

General Announcement for PLC (v13)

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COMPANY INFORMATION SECTION

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Company Name	FRASER & NEAVE HOLDINGS BHD
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CONTACT DETAIL

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MAIN

AUDIT LOGS

Type	Announcement
Subject	OTHERS
Description	News release: F&N to Maximise Growth Opportunities Upon Completion of Business Transformation Programme
Shareholder Approval	No
Announcement Details/Table Section	

We attach herewith a news release dated 7 November 2017 entitled "F&N to Maximise Growth Opportunities Upon Completion of Business Transformation Programme".

Attachment

No	File Name	Size
1	FNHB-News Release FY2017.pdf	393.5KB



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FRASER & NEAVE HOLDINGS BHD

(Company No. 004205-V)

FOR IMMEDIATE RELEASE
NOVEMBER 7, 2017

F&N TO MAXIMISE GROWTH OPPORTUNITIES UPON COMPLETION OF BUSINESS TRANSFORMATION PROGRAMME

Strong F&B Malaysia export performance reflects Group's progress in achieving RM500 million goal in export sales from Malaysia by 2020

- Robust export revenue help to mitigate impact from lower Food & Beverages Malaysia domestic revenue
- Food and Beverages Thailand delivers positive gains in revenue with double digit growth in operating profit
- Group profit before tax impacted by higher input and restructuring costs. On comparable basis, profit before tax excluding one-off items is lower by 2.3%.
- Business transformation programme enables F&NHB to be lean and sustainable in the long-term to drive revenue, profitability, efficiency and agility
- Recommends final dividend of 30.5 sen per share (2016: 30.5 sen) amounting to payout of RM111.8 million

FULL YEAR 2016/2017 PERFORMANCE

Financial Highlights	Full Year 2016/2017	Full Year 2015/2016	Change
Revenue (RM billion)	4.10	4.17	-1.6%
Operating profit (RM million)	345.1	433.4	-20.4%
Operating profit (RM million) *	397.8	406.6	-2.2%
Profit before tax (RM million)	353.7	442.9	-20.1%
Profit before tax (RM million) *	406.4	416.2	-2.3%
Profit after tax (RM million)	323.3	385.4	-16.1%
Basic earnings per share (sen)	88.3	105.3	-17 sen

*Excluding one-off items

Fraser & Neave Holdings Bhd's ("F&NHB" or "the Group") revenue for the financial year ended 30 September 2017 eased 1.6 per cent to RM4.10 billion from RM4.17 billion in the corresponding period last year due to soft consumer sentiment and intense competition faced by its Malaysian operations.

The Group's profit before tax contracted 20.1 per cent to RM353.7 million from RM442.9 million while profit after tax decreased to RM323.3 million from RM385.4 million for the financial year under review, impacted by higher input and restructuring costs. Excluding one-off items, F&NHB's profit before tax is marginally lower at RM406.4 million, a 2.3 per cent decrease from RM416.2 million last year.

Commenting on the Group's results, F&NHB Chairman Tengku Syed Badarudin Jamalullail said they mirrored the Group's resilience, benefitting from diversity in geographical contributions and product categories.

"Our robust exports performance showcases the Group's growing business outside Malaysia. Amidst the backdrop of a challenging economic and market landscape in Malaysia, our substantial investments in accelerating the export business into a key revenue pillar for the Group have proven to be significantly profitable and well-timed. We are confident that the transformation programme will maximise growth opportunities and create more shareholder value in the future", said Tengku Syed Badarudin.

BUSINESS TRANSFORMATION FOR SUSTAINABLE GROWTH

In its effort to deliver long-term growth and profitability, F&NHB had embarked on a business transformation programme in October 2015 to accelerate the Group's transition into a leaner, stronger and more sustainable organisation.

"During the year in review, we drove the Group's efficiency and effectiveness by focusing on executing major structural changes in our Malaysia operations that will enhance our productivity, operational and cost efficiency. This involved various initiatives across the organisation as well as our distribution network." said F&NHB Chief Executive Officer, Mr. Lim Yew Hoe.

"Today, F&NHB has a significantly lower cost structure and more efficient systems and processes compared to when we first embarked on the transformation journey. Essentially, we have strengthened F&NHB at a fundamental level to be more competitive with greater capacity to meet external challenges." Lim added.

Meanwhile, Mr. Lim said that the Group had expected the short-term impact of such a large-scale transformation exercise on its financial performance. "Given this period of consolidation, the results are within our expectations as it reflects the exceptional environment we were operating in.

"In executing the transformation, we remained disciplined and focused, unwavering in our drive to build long-term sustainability without being distracted by the incessant price competition domestically."

“We take the same approach in our brand-building, and continue to develop long-term brand affinity through meaningful collaborations that will augur well for the future, such as how 100PLUS was the Official Isotonic Beverage of the 29th SEA Games.” Lim added.

SEGMENTAL PERFORMANCE

Impacted by continuing weak consumer sentiment and intense pricing pressure in the market, Food & Beverage Malaysia (F&B Malaysia) reported 8.2 per cent decline in revenue for the financial year ended September 30, 2017 to RM2,318.8 million from RM2,527.2 million.

F&B Malaysia’s operating profit declined by 44.8 per cent to RM120.7 million for the financial year under review. Excluding one-off items, F&B Malaysia operating profit declined by 21.7 per cent to RM169.6 million from RM216.5 million last financial year. This was attributed to lower revenue and higher input costs, especially sugar and partly offset by lower discounts, advertising and promotions spending, and overheads.

Despite cautious consumer spending and intensified competition, F&B Malaysia remained steadfast in marketing and branding initiatives across a wide platform to successfully reach its consumers with the right product at the right occasion. This year, 100PLUS, OISHI, F&N FUN FLAVOURS, F&N SEASONS and F&N NUTRISOY maintained leading positions in their respective categories in Malaysia while F&N’s stable of dairy products (F&N, GOLD COIN, TEAPOT, CARNATION, CAP JUNJUNG and IDEAL) reinforced its undisputed leadership in the Condensed and Evaporated Milk segment.

Meanwhile, Food & Beverage Thailand (F&B Thailand) registered 8.7 per cent higher revenue to RM1,781.5 million for the financial year ended September 30, 2017 compared to last financial year, mainly aided by favourable Ringgit Malaysia/Thai Baht translation, double-digit growth in the Indochina market and successful launches of two new BEAR BRAND variants (BEAR BRAND Sterilised Milk High Folate and BEAR BRAND GOLD Goji Berry) and TEAPOT Tube. Bear Brand and Carnation maintained its No. 1 position in their respective categories while effective marketing and trade activities helped TEAPOT to double its market share in the Sweetened Beverage Creamer category compared to the previous year.

F&B Thailand’s operating profit rose 14.3 per cent to RM228.0 million from RM199.5 million last year on the back of favourable input and packaging costs, and lower advertising and promotions spending. Excluding one-off items, operating profit grew by 21.8 per cent to RM232.8 million.

F&B Malaysia export business has recorded accelerated growth of double digit every year since the Group embarked on its business transformation program, exemplifying the Group’s relentless commitment toward meeting its RM500 million target by 2020.

Mr. Lim said the Group’s strategic approach in customising its product offerings enabled it to satisfy specific customer needs while the expansion of its product portfolio offered additional export opportunities.

“Besides expanding our reach in overseas markets, particularly leveraging our halal hub status to make forays into Muslim countries, today we are also focused on opportunities to add value and partnering with our customers to develop new and innovative product applications.” said Mr. Lim.

Coupled with exports from Thailand, the export business now accounts for more than 10 per cent of the Group’s total revenue.

PROSPECTS

Commenting on prospects for the financial year ending September 30, 2018, Lim said that the Malaysian business environment is expected to remain challenging, as a result of competitive price pressure and weak consumer demand.

“With the completion of the business transformation exercise in the Malaysian operations, we expect the Group to extract synergies and value from improved organisational efficiency and operational cost savings in the new financial year.”

“Management remains cautious about the state of consumer sentiment in Thailand. Nevertheless, management will continue to be vigilant and responsive to changes in the external environment and consumer trends, take necessary action to maintain long term sustainable growth and continuously grow the export pillar.” Lim added.

Moving forward, F&NHB will place greater emphasis on innovation and expanding its capabilities and capacity, to drive revenue growth and profitability.

“Our customers’ needs and demands have evolved as today’s society are always on the move and with an increasingly strong leaning towards a healthier lifestyle. Hence, the Group’s R&D is focused on creating innovative product and solutions that remain relevant to our loyal consumers, developed to meet their evolving taste and lifestyle preference.” said Mr. Lim.

During the year under review, F&NHB has launched a new Polyethylene Terephthalate (PET) line in its Shah Alam plant and added an Ultra-High Temperature processing (UHT) line in its Kuching plant. Some of F&NHB’s capex projects including a new 600 bpm water line, expansion of the warehouse, production building and infrastructure at its mineral water plant in Bentong, and Polyethylene Terephthalate (PET) line in its Shah Alam plant are expected to be completed within the next 12 months.

In line with the Group’s performance, the Board of Directors is recommending a final dividend of 30.5 sen per share amounting to RM111.8 million for approval by shareholders at the forthcoming Annual General Meeting of the Company. If approved, the total dividend for the financial year of 2016/2017 would amount to 57.5 sen per share (FY2015/2016: 57.5 sen per share).

About Fraser & Neave Holdings Bhd

Fraser & Neave Holdings Bhd (F&NHB) is a Malaysian company listed on Bursa Malaysia's Main Board with expertise and a prominent standing in the food and beverage business. F&NHB has a rich history spanning 134 years, positioning the company and brand as one that is trusted by generations. The Company boast a broad portfolio of well-loved brands which are leaders in many segments namely 100PLUS, F&N Fun Flavours, F&N SEASONS, OISHI, F&N NutriSoy, F&N Condensed and Evaporated Milk, F&N Magnolia, Farmhouse, Carnation and F&N Fruit Tree Fresh. F&NHB employs over 2,000 employees and is Malaysia's top 100 leading graduate employers. F&NHB operates in Malaysia, Brunei, Thailand and Indochina, and is a subsidiary of Fraser and Neave, Limited, a company listed on the Singapore Stock Exchange.

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