



Fraser & Neave Holdings Bhd

Analysts' Briefing

7 Nov 2014

Financial Highlights

Group revenue and operating profit grew 8.9% and 0.6% respectively from corresponding period:

- ❑ All core products registering positive year on year growth
- ❑ Both Dairies Malaysia and Thailand recorded strong revenue growth, on increasing market distribution and product penetration and effective promotion campaigns
- ❑ Soft Drinks, although registering a 4.5% revenue growth, was impacted by increased trade offerings and heavier competitors' trade discounting
- ❑ Profit Before Tax impacted by absence of Thailand Flood insurance claim

(RM mil)	FY2014	FY2013	Change vs. Last Year
Revenue	3,819	3,508	+8.9%
Profit Before Interest and Tax	314	312 *	+0.6%
Profit Before Tax	315	308 *	+2.5%
<i>Profit Before Tax (before adj for Insurance Claims)</i>	315	258 *	+22.1%
Profit After Tax	259	259 *	0.0%

* Restated to conform with FY14 presentation

Financial Highlights

- ❑ EPS at 71 sen
- ❑ Normalized EPS however increased by 18%
- ❑ Ordinary dividend increased by 10% from last year's level of 55 sen per share
- ❑ Balance sheet healthy supporting RAM's AA1 credit rating

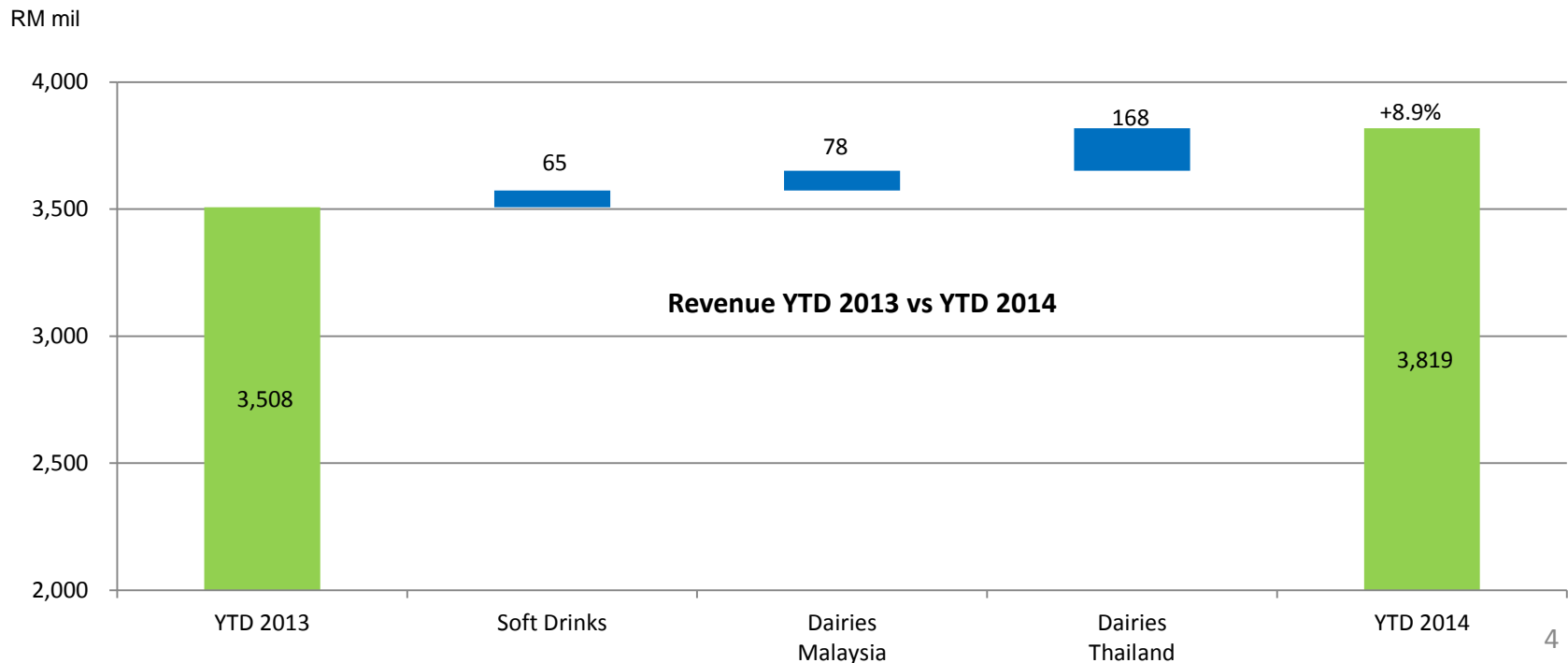
Key Ratios		FY2014	FY2013	Change
Earnings Per Share (EPS)	sen	71.0	71.4	-0.6%
Earnings Per Share (EPS) - Normalised	sen	72.1	61.1	+18%
Net Assets Value (NAV)	RM	4.62	4.52	+2.2%
Net Dividend Per Share	sen	55	60	-8.3%
- Ordinary dividend	sen	55	50	+10%
- Special dividend	sen	-	10	-100%
- Payout ratio* (Ordinary Dividend)	%	76	82	-7.3%
Share price @ 30 Sep	RM	17.00	18.60	-8.6%
Return On Equity (ROE)	%	15.4%	15.7%	-0.3 pp

* On normalised EPS

Revenue

Key drivers of the 8.9% revenue growth are:

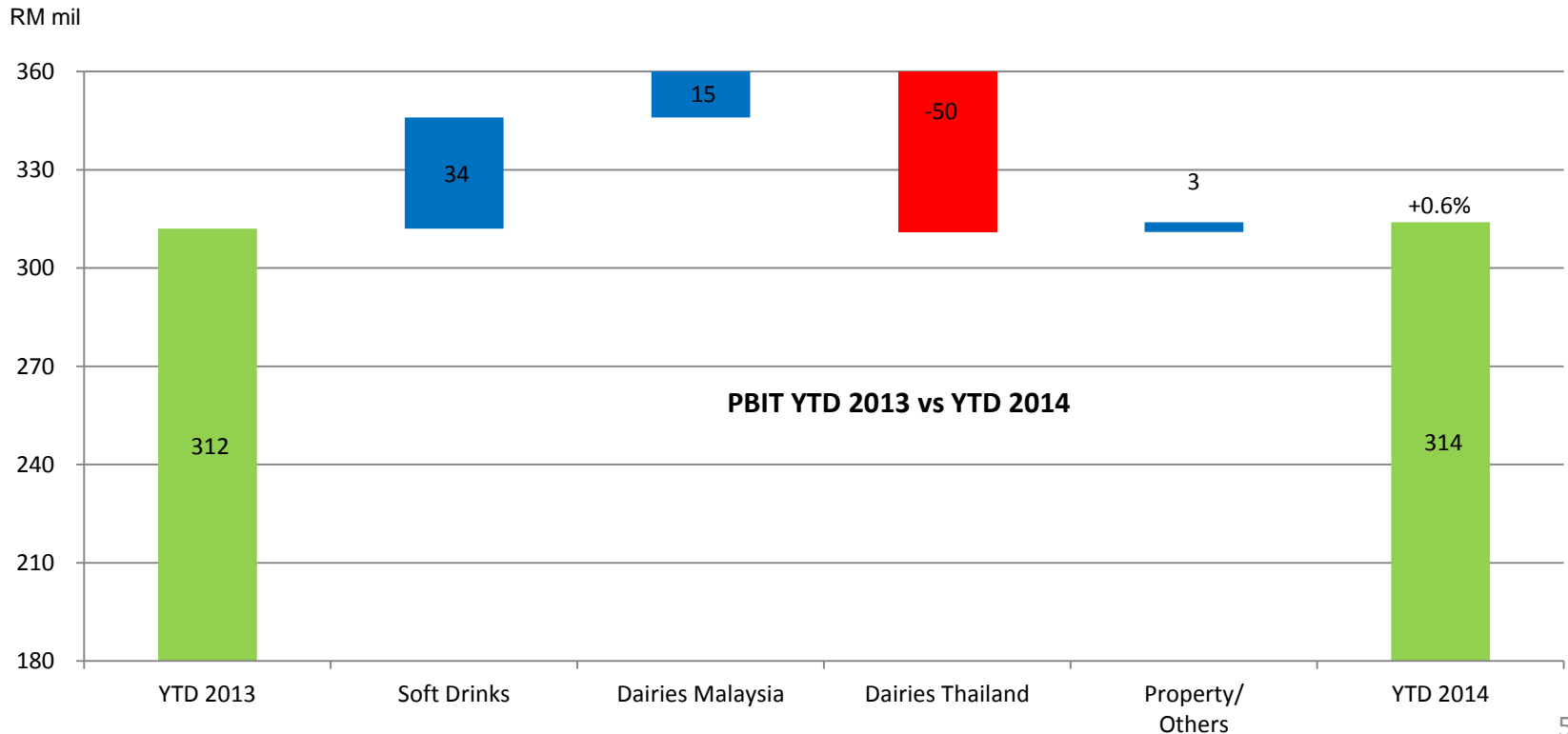
- ❑ Driven by stronger sales from all its business units.
- ❑ Dairies Thailand recorded double digit revenue growth, on continued strong market activation and distribution.
- ❑ Despite heavy competitors' trade discounting, both Dairies Malaysia and Soft Drinks recorded revenue growth of 7.9% and 4.5% respectively. Maintaining strong market position.
- ❑ Effective execution of various trade promotions and campaigns.



Profit Before Interest and Tax (PBIT)

Key drivers of the 0.6% PBIT growth are:

- ❑ Soft Drink's stronger PBIT performance was contributed by favourable sales mix, lower trade discount and effective spending on advertising and promotions.
- ❑ Dairies Malaysia's profitability aided by higher revenue supported by managed trade discount and improved manufacturing efficiencies.
- ❑ Dairies Thailand, despite higher revenue, was impacted by higher milk-based commodity prices and inability to pass on the increase to end consumers.

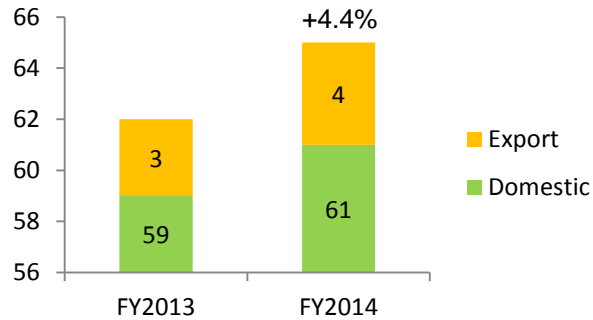


Soft Drinks



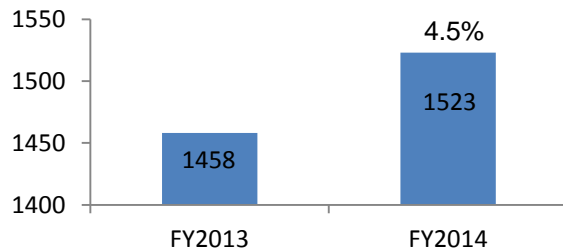
Cases (mil)

Volume



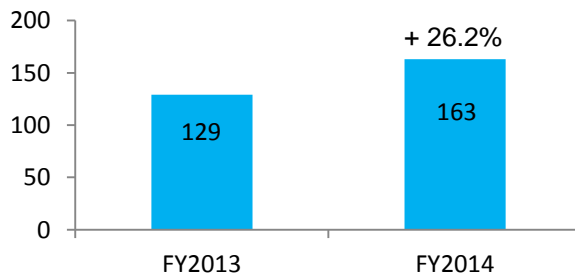
RM mil

Revenue



RM mil

PBIT



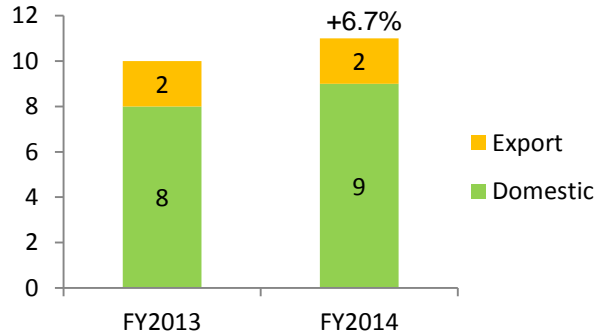
- ❑ Increase in both domestic and export volume by 3.5% and 22.7% respectively, driven by 100Plus, Season range
- ❑ Season range rebranded as Seasons Tea, NutriSoy and Nutriwell
- ❑ Favourable sales mix and lower trade discount enabled revenue to grow marginally higher than volume.
- ❑ 100Plus sales improved has enable it to maintain its' market leadership position.
- ❑ PBIT grew by 26.2% aided by favourable sales and volume mix, favourable raw material commodity price as well as lower operating cost.

Dairies Malaysia



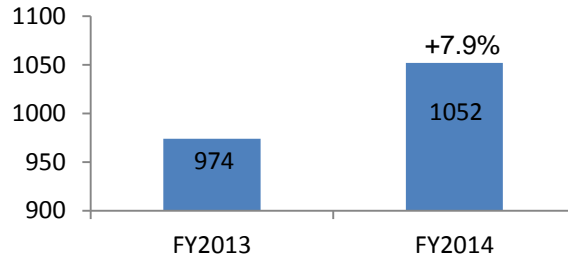
Ctn (mil)

Volume



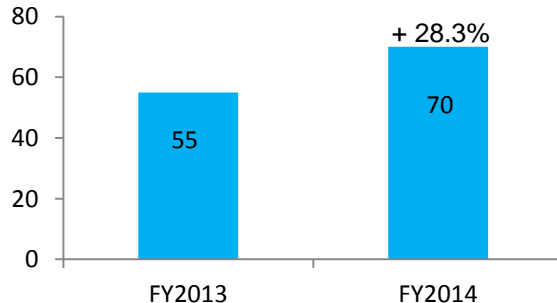
RM mil

Revenue



RM mil

PBIT

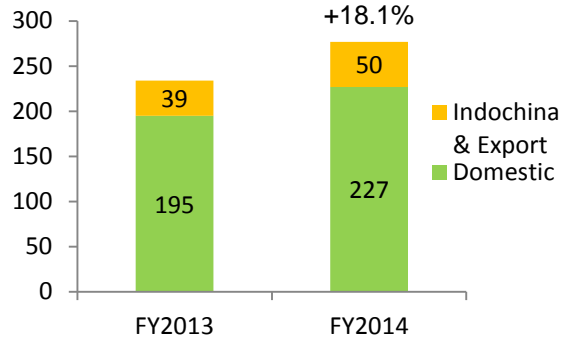


- ❑ Domestic volume grew by 10.3% driven by stronger performance of both Nestle and F&N brands.
- ❑ Dairies Malaysia maintained its export sales volume despite intensive market competition from amongst local manufacturers.
- ❑ Increased penetration and presence in “On Premise”
- ❑ Higher PBIT is mainly attributable to higher volume, improved manufacturing efficiencies and absence of one-offs (Bad debts recovered in 1st quarter (RM3.5m), packing and dismantling costs (RM3.1m) and goodwill impairment (RM5.4m))

Dairies Thailand

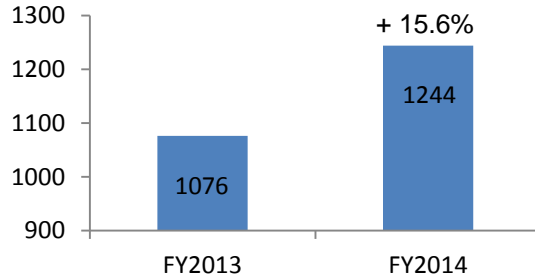
Tonnes ('000)

Volume



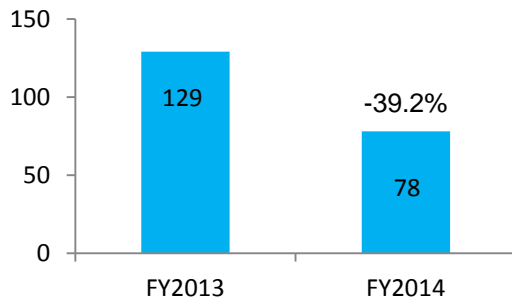
RM mil

Revenue



RM mil

PBIT



- ❑ Dairies Thailand continue recorded strong growth in both volume and revenue.
- ❑ Domestic volume increased 16.4%, driven by double digit growth in both its Sweetened Beverage Creamer and Evaporated Milk products
- ❑ IndoChina and export improved by 26.2%, on stronger distributor performance and effective spending on A&P.
- ❑ F&N brand performed well
- ❑ Despite higher sales, inability to on pass commodity price increase to end consumers has significantly negated the contribution of higher revenue to PBIT

Properties

- ❑ Project name approved as “Fraser Square”
- ❑ Integrated project with projected GDV of RM1.7 Billion, comprising residential, shopping mall, SOHO, hotel and corporate office to be developed over a six year periods
- ❑ The residential component of Fraser Square has obtained building plan approval and is targeted to be launch within the next six months
- ❑ Recognition of project will be on the “Completion Method” accounting standard



Financial and Business Outlook

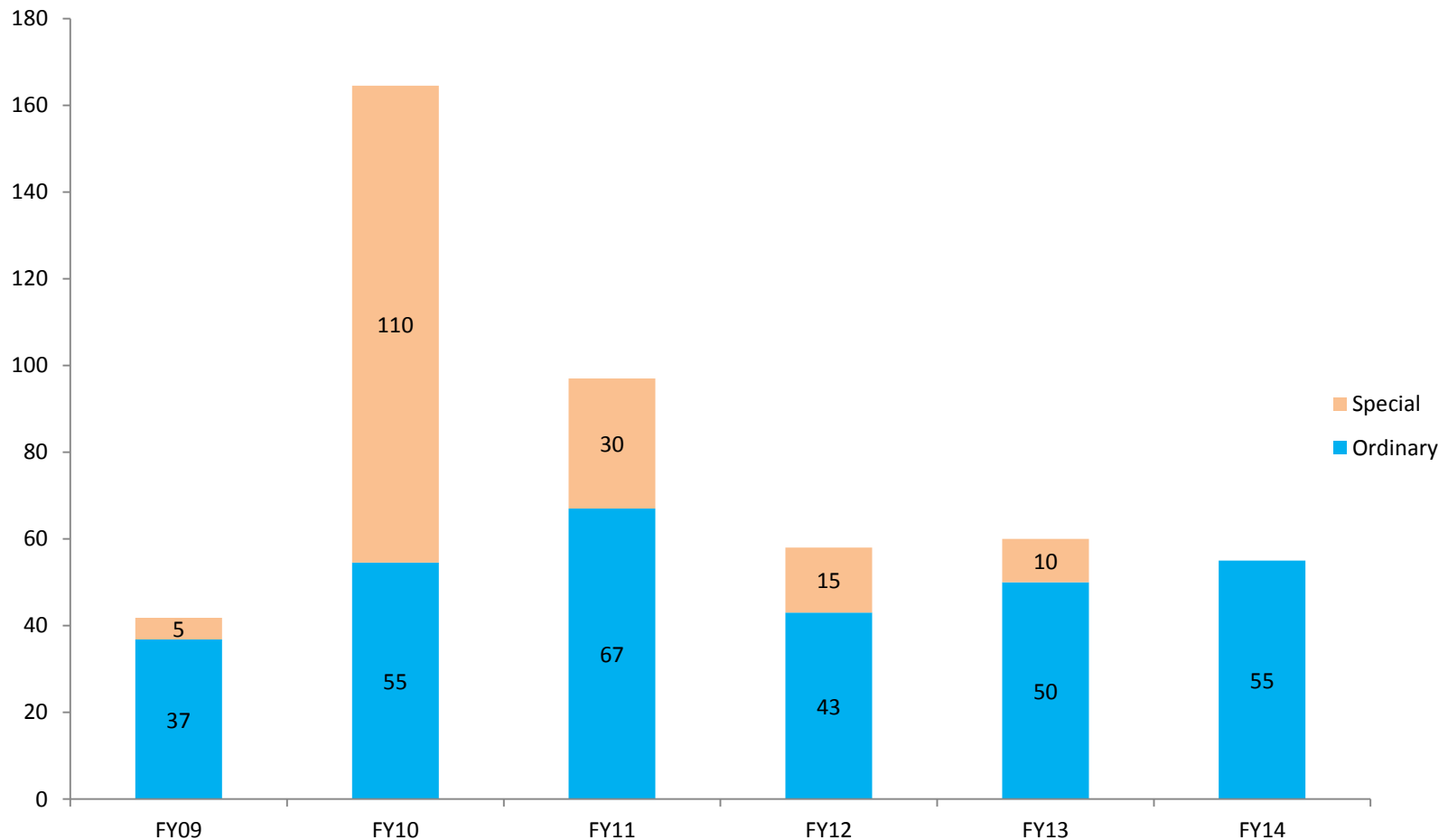
- ❑ BNM expects GDP to exceed the 5.0%- 5.5% forecast in 2014 in view of 1st half year performance
- ❑ Malaysia and Thai Baht expected to remain weak against USD
- ❑ Weakening consumer confidence due to various subsidies reduction and interest rate increase
- ❑ Inflationary uncertainties remained with the impending Goods and Service Tax (GST) implementation
- ❑ Global milk based commodity prices

Soft Drinks	Dairies Malaysia	Dairies Thailand	Properties
<ul style="list-style-type: none"> • Aggressively grow 100Plus • Grow upon its market leadership on Season's NutriSoy and Tea • Increased touch-points • RTM excellence 	<ul style="list-style-type: none"> • Reinforce "No.1" condensed milk co and defending both its SCM and Evap • Out of Home penetration • Halal Manufacturing Hub • RTM excellence 	<ul style="list-style-type: none"> • Defend and grow its market leadership for all core products • Increased Indochina penetration • Thai Bev synergy • RTM excellence 	<ul style="list-style-type: none"> • Launch of residential project, leveraging on FCL product offerings expertise • "Fraser" branding

Dividends

- Propose final ordinary dividend of 33 sen per share (increase of 10%), corresponding to higher financial performance

Sen per share





Questions & Answers



Thank You