

Singapore

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ADD (no change)

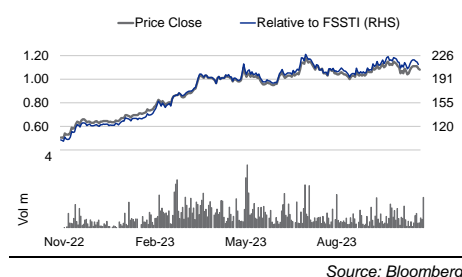
Consensus ratings*: Buy 4 Hold 0 Sell 0

Current price:	S\$1.08
Target price:	S\$1.69
Previous target:	S\$1.69
Up/downside:	56.5%
CGS-CIMB / Consensus:	16.6%
Reuters:	FEMP.SI
Bloomberg:	FEH SP
Market cap:	US\$421.1m S\$570.9m
Average daily turnover:	US\$0.40m S\$0.56m
Current shares o/s	533.8m
Free float:	39.8%

*Source: Bloomberg

Key financial forecasts

	Dec-23F	Dec-24F	Dec-25F
Net Profit (US\$m)	51.37	54.91	58.71
Core EPS (US\$)	0.10	0.10	0.11
Core EPS Growth	9.68%	7.17%	6.92%
FD Core P/E (x)	8.25	7.70	7.20
Recurring ROE	17.5%	16.7%	15.9%
P/BV (x)	1.36	1.21	1.08
DPS (US\$)	0.032	0.032	0.032
Dividend Yield	4.06%	4.06%	4.06%



Price performance	1M	3M	12M
Absolute (%)	-6.1	0	113.9
Relative (%)	-6.1	4.2	113

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

On track for record net profit

- Food Empire Holdings' (FEH) 9M23 revenue was in line at 73%/72% of our/Bloomberg consensus full-year expectations.
- 9M23 net profit was also deemed in line, at 82%/84% of our/Bloomberg consensus full-year forecasts.
- Reiterate Add, as we believe FEH is on track to achieve a record core net profit of US\$51.4m in FY23F (the highest since its listing in 2000).

9M23 performance in line with expectations

- 9M23 revenue grew by 6.7% yoy as demand for FEH's products remained strong. At 73%/72% of our/Bloomberg consensus' full-year estimates, 9M23 revenue performance was in line with expectations.
- 9M23 net profit was also deemed in line, at 82%/84% of our/Bloomberg consensus' FY23F forecasts.
- Given the higher unit volume sold and higher average selling prices, 9M23 gross profit margin improved by 5.6% pts to 34.8% (from 29.2% in 9M22).
- 9M23 net profit was impacted by foreign exchange loss of US\$1.4m. Excluding the foreign exchange loss, net profit would have been higher at US\$43.7m (instead of US\$42.3m).
- As at end-Sep 23, FEH's net cash was US\$115.6m.

Outlook remains positive

- FEH is seeing robust demand for its products in all the markets that the group operates in, according to its 9M23 business update press release.
- In its 9M23 business update, FEH commented that it will continue to grow its presence in Vietnam with targeted advertising and promotions.
- The group expects its non-dairy creamer (NDC) and potato crisps businesses in Malaysia to remain resilient and stable despite continuing stiff market competition. FEH expects its new plant for NDC to commence production in the next few months.
- In India, the group's coffee manufacturing plants continue to operate at maximum capacity, with strong demand and favourable pricing conditions for its freeze dry coffee.
- FEH expects its pricing power and vertically integrated operations to be able to offset raw material price increases.
- The key risks that management remains wary of are: a) global geopolitical developments and economic situation and the potential impact on its supply chain, and b) currency volatility in the markets that FEH operates in.

Reiterate Add as outlook remains positive

- We reiterate our Add call on FEH, with an unchanged 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, and c) the end of the 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 (2019-23F) average P/E of 8.2x, given our expected FY22-25F EPS CAGR of 7.0%, 4.06% dividend yields in FY23-25F, and its established brands.
- Key re-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: 1) an escalation in the Russia-Ukraine conflict affecting its Russian operations (Russia accounted for 34.2% of 9M23 revenue), and 2) depreciation of the Russian Ruble against the US\$, leading to lower revenue in US\$ terms.

Figure 1: Results summary

(US\$ m)	% chg				% chg				FY23F	Comments
	3Q23	3Q22	yoy	qoq	9M23	9M22	yoy			
Revenue	106.8	108.6	(1.6)	11.7	305.1	286.0	6.7	419.83	9M23 rev. in line at 73%/72% of our/Bloomberg consensus full-year forecast.	
Gross profit	36.6	31.5	16.4	11.1	106.1	83.4	27.2	138.54		
Operating expenses	(16.9)	(17.2)	(1.8)	(0.5)	(51.8)	(48.6)	6.7	(72.74)	9M23 marketing expenses grew 9.9% due to higher advertising & promotion spend in Vietnam.	
Operating profit	19.7	14.3	38.2	23.4	54.3	34.9	55.7	65.81		
FX gain/(loss)	(0.4)	(3.7)	(90.3)	61.7	(1.4)	3.6	(138.8)	(2.72)		
Pre-tax profit	19.8	25.1	(21.0)	24.7	53.7	57.2	(6.2)	63.38		
Tax	(4.1)	(2.5)	64.1	35.1	(11.4)	(7.6)	49.5	(12.04)		
Net profit	15.7	22.6	(30.6)	22.2	42.3	49.6	(14.8)	51.37	9M23 net profit in line at 82%/84% of our/Bloomberg consensus full-year forecast.	
	chg in % pts				chg (% pts)					
			yoy	qoq			yoy			
Gross profit margin	34.3	29.0	5.3	(5.5)	34.8	29.2	5.6			
Operating profit margin	18.5	13.1	5.3	(3.6)	17.8	12.2	5.6			
Pre-tax profit margin	18.6	23.1	(4.6)	6.5	17.6	20.0	(2.4)			
Net profit margin	14.7	20.8	(6.1)	7.4	13.9	17.4	(3.5)			
Tax rate	20.9	10.1	10.8	(9.2)	21.2	13.3	7.9			

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: 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	1.08	1.69	421	7.7	7.2	7.0%	1.21	16.7%	4.1%
Ajinomoto Co Inc	2802 JP	NR	5,641	NA	18,567	26.7	23.5	-30.7%	3.43	14.0%	1.5%
Fraser & Neave Holdings	FNH MK	Add	27.50	28.30	2,160	19.9	na	na	2.85	14.8%	2.7%
Jumbo Group Limited	JUMBO SP	Add	0.27	0.40	128	12.7	na	na	2.63	21.8%	3.7%
Kimly Group	KMLY SP	Hold	0.31	0.37	279	12.5	na	na	1.92	15.9%	4.4%
Mayora Indah Tbk PT	MYOR IJ	NR	2,620	NA	3,733	19.8	17.4	na	3.59	19.1%	1.9%
Monde Nissin Corp	MONDE P	NR	7.90	NA	2,535	16.8	14.8	na	2.28	13.9%	2.7%
Nestle (Malaysia)	NESZ MK	Hold	124.8	121.0	6,267	37.1	35.0	na	38.63	110.3%	2.4%
Nestle SA	NESN SW	NR	99.75	NA	293,073	19.1	17.8	na	6.30	33.3%	3.3%
Nissin Foods Hldgs Co Ltd	2897 JP	NR	13,630	NA	9,257	25.6	24.3	-33.5%	2.80	11.5%	1.3%
Nongshim Co Ltd	004370	NR	458,500	NA	2,184	13.6	12.7	na	1.08	8.0%	1.2%
Power Root Bhd	PWRT MK	Add	2.00	2.80	198	14.5	14.0	na	3.12	22.4%	5.4%
TAC Consumer PCL	TACC TB	NR	4.42	NA	73	11.2	9.6	na	3.29	33.8%	8.9%
Thai Beverage	THBEV SP	Add	0.53	0.75	9,821	10.8	na	na	1.45	14.0%	4.6%
Toyo Suisan Kaisha Ltd	2875 JP	NR	8,000	NA	5,823	17.3	16.7	-33.5%	1.84	10.9%	1.8%
Uni-President Enterprises	1216 T	NR	70.00	NA	12,350	17.7	16.1	na	2.88	17.7%	4.3%
Universal Robina Corp	URC PM	NR	110.1	NA	4,384	14.9	13.1	na	1.90	12.7%	3.7%
Yakult Honsha Co Ltd	2267 J	NR	3,660	NA	8,401	18.6	17.6	-33.6%	2.05	11.3%	1.6%
Simple average excluding Food Empire Holdings						18.2	17.9	-32.8%	4.83	22.7%	3.3%

DATA AS AT 8 NOV 2023

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

Note: Estimates for Not Rated (NR) companies are based on Bloomberg consensus

BY THE NUMBERS

Profit & Loss

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

Balance Sheet

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

Cash Flow

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

Key Ratios

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

12-mth Fwd FD P/E (x) - Food Empire Holdings Ltd



Key Drivers

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

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Description:	Excellent	Very Good	Good	N/A	N/A

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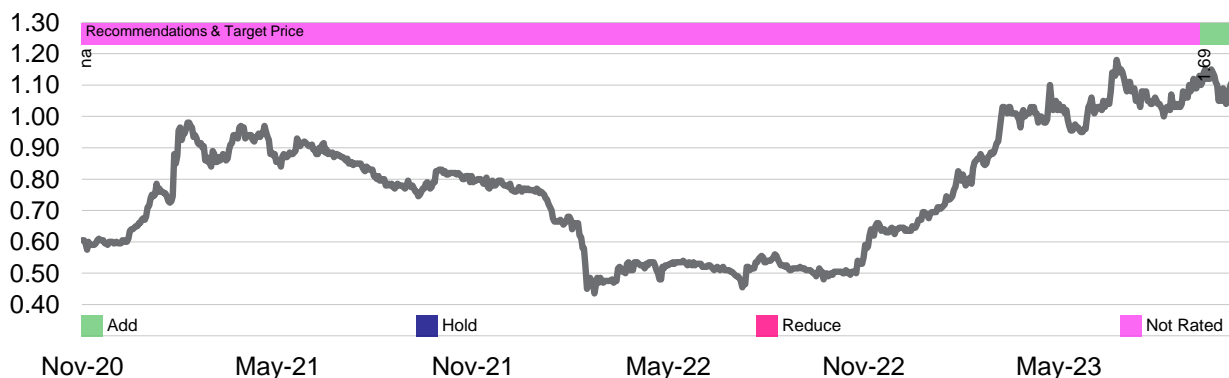
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2023		
634 companies under coverage for quarter ended on 30 September 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	66.7%	0.9%
Hold	23.7%	0.0%
Reduce	9.6%	0.2%

Spitzer Chart for stock being researched (2 year data)

Food Empire Holdings Ltd (FEH SP)

— Price Close



Recommendation Framework

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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.

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

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