

Singapore

ADD (initiation)

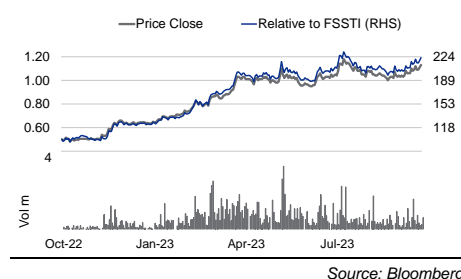
Consensus ratings*: Buy 3 Hold 0 Sell 0

Current price:	S\$1.13
Target price:	S\$1.69
Previous target:	N/A
Up/downside:	49.6%
CIMB / Consensus:	23.4%
Reuters:	FEMP.SI
Bloomberg:	FEH SP
Market cap:	US\$435.7m S\$598.0m
Average daily turnover:	US\$0.45m S\$0.60m
Current shares o/s:	533.8m
Free float:	39.8%

*Source: Bloomberg

Key changes in this note

➤ N/A



Price performance	1M	3M	12M
Absolute (%)	9.7	10.8	126
Relative (%)	10.5	10.7	123.5

Major shareholders	% held
Universal Integrated Corp	24.9
Tan Guek Ming	12.9
Nair Sudeep	12.4

Analyst(s)



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Food Empire Holdings Ltd

Diversification to drive growth

- FEH has successfully navigated the Russia, Ukraine, and the Commonwealth of Independent States (CIS) where it has significant presence.
- We see opportunities for diversification as FEH continues to grow its Vietnam operations and food ingredients business over FY23-25F.
- Initiate coverage with an Add rating and P/E based TP of S\$1.69.

Growing F&B business

We initiate coverage on Food Empire Holdings (FEH), a branded food and beverage (F&B) company that manufactures and sells 3-in-1 instant coffee mix and food ingredients (coffee, non-dairy creamer and potato snacks). Management believes FEH has a c.50% market share (in terms of revenue) in the 3-in-1 coffee mix market in Russia and is the third largest instant coffee mix brand by sales in Vietnam as at 2022. FEH has been growing its business in Vietnam and has expanded its coffee as well as non-dairy creamer food ingredients manufacturing business.

Growth drivers: Vietnam & food ingredients business

FEH has seen success in growing its business in Vietnam, in our view. As at end-FY21, Vietnam accounted for 19.5% of its total revenue. By revenue, FEH's MacCoffee was the number three brand in Vietnam, with a 13.6% market share (in terms of revenue) in 2022. Management plans to lift its market share with new products. The food ingredients business is another segment that FEH is focused on growing, with capacity expansion being added to its non-dairy creamer manufacturing operations (scheduled to commence production by end-4Q23F) (source:2022 annual report).

Sharing excess cash with minorities

Management has applied excess cash to a) dividends, b) share buybacks, and c) M&A, if suitable opportunities emerge. DPS has increased from 2.00 Scts in FY19 to a record 4.40 Scts in FY22. FEH has been buying back its shares since 2012. As of 5 Sep 2023, FEH had 20.4m treasury shares from its share buybacks executed over the years.

Initiate coverage with an Add rating

We initiate coverage on FEH with an Add call and TP of S\$1.69. Our Add rating is premised on a) the potential to grow Vietnam as a new major revenue contributor, b) the potential to grow its food ingredients business, c) the end of capex cycle, allowing FEH to return excess cash to shareholders. Our TP of S\$1.69 is based on 11.2x FY25F P/E, +1.0 s.d. above its 5-year (2019-23) average P/E of 8.2x given our expected FY22-25F EPS CAGR of 7.0%, 3.93% dividend yields in FY23-25F, and its established brands. Key rating catalysts include: 1) improving operating margins on stabilising market demand and b) maintaining its market share in its key market Russia. Key downside risks to our Add call are an escalation in the Russia-Ukraine conflict, unfavourable forex rate movements, and rising commodity prices.

Financial Summary

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (US\$m)	320.1	398.4	419.8	444.1	469.9
Operating EBITDA (US\$m)	35.99	63.23	76.98	82.02	87.38
Net Profit (US\$m)	19.50	60.10	51.37	54.91	58.71
Core EPS (US\$)	0.04	0.09	0.10	0.10	0.11
Core EPS Growth	(27%)	142%	10%	7%	7%
FD Core P/E (x)	22.67	9.36	8.53	7.96	7.45
DPS (US\$)	0.016	0.032	0.032	0.032	0.032
Dividend Yield	1.96%	3.93%	3.93%	3.93%	3.93%
EV/EBITDA (x)	11.80	5.49	4.01	3.31	2.64
P/FCFE (x)	132.6	5.6	8.8	8.3	7.7
Net Gearing	(3.2%)	(29.4%)	(37.6%)	(43.9%)	(49.6%)
P/BV (x)	1.94	1.59	1.41	1.25	1.12
ROE	8.7%	18.7%	17.5%	16.7%	15.9%
% Change In Core EPS Estimates					
CGS-CIMB/Consensus EPS (x)			1.02	1.04	1.03

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS



Diversification to drive growth

Undervalued consumer staple company ►

FEH is trading at 8.0-7.5x FY24-25F P/E, 56.3-58.3% below the peer sector average of 18.3x/18.0x. In our view, this is due to concerns over its revenue exposure to Russia and Ukraine which has been in an armed conflict since Feb 2022. However, as 3-in-1 beverages are consumer staples and are priced for the mass market, the major fundamental impact on FEH has been foreign exchange rate movements. According to management, FEH has managed to maintain its market share in its key Russian market and the company has also benefitted from down trading by consumers. In FY22, FEH's sales to Russia grew 29.1% yoy to US\$148.4m despite the armed conflict while sales to the Ukraine, Kazakhstan and CIS region rose 25.6% yoy to US\$91.5. Operating profit for Russia grew 4.7x yoy to US\$34.3m in FY22 while operating profit for Ukraine, Kazakhstan and CIS region climbed 33% yoy to US\$12.9m. Despite management's track record in navigating the challenging Russia, Ukraine markets (Russia-Ukraine had political tension previously in 2014-15) and progress in developing new markets (Vietnam) and new revenue streams (food ingredients business), the shares are currently still trading at single digit P/Es of 8.0-7.5x FY24-25F EPS forecasts.

Market leader in Russia ►

FEH was the first company to introduce the 3-in-1 instant coffee product in the Russian market. Through its distribution network and advertising and promotional campaigns, FEH MacCoffee brand has become synonymous with 3-in-1 instant coffee. FEH first entered the Russian market in 1994 and opened its Moscow representative office in 1995. Currently the company's product range in Russia includes instant coffee, cappuccino, cacao, hot chocolate, instant tea and snacks. The respective brands used in Russia are MacCoffee, Petrovskaya Sloboda, MacChocolate, MacTea, FesAroma, Express Plus, Eagle Premium and Kracks. As its share in the Russian market grew, FEH built a coffee plant in the town of Yakhroma (Moscow region) in 2006 which is capable of producing 100m sachets of coffee per month. Management believes that it has c.50% market (FEH 2019 AGM Q&A public disclosure on SGX) share (in terms of revenue) in the 3-in-1 coffee mix market in Russia.

Room for growth in Vietnam and Cambodia ►

We think there is room for FEH to grow its business further in Vietnam and possibly expand into Cambodia. In its 2021 Annual Report, FEH shared that Vietnam accounted for 19.5% of the group's total revenue. According to Food Empire's Vietnam management team, the number one brand in the 3-in-1 coffee mix market in Vietnam (by revenue) for 2022 was Nescafe with 21.7% market share followed by a local Vietnamese brand, G7 with 20.3% market share. FEH's MacCoffee was the number 3 brand with 13.6% market share. FEH has launched new products to address the niche market segment in Vietnam such as instant bubble tea with real bubbles under its Hillway brand. On 10 Aug 2023, FE Food (Cambodia) Co Ltd was incorporated to take on the wholesale business of food and beverages in Cambodia.

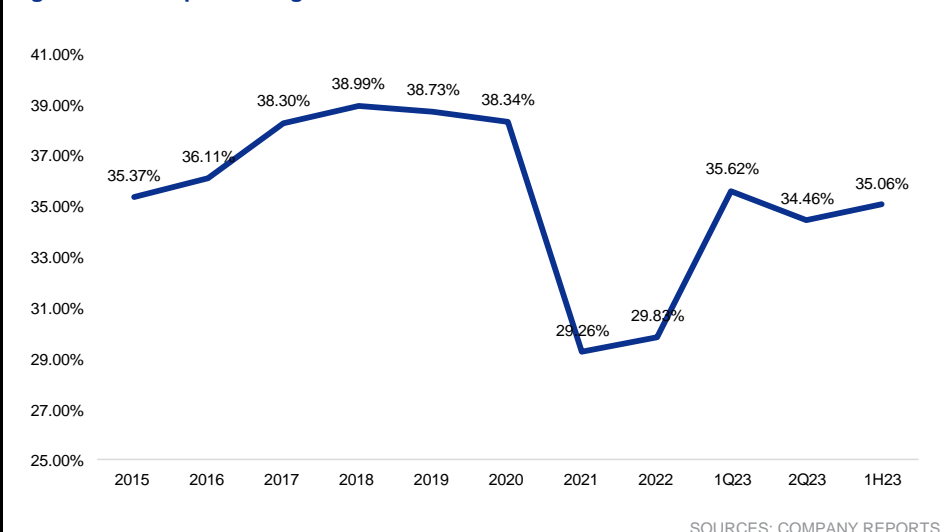
Food ingredients business provides diversification ►

FEH has also diversified into the food ingredients business. This diversification helps FEH improve/defend its profit margins with its own in-house manufactured ingredients and thus saves cost in having to purchase these materials from outside suppliers. In India, FEH produces freeze dried coffee of which c.95% of the output is sold to third party customers and spray dried coffee of which, 40% of the output is sold to third party customers and 60% is consumed internally. In Malaysia, FEH has a Non-Dairy Creamer (NDC) factory for both in-house needs and exports. Malaysia also produces potato snacks under FEH's own Kracks brand and for external sales. In its AGM held on 25 Apr 2023, management also highlighted that the rise in energy costs in Europe has made coffee production in that region less economically feasible. In light of this, management noted that some coffee manufacturers are considering outsourcing their coffee processing to third-party providers such as FEH.

Ability to raise ASPs given market share and brand name ►

Given its market share and brand recognition, FEH has been able to weather the risks from rising raw material costs as well as depreciation of the volatile ruble against the US dollar by its ability to raise average selling prices (ASPs). Being vertically integrated also helps FEH lower its cost of sales. Over FY15-20, FEH's gross profit margin ranged from 35.4% to 39.0%. In FY21-22, gross profit margin fell to 29.3-29.8% due to a) record high sea freight prices, b) inflationary pressures on commodity prices, c) disruption from lockdown restrictions (due to the Covid-19 pandemic) and d) ruble depreciation versus the US dollar arising from the Russia-Ukraine conflict. In order to mitigate these challenges, FEH began to selectively raise ASPs in FY21 leading to a margin recovery in 1H23. Gross profit margin improved to 35.6% in 1Q23 and 34.5% in 2Q23. Gross profit margin for was 35.1% in 1H23 versus 29.3% in 1H22.

Figure 1: Gross profit margin recovered in 1H23 as ASPs were raised



End of capex cycle – returning excess cash to shareholders ➤

By end-FY23, FEH expects the expansion of its NDC plant in Malaysia to be completed. In its 2023 AGM, management reported that there are no plans to expand its production capacity in Russia and the group will aim to maintain its current market share in that market. On 10 Aug 2023, FEH announced the incorporation of Empire Manufacturing Kazakhstan LLP (EMK) in Kazakhstan to explore local manufacturing with tax incentives pending formal approvals from the local government. No plans have been firmed up as yet, according to management. As at end Jun-2023, FEH was in a net cash position of US\$61.1m and generated free cash flow of US\$3.5m. In our view, the Kazakhstan plant if FEH decides to proceed is likely to be of a manageable magnitude and FEH will continue to be able to return excess cash to shareholders via a) dividends, and b) continued share buybacks.

Company overview

SGX Mainboard-listed FEH is a global branding and manufacturing company in the food and beverage sector. Its products include instant beverage products and snack food. FEH's products are sold in over 50 countries, in markets such as Russia, Vietnam, Ukraine, Kazakhstan, Central Asia, the Middle East, China, Mongolia and North America. The group has 23 offices worldwide and operates 8 manufacturing facilities in Malaysia, India, Vietnam, Russia and Ukraine. FEH's products include a wide variety of beverages, such as regular and flavoured coffee mixes and cappuccinos, chocolate drinks, flavoured fruit teas and instant cereal mixes. It also produces and markets potato crisps.

Key proprietary brands of FEH include MacCoffee, Café PHO, Petrovskaya Sloboda, Klassno, Hillway and Kracks. MacCoffee – the group's flagship brand – has been consistently ranked as the leading 3-in-1 instant coffee brand in the group's core market of Russia, Ukraine and Vietnam (2022 Annual Report). According to its 2022 Annual Report, some of the accolades and awards won by FEH include being recognised as one of the "Most Valuable Singapore Brands" by Enterprise Singapore while MacCoffee has been ranked as one of "The Strongest Singapore Brands".

Figure 2: Key brands under FEH

Brand	Description
	MacCoffee 3-in-1 coffee drink is sold in many Russian kiosks and markets. For many years, consumers from various countries have preferred MacCoffee's rich aroma, excellent taste and superior quality. MacCoffee is popular in Russia, Ukraine and Kazakhstan.
	Klassno is a premium range of instant beverages. It features instant coffee mixes, flavoured teas and ready-to drink coffee.
	3-in-1 coffee formulated to be best consumed iced.
	Petrovskaya Sloboda is a 3-in-1 coffee brand in Russia, Ukraine, Belarus and Moldova. FEH acquired this brand in 2008.
	The Hillway range includes a full palette of black and green tea blends made from tea leaves from Ceylon.
	3-in-1 instant coffee.
	MacCereal contains the goodness of cereals like wheat, rice and corn with a balanced mix of sugar and non dairy creamer.
	Kracks are real potato chips and FEH adopts a method of frying that does not require the use of excess oil.

SOURCES: COMPANY REPORTS

Figure 3: Milestones

Year	Milestone
1994	Flagship brand MacCoffee created.
2000	Listed on the Mainboard of the Singapore Exchange.
2001	Purchased a manufacturing facility in Johor Bahru, Malaysia at a cost of S\$774,648. The facility has a built-up area of 10,500 square feet, located on a 43,560-square-foot site. The new factory is the Group's second manufacturing facility in Johor Bahru.
2005	A new manufacturing facility in Vietnam Singapore Industrial Park (VSIP) Binh Duong commenced operations.
2006	An instant coffee plant was built in the town of Yakhroma (Moscow region). The plant spans an area of 7,800 square meters and commenced operations in 1Q06. The plant has three production lines and is capable of producing 100m sachets of coffee per month.
2012	A new manufacturing facility in Ukraine, located in Zolotonosha, in the Cherkasy region, occupying 5.4 hectares was set up at a investment cost of 93m hryvnia (US\$11.4m).
2013	MacCoffee Café Pho was officially launched on 19 May 2013 at Sofitel in Ho Chi Minh City.
2017	Officially opened its wholly-owned subsidiary, Indus Coffee Pvt Ltd's instant coffee manufacturing facility in Mambattu, Andhra Pradesh, India. This instant coffee plant allows FEH to expand its current coffee product offering as well as provide the Group with greater control over the supply and production of raw materials.
2018	Entered into a MOU to set up its second instant coffee processing facility in Andhra Pradesh, India. The investment value was approximately US\$50m.
2021	The second instant coffee processing plant in India commenced operations.
2022	In Malaysia, the Group operates non-dairy creamer, snacks and instant coffee mix production facilities. Progress on the Group's non-dairy creamer factory expansion is satisfactory and barring any unforeseen circumstances, FEH expects the plant to be ready for commercial production by the end of 4Q23F.

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: FEH's non-dairy creamer plant in Johor, Malaysia



SOURCES: COMPANY REPORTS

Figure 5: Spray dried coffee tower in Andhra Pradesh, India



SOURCES: COMPANY REPORTS

Figure 6: Indus Coffee's coffee plant in Mambattu, Andhra Pradesh, India



SOURCES: COMPANY REPORTS

Diversification into Vietnam... ➤

Building from its strong presence in Russia, FEH has performed well in the adjacent markets of Ukraine, Kazakhstan and the CIS. However, the aftermath of the 2009 Global Financial Crisis led to the group's realisation that it was excessively dependent on the Eastern Europe markets. As such, the group made a concerted effort to diversify its markets and to move away from reliance on the Eastern Europe and CIS markets, embarking on a new venture into the Asia Pacific region. This is where FEH found success in Vietnam, which has since grown to be its second-largest market.

In 2013, the group made its foray into the Vietnamese market with the introduction of Café PHO, an iced coffee product. Café PHO rapidly gained substantial market share and rose to become the top brand in the iced coffee segment. Vietnam is currently the group's Asian stronghold and dominates the position as FEH's second-largest market. According to FEH's 2020 Annual Report, Café Pho is among the top five brands in Vietnam's instant coffee mix industry, with a 10% market share based on volume sold.

Figure 7: Official launch of Café Pho



MacCoffee Café Pho Arrives in Vietnam

Brimming with excellent taste and sporting a refreshing package design, MacCoffee Café Pho was officially launched on 19 May 2013 at Sofitel in Ho Chi Minh City. In sync with the launch, a photo competition was organized online while other promo activities were rolled out in supermarkets, office buildings, parks and other public areas.

SOURCES: COMPANY REPORTS

Figure 8: Café Pho – best served iced



SOURCES: COMPANY REPORTS

According to Food Empire's Vietnam management team, the number one brand in the 3-in-1 coffee mix market in Vietnam (by revenue) for 2022 was Nescafe with 21.7% market share followed by a local Vietnamese brand, G7 with 20.3% market share. FEH's MacCoffee was the number three brand with 13.6% market share. In terms of competitors, Nescafe and G7 are the key competitors.

Figure 9: Top 5 instant coffee brands in Vietnam (2022)

NESCAFÉ



SOURCES: COMPANY REPORTS

Furthermore, according to the Vietnam management team, general trade (provision shops, local coffee joints) is still stronger than modern trade (supermarkets) as the key retailing channel for instant coffee. Management estimates that for the instant beverages market, general trade could account for 85% of the market while modern trade could account for the remaining 15% as at 2022. In our view, Food Empire Vietnam has a strong general trade presence in Vietnam.

An Aug 2023 report by industry forecaster Knowledge Sourcing Intelligence (KSI) estimated the value of Vietnam's instant coffee market at US\$325.6m in 2021 and anticipates growth at a CAGR of 12.3% to attain a revenue of US\$731.4m by 2028F. In our view, FEH will continue to build its brand presence and market share in Vietnam given the expected 12.3% market revenue CAGR over 2021-28F by

industry forecaster KSI. We think FEH can further grow its market presence in Vietnam by exploring initiatives, such as launching a hot drink formulation for CafePHO (currently, CafePHO is marketed as a cold drink formulation), and exploring the feasibility of launching a ready-to-drink (RTD) coffee in Vietnam. There are also opportunities to explore nearby markets, such as Cambodia. We note that on 10 Aug 2023, FEH announced that FE Food (Cambodia) Co Ltd had been incorporated to take on the wholesale business of food and beverages in Cambodia.

In its AGM held on 25 Apr 2023, management commented that the group's main objective in Russia is to maintain its current market share there, and that there are no plans to expand production capacity in Russia. Hence, in our view, management is likely to shift its focus towards growing its brand presence and market share in Vietnam instead over FY23-25F.

Figure 10: Café PHO general trade presence



SOURCES: CGS-CIMB RESEARCH

Figure 11: Café PHO modern trade presence



SOURCES: CGS-CIMB RESEARCH

Figure 12: Café Pho brand awareness activity



SOURCES: COMPANY REPORTS

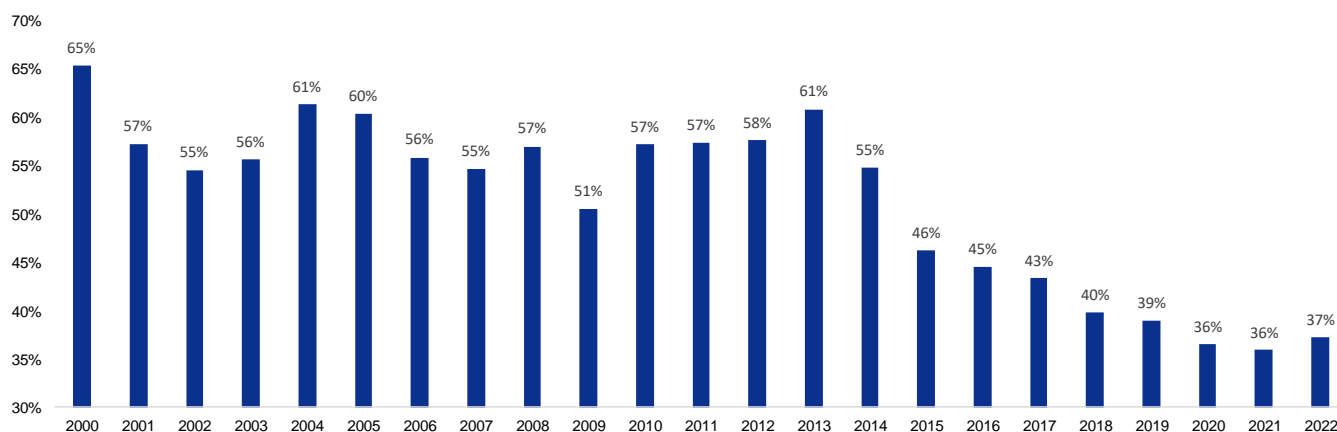
Figure 13: Another iced coffee product for the Vietnam market



SOURCES: COMPANY REPORTS

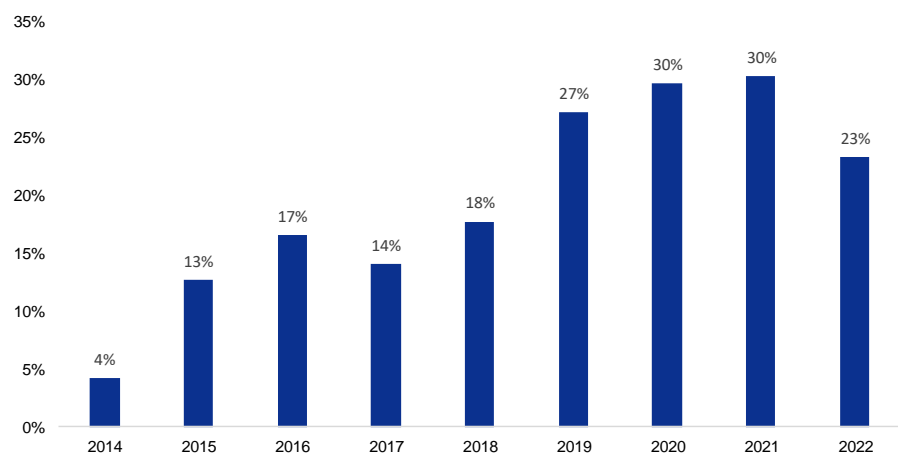
Figure 14 shows the percentage of group revenue derived from the Russian market. In 2000, Russia accounted for 65% the group's total revenue. By 2018-22, FEH's dependence on the Russian market had declined to around 36-40% of the group's revenue. In Figure 6, we note that FEH's South-East Asia's (Vietnam revenue is reported here) contribution to the group's total revenue has grown from 4% in 2014 to 23-30% over 2019-22. In its 2021 Annual Report, FEH reported that Vietnam accounted for 19.5% of the group's total revenue.

Figure 14: FEH revenue dependence on the Russian market has declined



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 15: South-East Asia (including Vietnam) revenue as % of Group total revenue



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

... and into food ingredients ➤

Since 2013, FEH has also been increasing its presence in the food ingredient space. FEH currently has its own NDC plant (built in 2013 in Malaysia) and an instant coffee Plant in India. FEH expanded in India with another freeze dry Instant coffee plant commencing production from 2Q21. This vertical integration helps FEH diversify its revenue sources as well as provide some vertical integration as these food ingredients are also used internally. FEH has embarked on its second NDC project in the same location in Malaysia as the first plant is currently fully utilised. This new NDC plant is expected to begin commercial production in 4Q23. Upon completion, FEH's NDC production capacity will be doubled, allowing the group to broaden its Business-to-Business customer base. The group is also looking to increase its potato chip production capacity. As the NDC and potato chip production are all based in Malaysia, FEH expects the revenue contribution from Malaysia to increase in the upcoming years. In India, FEH reports that both plants (producing spray dry coffee and freeze dry coffee respectively) in India are operating at full capacity.

From PCs to coffee ➤

FEH's history can be traced back to 1982 when founder, Mr Tan Wang Cheow and two other partners decided to market and distribute personal computers and peripherals in Singapore. As part of its business plan to expand into overseas markets, the group decided to venture into Russia to distribute personal computers (PCs) and PC peripherals in 1989. While pursuing the PC business in Russia, FEH saw the potential in the food and beverage industry there due to the large population base. Hence, in late 1993, FEH entered into the food and beverage business and started off by distributing third party brands of 3-in-1 instant coffee in Kazakhstan and Russia.

As demand for FEH's imported 3-in-1 instant coffee was strong in Moscow, FEH decided to phase out the PC business and concentrate its efforts on developing the instant coffee business. By mid-1994, FEH started to market and distribute its own brand of instant beverages in Russia, Eastern Europe and Central Asia. The "MacCoffee" brand of products was the first of its products launched in Russia. In 1995 and 1996, FEH also introduced new products like MacCoffee 2-in-1 instant coffee and flavoured instant tea mix to these markets. In late 1998, FEH launched new products, Klassno Cappuccino range, in five flavours, targeting the more

developed markets including Western Europe, the US and Singapore. FEH promotes its products via advertising campaigns (via television, billboards and trade magazines) and participation in trade exhibitions.

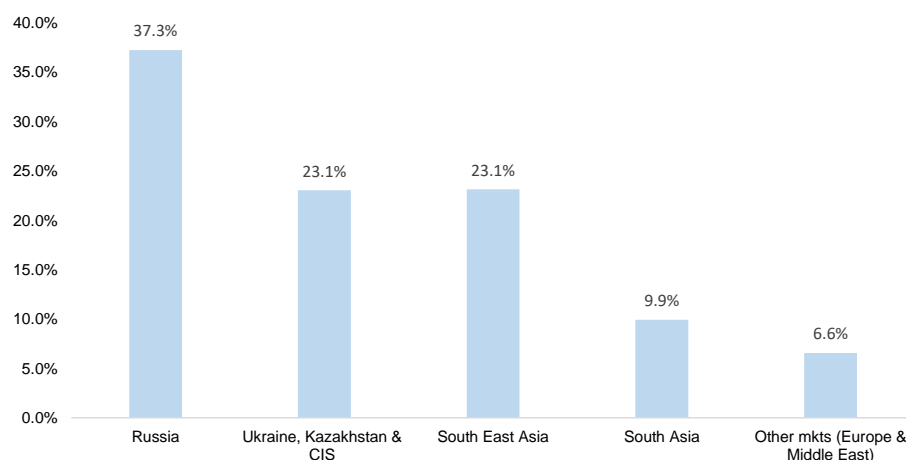
Financial analysis

Current business model ➤

FEH's biggest single market in FY22 was Russia at 37.3% of its full-year revenue. Ukraine, Kazakhstan and the CIS accounted for 23.1% while South East Asia also accounted for 23.1% of the group's full-year revenue in FY22. South Asia accounted for 9.9% of full-year revenue while other markets (mainly Europe and Middle East) accounted for the remaining 6.6% share in FY22.

In Russia, Ukraine, Kazakhstan, the CIS and South East Asia, mainly Vietnam, FEH derives revenue mainly from the sale of instant beverages, especially 3-in-1 coffee mix. Under South East Asia, FEH also derives revenue from the sale of non-dairy creamer and potato snacks under its own Kracks brand as well as manufacturing for other brands. In the South Asia segment, FEH produces freeze dried coffee and spray coffee for internal use as well as sales to external customers.

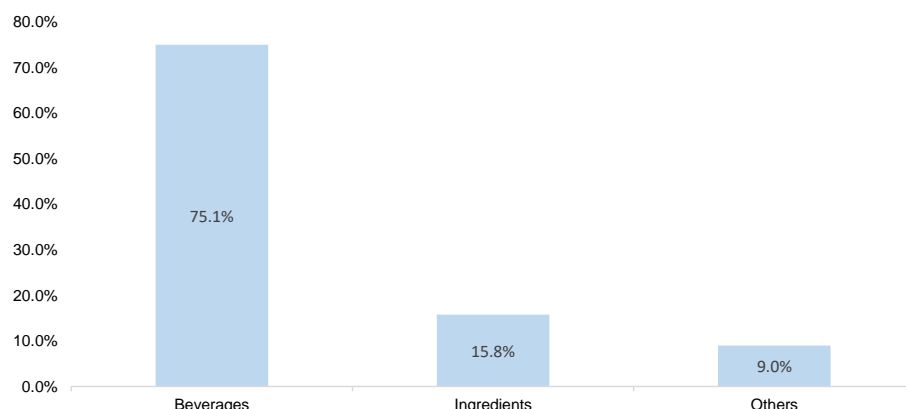
Figure 16: 2022 revenue breakdown by geography



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

In FY22, beverages was FEH's largest segment, accounting for 75.1% of revenue followed by others segment at 15.8% of revenue. The ingredients segment (non-dairy creamer, instant coffee and potato snacks) accounted for the remaining 9.0% of FY22 revenue.

Figure 17: Beverage segment is the biggest revenue contributor for 2022



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

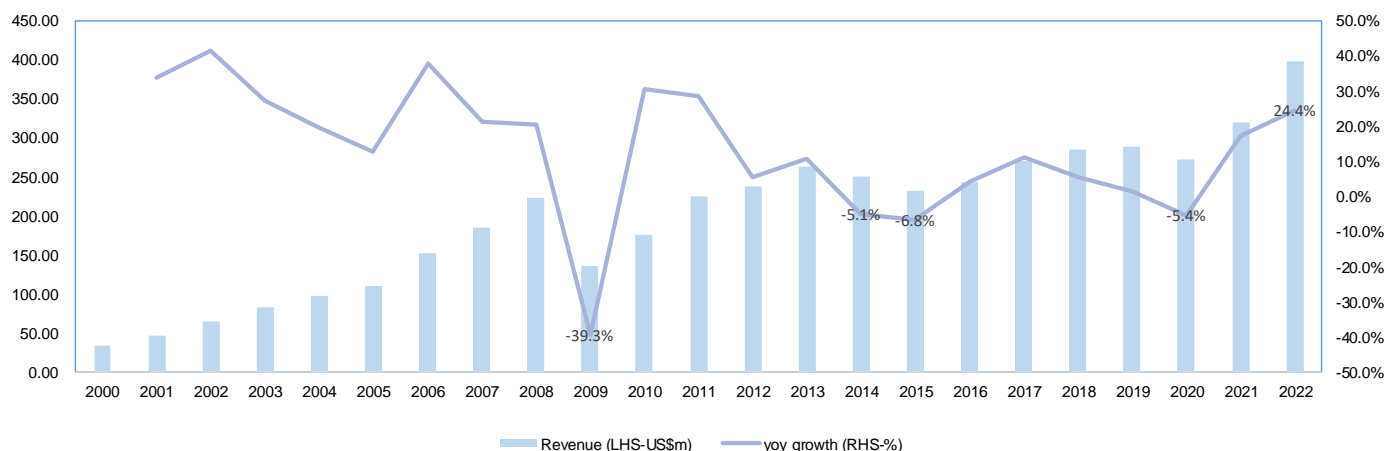
Customer breakdown ➤

According to its 2022 Annual Report, there are six major customers that accounted for US\$80.2m or 20.1% of its FY22 revenue (FY21: 19.7%). These customers are in the Russia, Ukraine, Kazakhstan and the CIS markets.

Revenue trend ➤

- Over 2000 (FEH was listed in the year 2000) to 2022, FEH's revenue grew at a compounded annual growth rate of 11.3%.
- 2009 - FEH suffered its first major revenue decline in 2009 when revenue fell 39.3% yoy due to the Global Financial Crisis which led to a decline in consumer confidence, affecting demand for FEH's products. FEH responded by adjusting its credit terms to the distributors, reducing its borrowings and reducing its production to adjust to the lower demand situation.
- 2014-15 – Revenue fell 5.1% in FY14 and 5.8% in FY15 due to the Russia-Ukraine crisis which led to the substantial depreciation of the Russian ruble and Ukrainian hryvnia against the US dollar (FEH's reporting currency).
- 2020 – Revenue in FY20 fell 5.4% yoy in 2020 due to the impact of the Covid-19 pandemic. As countries implemented lockdowns and movement restrictions, FEH faced project delays, supply chain disruption and interrupted operations, affecting its production and sales activities.
- 2022 – In FY22, FEH had to grapple with the armed conflict between Russia and Ukraine that started in Feb 2022 which also led to higher energy costs. In addition, there was further cost pressure from higher freight costs, higher interest rates to combat inflation and economic sanctions on Russia as a result of the armed conflict. In Russia, revenue increased by 29.1% yoy from US\$114.9m in FY21 to US\$148.4m in FY22 driven by higher consumer demand coupled with the appreciation of the Russian ruble and higher average selling price. FEH noted that during times of crisis, consumers tend to lower their purchasing preferences and typically shift towards mid-level products, such as its primary offerings of three-in-one coffee. This shift in consumer behaviour has positively contributed to FEH's performance in Russia in FY22. FEH has also maintained its market share in Russia despite the volatility and ongoing conflict between Russia and Ukraine.

Figure 18: Revenue grew at a CAGR of 11.3% over 2000-22

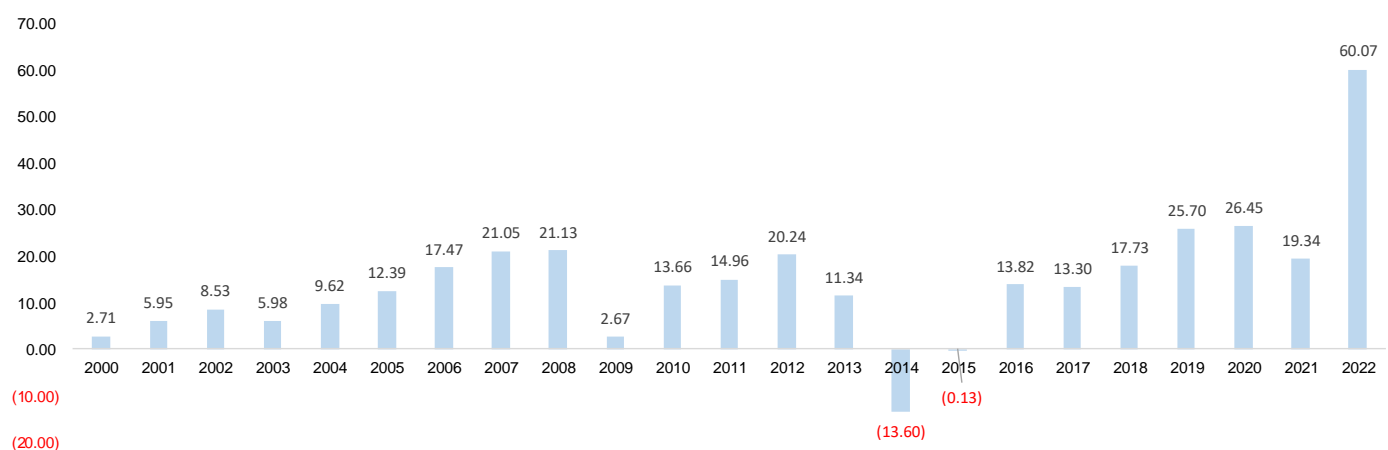


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Net profit trend ➤

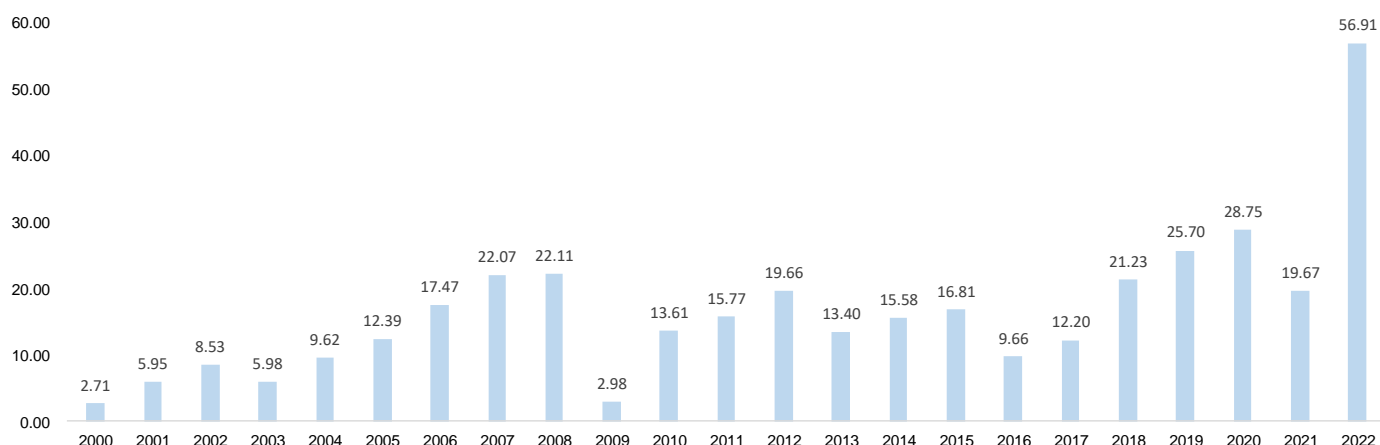
- In FY14, FEH reported its first loss since listing. Net loss was US\$13.6m in FY14 as FEH suffered an exchange rate loss of US\$29.2m that year. In FY15, the exchange rate loss was a lower US\$16.9m and FEH managed to report a smaller loss of US\$0.1m.
- During FY14-15, the escalating sociopolitical tensions in two of its key markets, Russia and Ukraine triggered significant foreign exchange devaluation of their respective currencies, the ruble and hryvnia. Consequently, the group experienced significant foreign exchange losses for the year.
- Excluding the impact of foreign exchange rate movements, FEH would have been profitable over FY00-22.

Figure 19: Net profit (US\$ m)– net loss in FY14-15 due to exchange rate loss



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 20: Excluding foreign exchange rate impact, FEH has remained profitable (net profit in US\$m) since listing

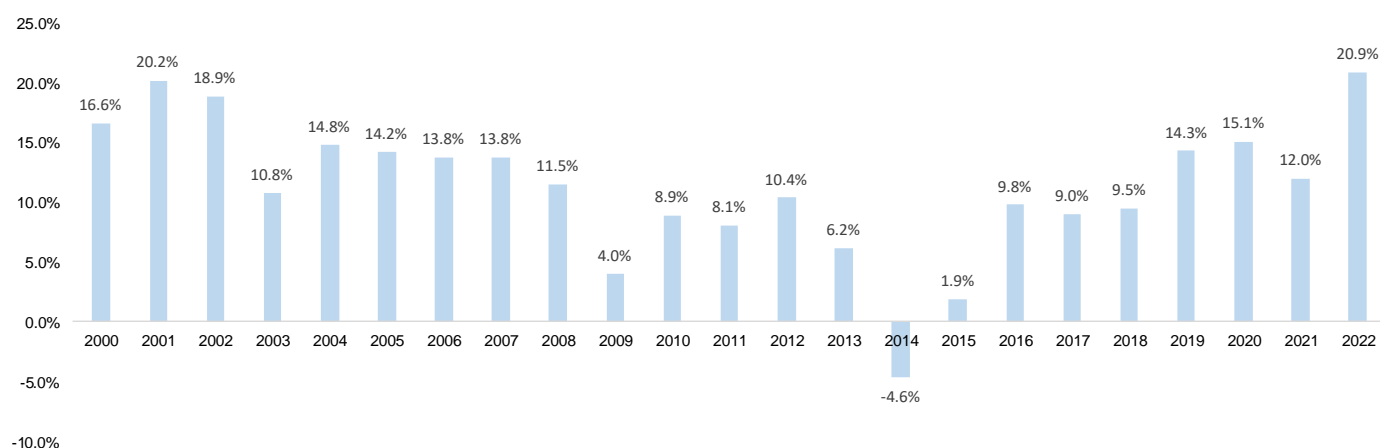


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

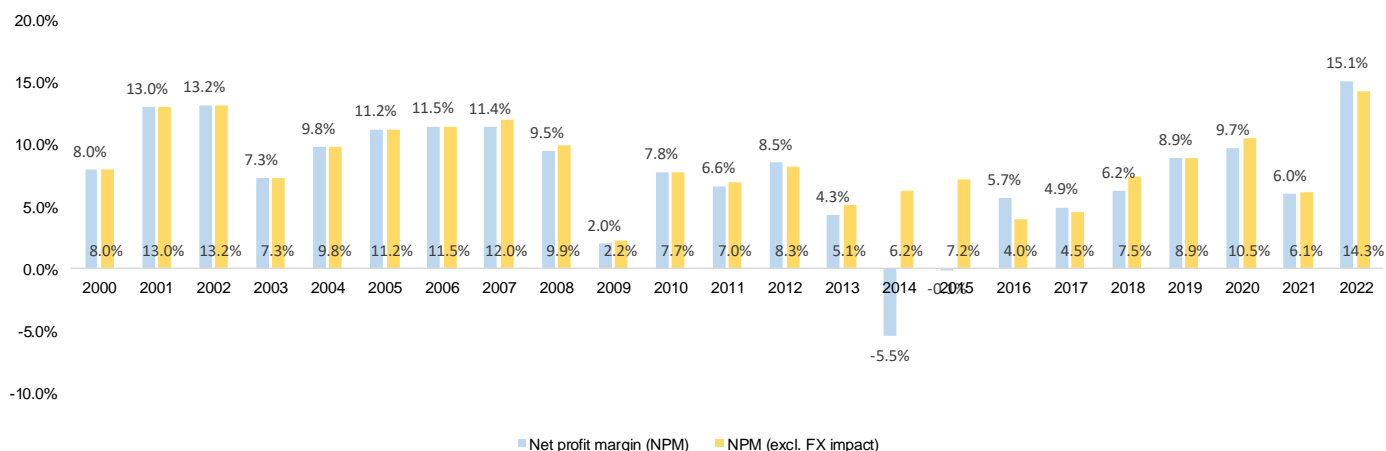
Margin trends ➤

- FEH's average EBITDA margin over 2000-22 was 11.3%. In 2001, FEH achieved an EBITDA margin of 20.2% given its diversified brand portfolio, success in cost-containment measures and the disposal of a non-contributing business. Post 2001, FEH was only able to cross the 20.0% EBITDA margin mark in the year 2022 when EBITDA margin reached 20.9% given the record revenue performance and the gain of S\$15.0m from the sale of non-core assets.
- Net profit margin has been expanding since 2017 before the trend was disrupted by the Covid-19 pandemic in 2021.

Figure 21: EBITDA margin averaged 11.3% over 2000-22



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 22: FEH achieved a record NPM in 2022 despite Russia-Ukraine conflict


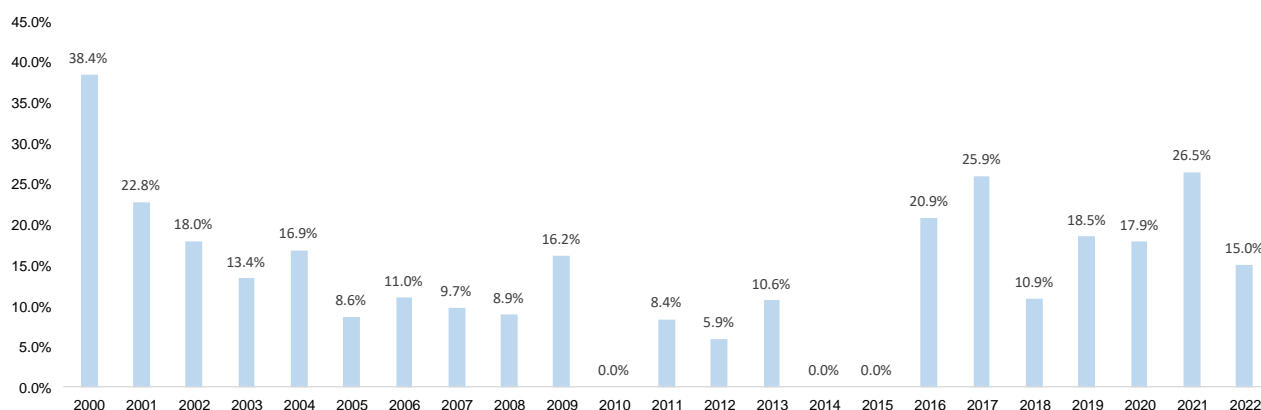
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Key cost factors ►

Generally, raw materials (such as coffee, creamer, sugar) account for 60-70% of the cost of goods sold. These raw materials are usually purchased in US dollar and FEH does not have long term contracts with suppliers as such commodities are available internationally. FEH has a dedicated procurement team to manage its raw material requirements. Labour could account for 10-20% of the cost of goods (COGS) and the remaining 10-20% or more balance will typically consist of factory overheads such as depreciation expenses, utilities cost etc.

Tax rates ►

- In 2014, FEH attained the International Procurement Centre status which allows the group to enjoy a 10-year tax exemption status provided the terms and conditions of the scheme are met. If FEH is not able to renew this IPC status in 2024, its tax rate for the Malaysian operations could increase. However, in our view, with the expansion of its NDC plant in Malaysia and possible plans to further expand manufacturing in Malaysia, FEH may be able to explore alternative government incentives that could still help the Malaysian operations enjoy concessionary tax rates.

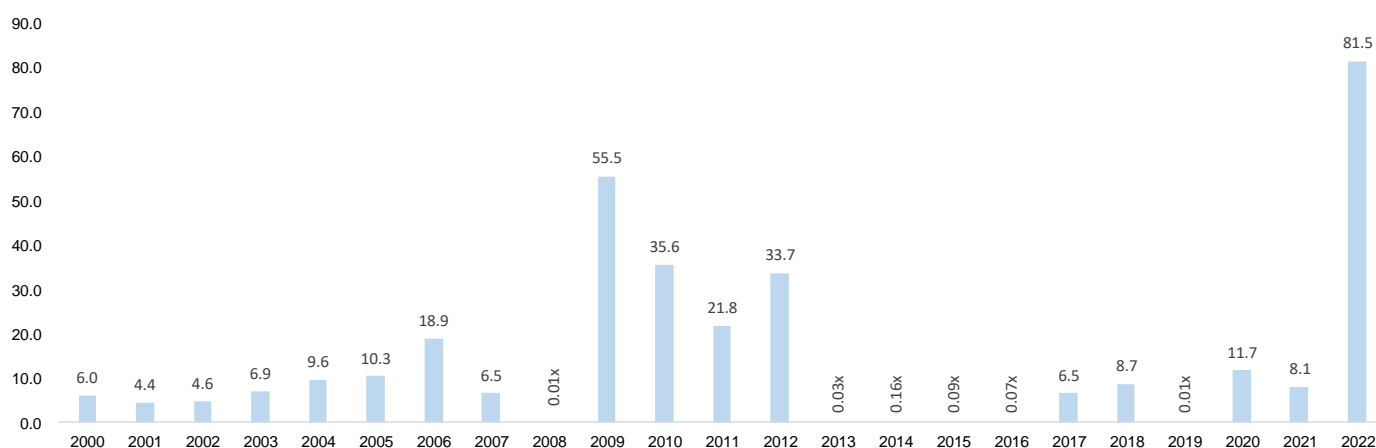
Figure 23: Tax rate


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Net cash balance sheet ➤

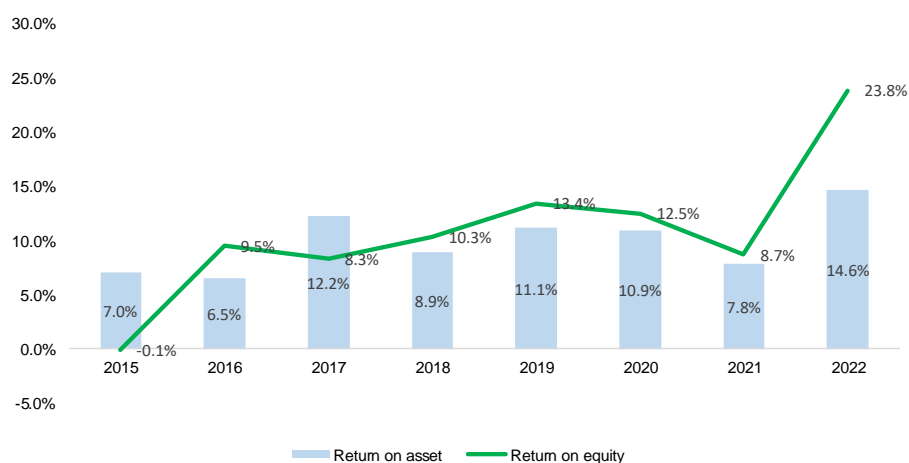
- FEH was mostly in a net cash position except in 2014 when net gearing was 0.16x due to borrowings to finance the construction of new factories in Malaysia and India.
- Net cash hit a record US\$81.5m in 2022 due to the better profitability and the proceeds of US\$36.7m (S\$49.25m at US\$/S\$ rate of 1.3424) from the sale of non-core assets.
- Excluding the Covid-19 affected 2021 and the record 2022 performance, the average ROA/ROE over 2017-20 were 10.8%/11.1% respectively.

Figure 24: FEH was mostly in a net cash position (US\$ m) except in 2014 when net gearing hit 0.16x



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 25: Return on asset (ROA) and return on equity (ROE) trends

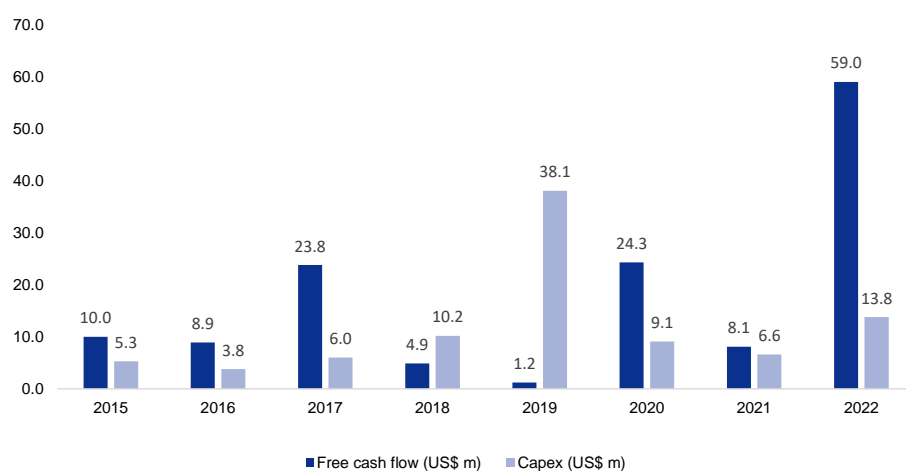


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Free cash flow generative ➤

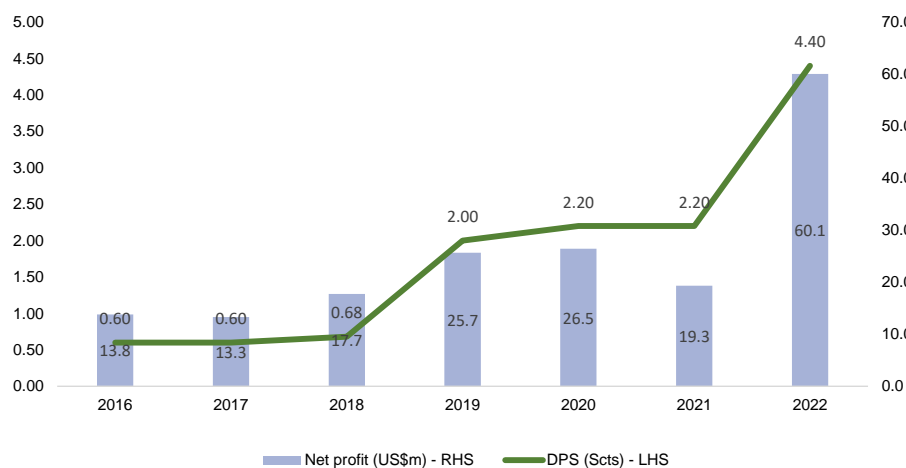
- FEH has been free cash flow positive over 2015-22. Capex peaked in 2019 due to the construction of its second instant coffee plant in India.
- Ever since the turnaround from a loss in 2016, FEH has been paying dividends. In 2022, dividends hit a record 4.40 Scts.
- FEH started buying back its shares from 2012. As at end-2022, the dollar value of treasury shares (14.3m shares) held by FEH was recorded at US\$6.6m. FEH continued its share buyback in 2023. As at 5 Sep 2023, FEH bought back an additional 6.1m shares, bringing the total number of treasury shares to 20.4m.

Figure 26: Capex peaked in 2019 due to the construction of its India factory



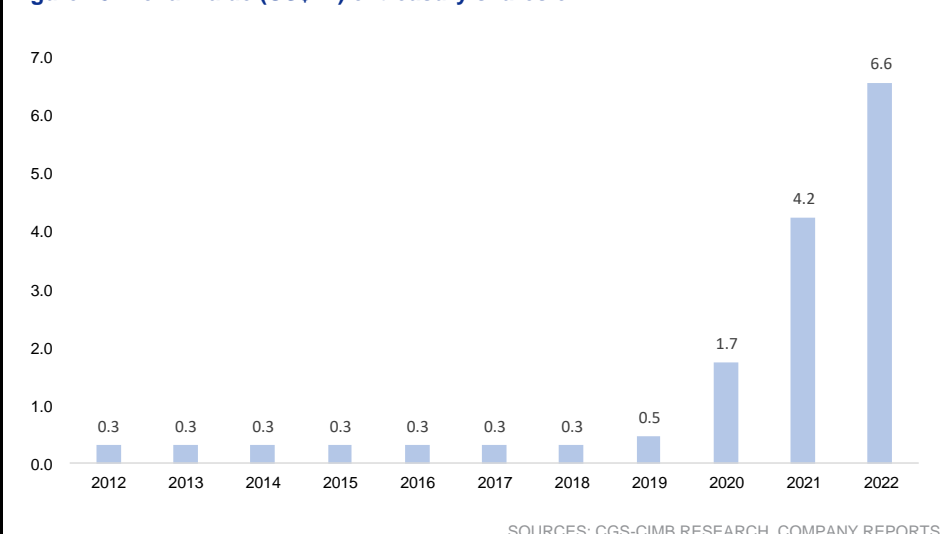
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 27: FEH has been paying dividend ever since the turnaround in 2016



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 28: Dollar value (US\$ m) of treasury shares of FEH



Key risks

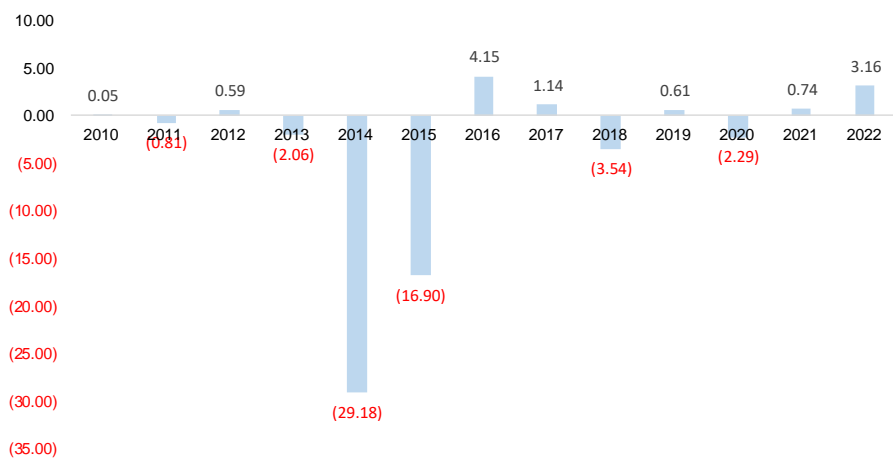
Russia-Ukraine conflict ➤

Russia is FEH's largest market, accounting for 37.3% of FY22 revenue while Ukraine, Kazakhstan and CIS markets accounted for 23.0% of FY22 revenue. According to management, FEH's operations in Russia have not been affected by the sanctions and demand for its products in Russia has increased as consumers down traded into 3-in-1 coffee mix products. Further escalation and widening of the military conflict deeper into Russian/Ukraine territory which could lead to damage to FEH's Russian or Ukrainian factories affecting its production are also risks to FEH.

Foreign exchange risks ➤

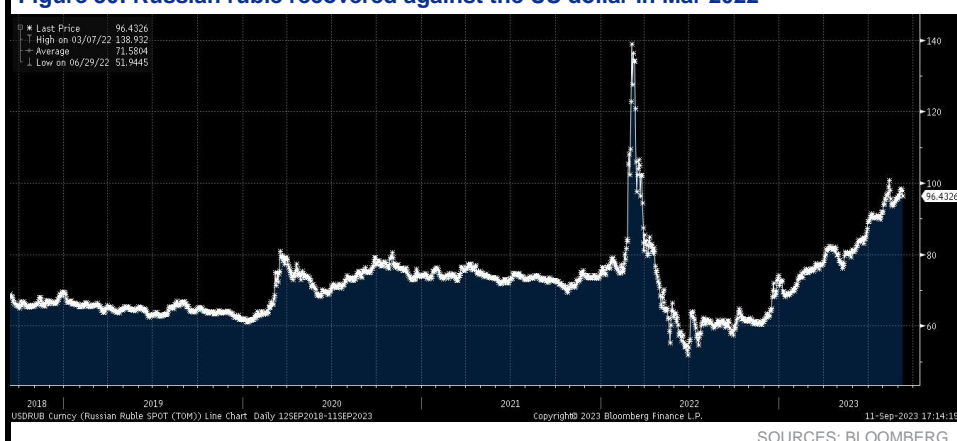
FEH operates in many countries and sells its products in local currency while raw materials are purchased in US dollar. FEH also reports in US dollar. Hence, foreign exchange movements affect its net profit. FEH adopts a natural hedge to manage foreign exchange rate movements. As a branded product company, FEH has also in the past raised selling prices to offset unfavourable foreign exchange rate trends. A weaker ruble versus the US\$ will lead to lower revenue for FEH due to translation loss, resulting in lower net profit.

Figure 29: 2014-15 FX gains/losses (in US\$ m) due to movement of the Ruble and Hryvnia against the US dollar



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 30: Russian ruble recovered against the US dollar in Mar 2022



Cost increases ➤

During the Covid-19 pandemic, raw material and freight costs increased substantially and affected FEH's performance. Such cost increases will lower FEH's net profit. Generally, FEH has managed these cost increases via raising prices of its products.

New plants could require high capex ➤

Capacity expansion could be costly (the India coffee plants required a capex of more than US\$50m). Given the current high interest rate environment, higher interest cost will reduce FEH's net profit if there are significant capacity expansion requirements.

Key forecast assumptions

Our key forecast assumptions over FY23-25F are:

- For FEH's key Russian market, we forecast per annum revenue growth of 5.0% as FEH aims to maintain its market share as it monitors the development of the Russia-Ukraine conflict. As macro risks remain from economic uncertainties and commodity price trends, we conservatively project 5.4-5.8% revenue growth at the group level for FEH.
- We assume FEH can achieve a gross profit margin of 33.0%, close to the average of 32.2% achieved over 1H22 and 1H23.
- Effective tax rate is assumed to be 19.0%, using the average 18.8% achieved over 1H22 and 1H23 as a guide.
- Given the completion of major capex requirements, FY22 dividend payout and the use of its cash for share buy backs, we conservatively assume that FEH will continue with the trend of DPS of 4.40 Scts which it declared for FY22. FEH does not pay any interim dividend. FEH does not have an official dividend policy and special dividends could be a venue to return excess cash to shareholders if the company does not come across any attractive M&A opportunities.
- Depreciation expense in FY22 was US\$10.5m. We assume that FEH will only need maintenance capex of US\$10.0m over FY23-25F using FY22 depreciation expenses as a guide.

Valuation & recommendation

We initiate coverage of FEH with an Add recommendation and a TP of S\$1.69. Our Add recommendation is based on a) potential to grow Vietnam as a new major revenue contributor, b) potential to grow the food ingredients business (spray and freeze dried coffee manufacturing in India, Non-Dairy Creamer and potato snacks manufacturing business in Malaysia), c) end of capex cycle, allowing FEH to return excess cash to shareholders via share buy backs and dividends (3.93% dividend yield over FY23-25F), and d) potential as a takeover target for industry peers interested to acquire a company with an established brand and market presence.

Our TP of S\$1.69 is based on 11.2x FY25F P/E, +1.0 s.d. above its 5-year (2019-23F) average P/E of 8.2x given our expected 7.0% FY22-25F EPS CAGR, 3.93% dividend yield over FY23-25F and its established brands with growth potential in Vietnam and growing food ingredients business. For FY24F, FEH is trading at 8.0x FY24F P/E, a 56.3% discount to the peer average of 18.3x. For FY25F, FEH is trading at 7.5x FY25F P/E, a 58.3% discount to the peer average of 18.0x. These discounts possibly reflect concerns over the Russia-Ukraine conflict and foreign exchange risk exposure (US\$/ruble). In our view, valuing FEH at +1.0 s.d. above its 5-year average P/E recognises the brand value of FEH and its growth opportunities in Vietnam and the food ingredients business, while balancing the foreign exchange risk (US\$/ruble) and military confrontation between Russia and Ukraine.

On the SGX, there were two instances of corporate actions involving FEH peers. In 2013, the major shareholder of Viz Branz successfully delisted the company at a historical FY6/12 P/E of 16.35x and in 2017, another peer, Super Coffeemix was taken over by Jacobs Douwe Egberts (offer made in 2016) at a historical FY12/15 P/E of 30.95x. Subsequently, during 2017, Jacobs Douwe Egberts also bought over another 3-in-1 coffee peer, Malaysia listed OldTown at a historical FY3/17 P/E of c.24x. In terms of M&A, while the military conflict may deter prospective buyers from buying FEH in its entirety, there could potentially be selected buyers

that could be interested in the Vietnam business on a standalone basis, or FEH's market share in Russia, in our view.

Key rerating catalysts include: 1) improving operating margins on stabilising market demand and maintaining its market share in key market Russia; 2) possibility of special dividends as capex needs taper off (subject to M&A opportunities that may surface); 3) a more aggressive share buy-back programme by the company; 4) the attractiveness of FEH as a potential takeover* (for industry peers with ambitions to grow faster) target given its established brand name and market presence.

**On 22 Sep 2021, FEH issued a public announcement on SGX in reference to an electronic media article published in Mergermarket titled "Food Empire's founding family exploring strategic options for its stake in instant beverage group – sources" dated 22 September 2021 ("Article"), which states, inter alia, that "The founding Tan family of Food Empire...is exploring strategic options for its stake in the Singapore-based instant beverage group..." and "The family is working with an advisor to engage with potential investors...". FEH clarified that the Company is frequently approached by potential investors, and as of the date of that announcement, there were no immediate and concrete proposals by the Board or the Tan family (as described in the Article) to undertake any privatisation or de-listing exercise. FEH highlighted that its Board will continue to assess and explore all possible business avenues, plans and opportunities that come its way in the interest of the Company, and will update shareholders accordingly.*

We also performed a scenario analysis assigning zero value to FEH's Russian operations. Using FEH's 1H23 financial performance as a guide, we note that FEH's non-Russia operations achieved a net profit margin of 10.7% in 1H23. In Fig 32, we illustrate the possible TP scenarios if FEH's Russian business is excluded from our valuation. Based on our FY25F forecasts, excluding Russia, FEH could potentially achieve US\$298.1m in revenue. Assuming that FEH is not able to expand its net profit margin and only achieves the 10.7% NPM that it reported in 1H23, our FY25F EPS is S\$0.0819. We present two possible valuation scenarios for FEH in this case. In scenario 1, we assume that target price for FEH could potentially be S\$0.92 based on 11.2x FY25F P/E (+1 s.d. above its 5-year average P/E) multiple. In scenario 2, we use a P/E multiple of 14.2x (which is +2 s.d. above its 5-year average P/E) leading to a potential TP of S\$1.16. Under scenario 2, investors may be willing to pay a premium of +2 s.d. above its 5-year average P/E in return for not having to assume any risks from FEH's business in Russia while partaking in the growth opportunities in Vietnam and the food ingredients business, in our view.

Figure 31: 1H23 performance by region

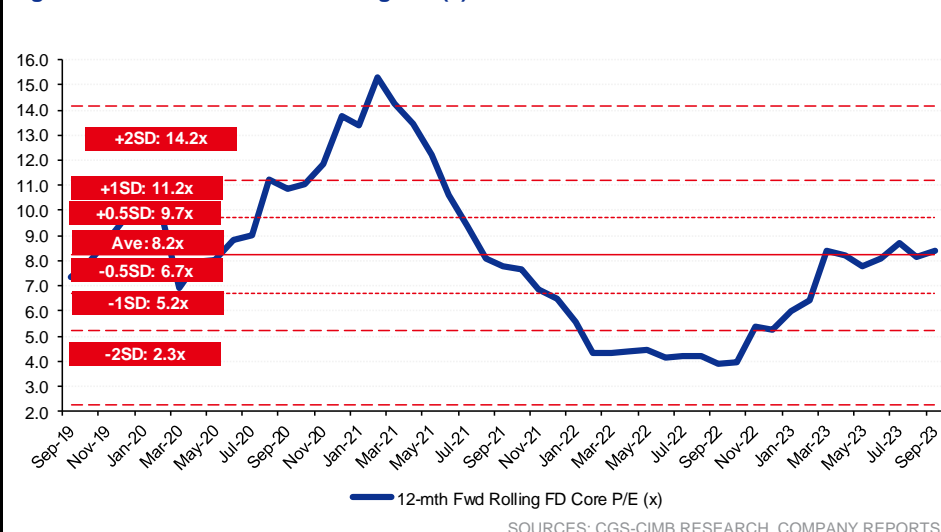
(US\$ m)	Russia	Non-Russia	Total
Revenue	70.61	127.64	198.25
Net profit	13.07	13.60	26.66
Net profit margin (NPM)	18.5%	10.7%	13.4%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 32: Scenario analysis: FY25F TP excluding Russia operations

(US\$ m)	FY25F		
Revenue	298.11		
Assumed NPM	10.7%	Using 1H23 NPM of non-Russia operations as a guide	
Net profit	31.75		
No. of shares (mil)	530.97		
EPS (US\$)	0.0598		
USD/SGD rate	1.37		
EPS (S\$)	0.0819	B	
<u>Scenario 1</u>			<u>Comments</u>
Target P/E (x)	11.2	A	+1 sd above 5-year ave.
Potential TP (S\$)	0.92	C = A x B	
<u>Scenario 1</u>			
Target P/E (x)	14.2	D	
Potential TP (S\$)	1.16	E = B x D	+2 sd above 5-year ave.
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS			

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 33: 12-month forward rolling P/E (x)


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 34: Peer comparison

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x) CY24F	P/E (x) CY25F	3-year EPS CAGR (%)	P/BV (x) CY24F	Recurring ROE (%) CY24F	Dividend Yield (%) CY24F
Food Empire Holdings Ltd	FEH SP	Add	1.13	1.69	436	8.0	7.4	7.0%	1.25	16.7%	3.9%
Ajinomoto Co Inc	2802 JP	NR	5,764	NA	19,763	27.3	24.2	-31.1%	3.61	13.7%	1.4%
Fraser & Neave Holdings	FNH MK	Add	25.28	28.30	1,966	18.3	na	na	2.62	14.8%	2.9%
Jumbo Group Limited	JUMBO SP	Add	0.28	0.40	131	13.2	na	na	2.72	21.8%	3.6%
Kimly Group	KMLY SP	Hold	0.32	0.37	285	12.9	na	na	1.98	15.9%	4.3%
Mayora Indah Tbk PT	MYOR IJ	NR	2,550	NA	3,625	19.9	16.8	na	3.50	18.8%	1.9%
Monde Nissin Corp	MONDE P	NR	9.03	NA	2,881	19.2	16.9	na	2.63	13.9%	2.3%
Nestle (Malaysia)	NESZ MK	Hold	127.0	137.0	6,313	37.1	34.9	na	38.14	108.5%	2.4%
Nestle SA	NESN SW	NR	103.7	NA	298,422	19.5	18.1	na	6.49	33.8%	3.2%
Nissin Foods Hldgs Co Ltd	2897 JP	NR	12,425	NA	8,489	24.6	23.3	-33.7%	2.57	11.1%	1.5%
Nongshim Co Ltd	004370	NR	473,000	NA	2,112	14.3	13.1	na	1.08	7.8%	1.2%
Power Root Bhd	PWRT MK	Add	1.99	2.80	195	14.4	14.0	na	3.11	22.4%	5.4%
TAC Consumer PCL	TACC TB	NR	4.78	NA	73	11.7	10.4	na	3.38	31.0%	8.2%
Thai Beverage	THBEV SP	Add	0.58	0.75	10,526	12.0	na	na	1.61	14.0%	4.2%
Toyo Suisan Kaisha Ltd	2875 JP	NR	5,865	NA	4,254	13.9	13.6	-34.7%	1.36	10.1%	2.1%
Uni-President Enterprises	1216 T	NR	70.10	NA	12,277	17.4	15.7	na	2.87	18.2%	4.4%
Universal Robina Corp	URC PM	NR	118.9	NA	4,553	16.0	14.1	na	2.01	12.7%	3.5%
Yakult Honsha Co Ltd	2267 J	NR	3,633	NA	8,346	19.3	18.3	-33.9%	2.15	11.4%	1.6%
Simple average excluding Food Empire Holdings						18.3	18.0	-33.3%	4.81	22.3%	3.2%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

NOTE: FORECASTS FOR NOT RATED COMPANIES ARE BLOOMBERG CONSENSUS ESTIMATES

DATA AS AT 3 OCT 2023

Appendix

SWOT Analysis

Figure 35: SWOT Analysis

Strengths:	Opportunities:
<ol style="list-style-type: none"> 1. Strong brand, deep management expertise especially in Russia, Ukraine, Kazakhstan and the CIS Markets. 2. Vertically integrated manufacturing and own brand products. 3. Product R&D and marketing capabilities. 	<ol style="list-style-type: none"> 1. Opportunity to grow market share in Vietnam with new products. 2. Opportunities to expand its business-to-business customer base with its Non-Dairy Creamer and potato manufacturing plant in Malaysia. 3. Opportunities to expand its product format offering such as into ready to drink coffee in can or bottle form.
Weaknesses:	Threats:
<ol style="list-style-type: none"> 1. Exposed to FX risks that cannot be effectively hedged at reasonable costs. 2. Exposed to fluctuations in raw material prices, especially coffee proces.. 3. Exposed to rising logisitics costs such as higher freight costs. 	<ol style="list-style-type: none"> 1. Risk of escalation of Russia-Ukraine conflict. 2. Changing consumer preferences as the younger generation could lean towards coffee chain style (Starbucks etc) means of consuming their coffee. 3. Ecomonic slowdown reducing coffee consumption.

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Board of directors


Figure 36: Executive directors

Name	Title	Description
Mr. Tan Wang Cheow	Executive Chairman	Mr. Tan is founder of the Group and is responsible for the achievement of the Group's long-term goals. His role includes providing strategic leadership and exploring business opportunities for the Group. Mr Tan is actively involved in the marketing and branding activities across the Group. He holds a Bachelor of Accountancy Degree from the National University of Singapore
Mr. Sudeep Nair	Group Chief Executive Officer (CEO) & Executive Director	Mr Nair has been serving the Board as an Executive Director since July 2005. Mr Nair has been with the Group since 1993. Prior to his appointment to the Board, he was primarily responsible for the launch and establishment of the Group's brands and businesses in Eastern Europe and CIS countries from 1994 to 2005. In October 2012, Mr Nair was appointed as the Group CEO in addition to his continuing role as Executive Director. Since 2012, he is also responsible for the Group's diversification and growth strategy including overall oversight of its day-to-day operations. His role includes geographical expansion of business, as well as identifying new businesses and M&A opportunities for the Group. Mr Nair has over 29 years of experience in building and managing the Group's business.
Madam Tan Guek Ming	Non-Executive Director	Madam Tan was appointed to the Board as a Non-Executive Director in April 2000. Madam Tan brings both financial and business expertise to the Board having held both executive and non-executive directorships in listed companies with interests in property, hospitality and the food and beverage sectors. She holds a Bachelor of Accountancy Degree (Second Class Honours) from the National University of Singapore and has numerous years of leadership experience in the fields of accounting and auditing.
Mr. Koh Yew Hiap	Non-Executive Director	Mr Koh joined the Board as a Non-Executive Director in March 2007. Mr Koh has a distinguished career in business and is the Managing Director of Universal Integrated Corporation Consumer Products Pte Ltd and United Detergent Industries Sdn Bhd. He also sits on the Board of Directors of various companies within the Salim Group. He holds a Bachelor of Arts (Economics) Honours from the University of Manchester.

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

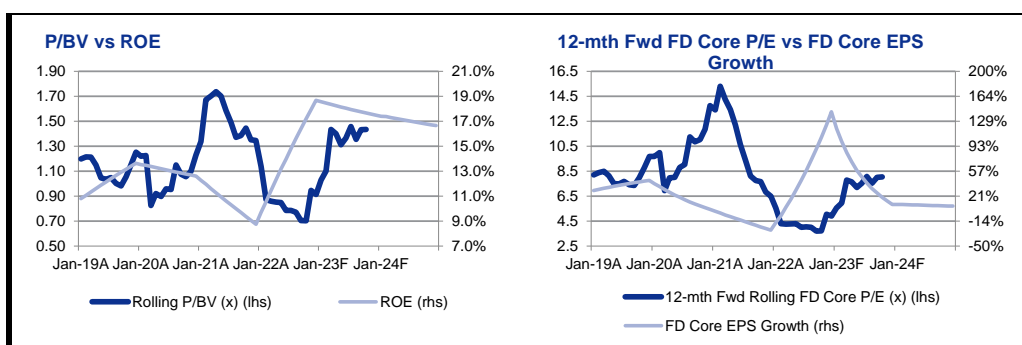
Major shareholders

- According to Bloomberg data, as of 12 Sep 2023, the major shareholders of FEH were Universal Integrated Corporation Consumer Products Pte. Ltd. (UICCP) with a 24.94% stake, Sudeep Nair (CEO) with a 12.42% stake, Tan Guek Ming (spouse of founder Tan Wang Cheow) with an 11.97% stake, Tan Wang Cheow (founder) with a 9.90% stake, and FMR LLC with an 8.03% stake.
- In 2006, FEH placed 39.2m new shares to UICCP at S\$0.57. In addition, then substantial shareholders (including Sudeep Nair and Tan Wang Cheow) sold another 54m vendor shares at the same price to UICCP. UICCP is a food and beverage group involved in the manufacturing and distribution of food products, such as instant noodles, ice cream, shortening, milk and dairy. These products are sold in Indonesia, the Middle East, Thailand, and Malaysia.

<div>  </div> <div> ESG in a nutshell </div>	
Food Empire Holdings (FEH) is a food and beverage company headquartered in Singapore. Refinitiv has yet to issue an ESG score for Food Empire Holdings as at Sep 2023.	
Keep your eye on	Implications
Country concentration risk.	Russia and Ukraine are FEH's key markets. In FY21, Russia accounted for 35.9% of FEH's total revenue, while Ukraine made up 9.1% of its total revenue. Together, Russia and Ukraine accounted for 45.0% of FY21 revenue. In FY22, Russia remained the largest revenue contributor for FEH at 37.3% of group revenue. FEH did not separately disclose its Ukraine revenue in FY22, but revenue from Ukraine, Kazakhstan and the CIS accounted for 23.1% of its FY22 revenue. FEH has been making efforts to diversify its dependence on the Russia/Ukraine markets via building up its 3-in-1 coffee mix business in Vietnam and food ingredients production business in India and Malaysia.
ESG highlights	Implications
As a food and beverage company, FEH's paramount concern is product safety. FEH said it places significant emphasis on ensuring that its products are safe for consumption with no inaccurate labelling.	We note that any mismanagement of FEH's products can result in a loss of reputation, financial penalties, and possible breach of product safety laws in affected markets for FEH. Breach of product safety can also have serious effects on consumer well-being, for example by causing food poisoning or other related illnesses. FEH has established quality and food safety standards that meet or exceed statutory and regulatory requirements. The group has also developed and implemented its own Quality Management System and Product Safety System, both of which have been validated internally as well as by external independent inspectors. FEH has set perpetual targets of a) zero confirmed incidents of non-compliance with all applicable laws and regulations concerning consumer health and safety, and b) zero confirmed incidents of non-compliance with applicable regulations concerning product information and labelling. In FY22, FEH was able to achieve both targets.
Trends	Implications
Studies estimate that between 25-35% of global greenhouse gas emissions are from food and agriculture (source: "How much of global greenhouse gas emissions come from food" by Hannah Ritchie, 18 March 2021). As a food manufacturing business, FEH said it recognises the importance of improving resource use efficiency and reducing emissions throughout its global operations and value chain.	As of 2022, Food Empire Vietnam (FEV) has implemented energy saving actions with the purpose of reducing electricity consumption and emissions. FEV has successfully installed day/night light switching systems, solar electricity for its factory perimeter lights, sky lights in its warehouses, and energy saving LED lamps.

SOURCES: CGS-CIMB RESEARCH, REFINITIV

BY THE NUMBERS



Profit & Loss

(US\$m)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Net Revenues	320.1	398.4	419.8	444.1	469.9
Gross Profit	104.2	129.4	149.7	158.4	167.6
Operating EBITDA	36.0	63.2	77.0	82.0	87.4
Depreciation And Amortisation	(10.6)	(10.5)	(11.2)	(11.8)	(12.5)
Operating EBIT	25.4	52.7	65.8	70.2	74.9
Financial Income/(Expense)	(1.2)	(1.2)	0.3	0.3	0.3
Pretax Income/(Loss) from Assoc.	1.3	2.7	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.7	1.3	(2.7)	(2.7)	(2.7)
Profit Before Tax (pre-EI)	26.3	55.4	63.4	67.7	72.4
Exceptional Items		15.3			
Pre-tax Profit	26.3	70.7	63.4	67.7	72.4
Taxation	(7.0)	(10.6)	(12.0)	(12.9)	(13.8)
Exceptional Income - post-tax					
Profit After Tax	19.3	60.1	51.3	54.9	58.7
Minority Interests	0.2	0.0	0.0	0.0	0.0
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	19.5	60.1	51.4	54.9	58.7
Recurring Net Profit	19.5	47.1	51.4	54.9	58.7
Fully Diluted Recurring Net Profit	19.5	47.1	51.4	54.9	58.7

Cash Flow

(US\$m)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
EBITDA	35.99	63.23	76.98	82.02	87.38
Cash Flow from Inv. & Assoc.	(1.34)	(2.65)	0.00	0.00	0.00
Change In Working Capital	(18.85)	11.00	(3.30)	(3.51)	(3.73)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	5.40	11.53	(1.85)	(3.13)	(3.12)
Net Interest (Paid)/Received	(1.19)	(1.23)	0.30	0.30	0.30
Tax Paid	(5.34)	(9.06)	(12.04)	(12.87)	(13.76)
Cashflow From Operations	14.67	72.82	60.09	62.80	67.06
Capex	(6.55)	(13.80)	(10.00)	(10.00)	(10.00)
Disposals Of FAs/subsidiaries	0.07	0.59	0.00	0.00	0.00
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	0.68	32.19	0.00	0.00	0.00
Cash Flow From Investing	(5.80)	18.98	(10.00)	(10.00)	(10.00)
Debt Raised/(repaid)	(5.54)	(13.55)	0.00	0.00	0.00
Proceeds From Issue Of Shares	1.64	0.56	0.00	0.00	0.00
Shares Repurchased	(2.50)	(2.33)	0.00	0.00	0.00
Dividends Paid	(8.95)	(8.65)	(17.27)	(17.18)	(17.18)
Preferred Dividends					
Other Financing Cashflow	(1.65)	(2.26)	0.00	0.00	0.00
Cash Flow From Financing	(17.01)	(26.22)	(17.27)	(17.18)	(17.18)
Total Cash Generated	(8.13)	65.58	32.82	35.63	39.88
Free Cashflow To Equity	3.33	78.25	50.09	52.80	57.06
Free Cashflow To Firm	10.32	93.96	53.59	56.30	60.56

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(US\$m)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Cash And Equivalents	60.6	125.6	161.0	197.2	237.7
Total Debtors	44.8	34.6	37.7	39.7	41.8
Inventories	73.5	74.0	73.2	77.4	81.9
Total Other Current Assets	9.6	8.1	8.1	8.1	8.1
Total Current Assets	188.5	242.3	279.9	322.4	369.5
Fixed Assets	127.5	114.3	113.2	111.3	108.8
Total Investments	9.0	11.8	11.8	11.8	11.8
Intangible Assets	10.3	8.3	8.3	8.3	8.3
Total Other Non-Current Assets	4.7	4.7	4.7	4.7	4.7
Total Non-current Assets	151.5	139.2	138.0	136.1	133.6
Short-term Debt	24.4	15.2	15.2	15.2	15.2
Current Portion of Long-Term Debt					
Total Creditors	53.0	52.8	55.0	57.9	61.1
Other Current Liabilities	2.6	3.3	3.3	3.3	3.3
Total Current Liabilities	80.0	71.3	73.5	76.5	79.6
Total Long-term Debt	28.9	29.4	29.4	29.4	29.4
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0.0	0.0	0.0	0.0	0.0
Total Non-current Liabilities	28.9	29.4	29.4	29.4	29.4
Total Provisions	4.6	5.2	5.2	5.2	5.2
Total Liabilities	113.5	105.9	108.1	111.1	114.2
Shareholders' Equity	227.7	276.7	310.9	348.6	390.2
Minority Interests	(1.2)	(1.1)	(1.1)	(1.2)	(1.2)
Total Equity	226.6	275.6	309.8	347.5	389.0

Key Ratios

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue Growth	17.3%	24.5%	5.4%	5.8%	5.8%
Operating EBITDA Growth	(14.5%)	75.7%	21.8%	6.5%	6.5%
Operating EBITDA Margin	11.2%	15.9%	18.3%	18.5%	18.6%
Net Cash Per Share (US\$)	0.01	0.15	0.22	0.29	0.36
BVPS (US\$)	0.42	0.52	0.59	0.66	0.73
Gross Interest Cover	17.59	24.42	18.80	20.05	21.39
Effective Tax Rate	26.5%	15.0%	19.0%	19.0%	19.0%
Net Dividend Payout Ratio	44.6%	38.5%	33.4%	31.3%	29.3%
Accounts Receivables Days	40.57	32.73	28.68	29.26	29.18
Inventory Days	104.5	100.1	99.5	96.5	96.2
Accounts Payables Days	64.97	65.42	66.87	66.71	66.51
ROIC (%)	12.8%	24.5%	35.0%	37.6%	39.8%
ROCE (%)	9.1%	17.6%	20.3%	19.5%	18.8%
Return On Average Assets	6.3%	12.8%	12.8%	12.5%	12.1%

Key Drivers

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue growth	0.2	0.3	0.1	0.1	0.1

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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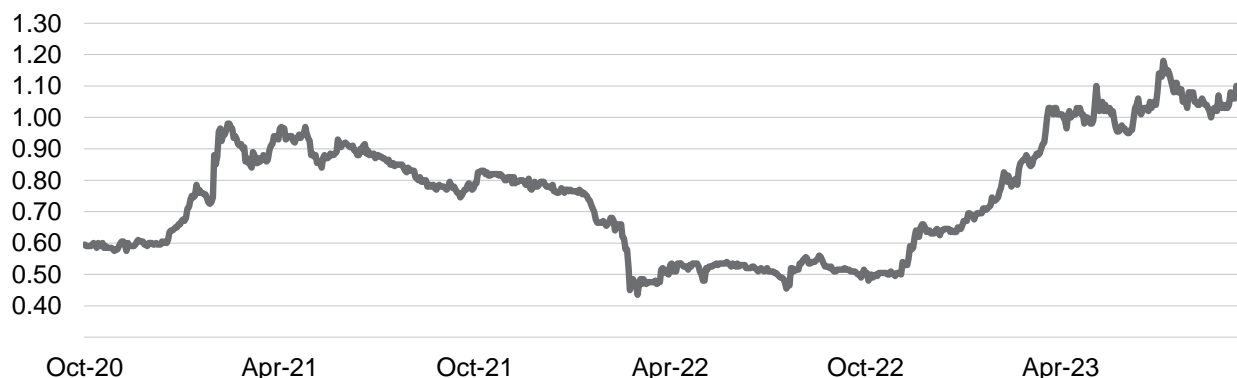
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2023		
632 companies under coverage for quarter ended on 30 June 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	65.3%	0.9%
Hold	25.8%	0.3%
Reduce	8.9%	0.0%

Spitzer Chart for stock being researched (2 year data)

Food Empire Holdings Ltd (FEH SP)

— Price Close



Recommendation Framework

Stock Ratings

Definition:

Add

The stock's total return is expected to exceed 10% over the next 12 months.

Hold

The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

Reduce

The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight

An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.

Neutral

A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.

Underweight

An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight

An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.

Neutral

A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.

Underweight

An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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