.2	(8.2)

Source: FEH

COFFEE FUTURES REMAIN HIGH



Source: Trading Economics

LONG-TERM HISTORICAL PE BAND



Source: FEH, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (US\$m)	2024	2025F	2026F	2027F
Net turnover	476.3	504.7	536.2	566.7
EBITDA	72.3	75.2	80.0	84.7
Deprec. & amort.	9.0	10.2	10.0	9.8
EBIT	63.3	65.0	70.0	74.9
Total other non-operating income	2.7	2.7	2.7	2.7
Associate contributions	(0.5)	0.6	0.6	0.6
Net interest income/(expense)	(0.3)	(0.3)	(0.3)	(0.3)
Pre-tax profit	65.2	68.0	73.0	77.9
Tax	(12.3)	(13.6)	(14.6)	(15.6)
Minorities	(0.3)	(0.3)	(0.3)	(0.3)
Net profit	52.5	54.0	58.1	62.0
Net profit (adj.)	52.5	54.0	58.1	62.0

CASH FLOW

Year to 31 Dec (US\$m)	2024	2025F	2026F	2027F
Operating	25.5	58.4	61.8	65.7
Pre-tax profit	65.2	68.0	73.0	77.9
Tax	(12.3)	(13.6)	(14.6)	(15.6)
Deprec. & amort.	9.0	10.2	10.0	9.8
Associates	(0.5)	0.6	0.6	0.6
Working capital changes	(38.3)	(6.5)	(6.9)	(6.7)
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	2.5	(0.3)	(0.3)	(0.3)
Investing	(18.3)	(5.3)	(5.3)	(5.3)
Capex (growth)	(24.4)	(8.0)	(8.0)	(8.0)
Proceeds from sale of assets	0.3	0.0	0.0	0.0
Others	5.8	2.7	2.7	2.7
Financing	(5.7)	(30.3)	(30.2)	(30.2)
Dividend payments	(39.2)	(30.9)	(30.9)	(30.9)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	66.7	66.7	66.7	66.7
Loan repayment	(63.5)	(63.5)	(63.5)	(63.5)
Others/interest paid	30.3	(2.5)	(2.4)	(2.4)
Net cash inflow (outflow)	1.4	22.8	26.2	30.2
Beginning cash & cash equivalent	131.3	130.9	152.5	177.9
Changes due to forex impact	(1.9)	(1.1)	(0.8)	(0.8)
Ending cash & cash equivalent	130.9	152.5	177.9	207.3

BALANCE SHEET

Year to 31 Dec (US\$m)	2024	2025F	2026F	2027F
Fixed assets	118.7	116.5	114.5	112.7
Other LT assets	35.7	35.7	35.7	35.7
Cash/ST investment	130.9	152.5	177.9	207.3
Other current assets	174.8	184.1	194.7	205.0
Total assets	460.1	488.8	522.8	560.6
ST debt	27.9	27.9	27.9	27.9
Other current liabilities	71.5	75.1	78.8	82.4
LT debt	11.6	13.3	16.1	19.0
Other LT liabilities	53.1	53.1	53.1	53.1
Shareholders' equity	293.8	316.9	344.0	375.0
Minority interest	2.3	2.6	3.0	3.3
Total liabilities & equity	460.1	488.8	522.8	560.6

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	15.2	14.9	14.9	15.0
Pre-tax margin	13.7	13.5	13.6	13.7
Net margin	11.0	10.7	10.8	10.9
ROA	12.2	11.4	11.5	11.4
ROE	17.8	17.7	17.6	17.2
Growth				
Turnover	11.9	6.0	6.2	5.7
EBITDA	(8.9)	4.0	6.5	5.9
Pre-tax profit	(10.1)	4.3	7.4	6.7
Net profit	(7.0)	2.9	7.5	6.7
Net profit (adj.)	(7.0)	2.9	7.5	6.7
EPS	(7.1)	2.9	7.5	6.7
Leverage				
Debt to total capital	11.8	11.4	11.3	11.0
Debt to equity	13.4	13.0	12.8	12.5
Net debt/(cash) to equity	(31.1)	(35.1)	(38.9)	(42.8)
Interest cover (x)	273.8	254.9	287.2	317.9

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