

Singapore

ADD (no change)

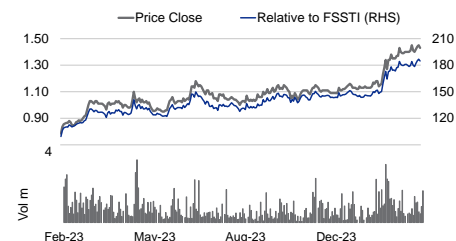
Consensus ratings*: Buy 4 Hold 0 Sell 0

Current price:	S\$1.43
Target price:	S\$1.84
Previous target:	S\$1.69
Up/downside:	28.7%
CGSI / Consensus:	16.0%
Reuters:	FEMP.SI
Bloomberg:	FEH SP
Market cap:	US\$560.6m
	S\$755.0m
Average daily turnover:	US\$0.80m
	S\$1.07m
Current shares o/s:	533.8m
Free float:	39.8%

*Source: Bloomberg

Key changes in this note

- FY24F core EPS forecast raised by 8.67%.
- FY25F core EPS forecast raised by 8.52%.
- FY26F forecasts introduced.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	6.7	30	82.2
Relative (%)	7.4	27.6	86

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

Record net profit, record dividends

- FY23 revenue of US\$425.7m (+6.9% yoy) was 1.4%/2.6% above our/ Bloomberg consensus forecasts.
- FY23 net profit of US\$56.5m (-6.0% yoy) was 10.0% above our forecast but in line with Bloomberg consensus expectation.
- Reiterate Add with a higher TP of S\$1.84 as Food Empire continues to execute well in its key businesses and markets.

FY23: A new record

Food Empire Holdings (FEH) reported FY23 revenue growth of 6.9% yoy to US\$425.7m, a new record for the group. FY23 revenue was 1.4% above our and 2.6% above Bloomberg consensus expectations. Gross profit margin improved from 29.8% in FY22 to 33.2% in FY23 as FEH saw higher volume sales and increased average selling prices in all its key markets in FY23. Net profit also reached a record US\$56.5m, 10.0%/4.3% above our/ Bloomberg consensus' forecasts. While FY23 headline net profit saw a 6.0% decline, this was due to the presence of a US\$15.0m one-off gain from the disposal of non-core assets in FY22. Excluding this one-off item, FY23 net profit would have grown 25.3%. FEH declared a final DPS of 5.0 Scts and a special DPS of 5.0 Scts. FEH continues to generate strong operating cashflow. In FY23, its net cash from operations was US\$50.6m vs. US\$57.5m in FY22 (excluding the one-off gain in FY22).

Management positive on outlook

FEH expects demand for its products to remain strong across its key markets. While the company has guided that the price for robusta coffee (used in its branded coffee mix business) is at an historical high, we think FEH has the brand power and market share to offset this impact via selective increases in its average selling prices. FEH has also completed the expansion of its non-dairy creamer manufacturing plant in Malaysia and expects commercial production to commence in 1H24F.

Reiterate Add

We raise our FY24-25F revenue forecasts by 1.4-1.5%, leading to 8.5-8.7% increases in our FY24-25F core EPS forecasts (FEH's share buybacks also reduced its number of shares outstanding by 1.5%). Given the higher FY25F core EPS forecast, our TP rises to S\$1.84, still based on 11.2x FY25F P/E, 1.0 s.d. above its 5-year mean (2019-23F). Our Add rating is premised on: a) its potential to grow its operations in Vietnam as a new major revenue contributor and b) its potential to grow its food ingredients business, and c) the end of its current major capex cycle in FY23, allowing FEH to improve its dividends. To be prudent, we assume FY24-26F DPS of 5.0 Scts but we believe special dividends remains possible. Key re-rating catalysts: 1) improving operating margins on stabilising market demand, and b) maintaining its market share in its key market, Russia. Key downside risks are: 1) an escalation in the Russia-Ukraine conflict affecting its Russian operations, and 2) depreciation of the Russian Ruble against US\$, leading to lower revenue in US\$ terms.

Financial Summary	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue (US\$m)	398.4	425.7	450.5	476.9	505.0
Operating EBITDA (US\$m)	63.23	82.25	86.61	92.28	98.33
Net Profit (US\$m)	60.10	56.51	59.12	63.12	67.42
Core EPS (US\$)	0.09	0.11	0.11	0.12	0.13
Core EPS Growth	142%	21%	5%	7%	7%
FD Core P/E (x)	12.07	9.96	9.45	8.85	8.28
DPS (US\$)	0.033	0.074	0.033	0.033	0.033
Dividend Yield	3.07%	6.98%	3.07%	3.07%	3.07%
EV/EBITDA (x)	7.51	5.58	4.70	3.92	3.17
P/FCFE (x)	7.27	14.75	6.74	8.99	8.35
Net Gearing	(29.4%)	(30.6%)	(41.0%)	(47.8%)	(53.8%)
P/BV (x)	2.05	1.89	1.65	1.46	1.29
ROE	18.7%	19.7%	18.7%	17.5%	16.5%
% Change In Core EPS Estimates			8.67%	8.52%	
EPS/Consensus EPS (x)			1.04	1.06	

SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 1: Results summary

(US\$ m)	2H23	2H22	% chg		% chg		% chg		Prev	Comments
			yoy	1H23	hoh	FY23	FY22	yoy	FY23F	
Revenue	227.5	221.0	2.9	198.2	14.7	425.7	398.4	6.9	419.8	2H23 revenue was 2.7%/4.9% above our/Bloomberg consensus' full-year forecast. FY23 revenue was 1.4%/2.6% of above our/Bloomberg consensus' full-year forecast.
Gross profit	71.9	66.9	7.6	69.5	3.5	141.5	118.8	19.0	138.5	
Operating expenses	(35.6)	(34.7)	2.4	(35.0)	1.8	(70.5)	(66.1)	6.6	(72.7)	
Operating profit	36.4	32.1	13.3	34.6	5.3	70.9	52.7	34.6	65.8	
FX gain/(loss)	(0.6)	(4.2)	(86.4)	(1.1)	(46.4)	(1.6)	3.2	(151.3)	0.0	
Pre-tax profit	38.6	38.4	0.6	33.9	14.1	72.5	70.7	2.5	63.4	
Tax	(8.8)	(5.7)	53.5	(7.2)	21.9	(16.0)	(10.6)	50.7	(12.0)	
Net profit	29.8	33.0	(9.6)	26.7	11.9	56.5	60.1	(6.0)	51.4	2H23 net profit was 20.8%/8.5% above our/Bloomberg consensus' full-year forecast. FY23 net profit was 10.0%/4.3% above our/Bloomberg consensus' full-year forecast.
			chg	chg						
			in % pts	in % pts				in % pts		
			yoy	hoh				yoy		
Gross profit margin	31.6	30.2	1.4	35.1	(3.4)	33.2	29.8	3.4	33.0	
Operating profit margin	16.0	14.5	1.5	17.4	(1.4)	16.7	13.2	3.4	15.7	Better operating profit margin as operating expenses were lower than out forecast.
Pre-tax profit margin	17.0	17.4	(0.4)	17.1	(0.1)	17.0	17.7	(0.7)	15.1	
Net profit margin	13.1	14.9	(1.8)	13.4	(0.3)	13.3	15.1	(1.8)	12.2	
Tax rate	22.8	15.0	7.8	21.3	1.5	22.1	15.0	7.1	19.0	Tax rate was lower than our forecast.

SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 2: Revisions to our earnings forecasts

(US\$m)	Old		New		Chg	
	FY24F	FY25F	FY24F	FY25F	FY24F	FY25F
Revenue	444.10	469.90	450.50	476.88	1.44%	1.49%
Net profit	54.91	58.71	59.12	63.12	7.66%	7.51%
EPS (US\$)	0.1034	0.1106	0.1124	0.1200	8.67%	8.52%
No. of shares (m)	533.80	533.80	526.05	526.05	-1.45%	-1.45%
Gross profit margin	33.0%	33.0%	33.0%	33.0%	no change	no change

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

Figure 3: Peer Comparison

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x)		3-year EPS CAGR (%)	P/BV (x) CY24F	Recurring ROE (%) CY24F	Dividend Yield (%) CY24F
Food Empire Holdings Ltd	FEH SP	Add	1.43	1.84	561	9.4	8.8	6.3%	1.65	18.7%	3.1%
Ajinomoto Co Inc	2802 JP	NR	5,859	NA	19,685	28.7	25.3	-31.4%	3.62	13.3%	1.4%
Fraser & Neave Holdings	FNH MK	Add	29.50	31.70	2,268	20.8	na	na	2.92	14.5%	2.5%
Jumbo Group Limited	JUMBO SP	Add	0.27	0.36	126	10.9	na	na	2.57	24.7%	4.5%
Kimly Group	KMLY SP	Hold	0.31	0.36	286	11.3	na	na	1.97	17.9%	5.3%
Mayora Indah Tbk PT	MYOR IJ	NR	2,410	NA	3,468	17.4	15.5	na	3.31	19.4%	2.1%
Monde Nissin Corp	MONDE P	NR	10.24	NA	3,295	20.8	18.1	na	3.05	15.0%	2.1%
Nestle (Malaysia)	NESZ MK	Hold	123.8	121.0	6,085	36.8	34.8	na	38.32	110.3%	2.4%
Nestle SA	NESN SW	NR	95.35	NA	284,266	18.9	17.5	10.7%	6.58	33.6%	3.4%
Nissin Foods Hldgs Co Ltd	2897 JP	NR	4,400	NA	9,117	21.9	20.7	-32.9%	2.68	12.7%	1.6%
Nongshim Co Ltd	004370	NR	367,000	NA	1,613	11.0	10.3	na	0.80	7.8%	1.5%
Power Root Bhd	PWRT MK	Add	1.68	2.20	163	14.9	13.4	na	2.83	19.3%	6.0%
TAC Consumer PCL	TACC TB	NR	4.80	NA	79	12.3	10.9	na	3.69	31.0%	7.6%
Thai Beverage	THBEV SP	Hold	0.51	0.50	9,516	11.8	na	na	1.57	13.7%	4.5%
Toyo Suisan KaishavLtd	2875 JP	NR	8,740	NA	6,282	17.0	16.5	-33.2%	1.91	12.1%	1.7%
Uni-President Enterprises	1216 T	NR	75.80	NA	13,539	19.0	17.6	na	3.13	18.3%	4.1%
Universal Robina Corp	URC PM	NR	114.0	NA	4,389	15.9	14.2	na	1.94	12.3%	3.6%
Yakult Honsha Co Ltd	2267 J	NR	3,152	NA	7,429	15.9	17.5	-34.6%	1.85	9.8%	1.7%
Simple average excluding Food Empire Holdings						18.0	17.9	-33.0%	4.87	22.7%	3.3%

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG
NOTE: FORECASTS FOR NOT RATED COMPANIES ARE BLOOMBERG CONSENSUS ESTIMATES
DATA AS AT28 FEB 2024

ESG in a nutshell

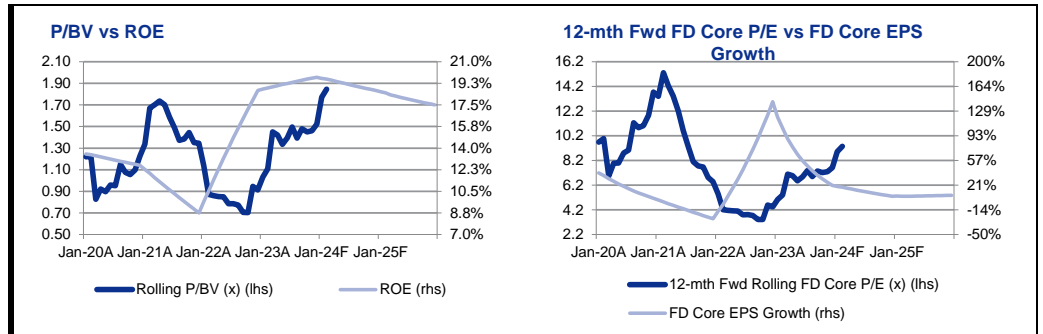


Food Empire Holdings (FEH) is a food and beverage company headquartered in Singapore. Refinitiv has yet to issue an ESG score for Food Empire Holdings as at Sep 2023.

Keep your eye on	Implications
<p>Country concentration risk.</p>	<p>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 its 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.</p>
<p>ESG highlights</p> <p>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.</p>	<p>Implications</p> <p>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.</p>
<p>Trends</p> <p>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.</p>	<p>Implications</p> <p>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.</p>

SOURCES: CGSI RESEARCH, REFINITIV

BY THE NUMBERS



Profit & Loss

(US\$m)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Net Revenues	398.4	425.7	450.5	476.9	505.0
Gross Profit	129.4	152.8	160.7	170.0	180.0
Operating EBITDA	63.2	82.3	86.6	92.3	98.3
Depreciation And Amortisation	(10.5)	(11.3)	(12.0)	(12.7)	(13.3)
Operating EBIT	52.7	70.9	74.6	79.6	85.0
Financial Income/(Expense)	(1.2)	0.8	0.8	0.8	0.8
Pretax Income/(Loss) from Assoc.	2.7	1.3	0.0	0.0	0.0
Non-Operating Income/(Expense)	1.3	(0.6)	(1.6)	(1.6)	(1.6)
Profit Before Tax (pre-EI)	55.4	72.5	73.8	78.8	84.2
Exceptional Items	15.3				
Pre-tax Profit	70.7	72.5	73.8	78.8	84.2
Taxation	(10.6)	(16.0)	(14.8)	(15.8)	(16.8)
Exceptional Income - post-tax					
Profit After Tax	60.1	56.5	59.1	63.1	67.4
Minority Interests	0.0	0.0	0.0	0.0	0.0
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	60.1	56.5	59.1	63.1	67.4
Recurring Net Profit	47.1	56.5	59.1	63.1	67.4
Fully Diluted Recurring Net Profit	47.1	56.5	59.1	63.1	67.4

Cash Flow

(US\$m)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
EBITDA	63.23	82.25	86.61	92.28	98.33
Cash Flow from Inv. & Assoc.	(2.65)	(1.34)	0.00	0.00	0.00
Change In Working Capital	11.00	(16.38)	(3.59)	(3.82)	(3.37)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	11.53	1.73	23.83	(1.39)	(2.07)
Net Interest (Paid)/Received	(1.23)	0.80	0.84	0.84	0.84
Tax Paid	(9.06)	(12.70)	(14.77)	(15.77)	(16.84)
Cashflow From Operations	72.82	54.37	92.92	72.14	76.88
Capex	(13.80)	(12.16)	(10.00)	(10.00)	(10.00)
Disposals Of FAs/subsidiaries	0.59	0.00	0.00	0.00	0.00
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	32.19	(0.21)	0.00	0.00	0.00
Cash Flow From Investing	18.98	(12.37)	(10.00)	(10.00)	(10.00)
Debt Raised/(repaid)	(13.55)	(3.85)	0.00	0.00	0.00
Proceeds From Issue Of Shares	0.56	1.11	0.00	0.00	0.00
Shares Repurchased	(2.33)	(7.60)	0.00	0.00	0.00
Dividends Paid	(8.65)	(17.29)	(38.97)	(17.15)	(17.15)
Preferred Dividends					
Other Financing Cashflow	(2.26)	(3.91)	0.00	0.00	0.00
Cash Flow From Financing	(26.22)	(31.54)	(38.97)	(17.15)	(17.15)
Total Cash Generated	65.58	10.46	43.96	44.99	49.73
Free Cashflow To Equity	78.25	38.15	82.92	62.14	66.88
Free Cashflow To Firm	93.96	45.54	86.42	65.64	70.38

SOURCES: CGSI RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(US\$m)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Cash And Equivalents	125.6	131.3	179.0	224.0	273.8
Total Debtors	34.6	42.4	41.3	43.4	45.7
Inventories	74.0	76.7	78.6	83.2	88.1
Total Other Current Assets	8.1	7.9	7.9	7.9	7.9
Total Current Assets	242.3	258.3	306.7	358.5	415.4
Fixed Assets	114.3	114.9	112.9	110.3	107.0
Total Investments	11.8	12.6	12.6	12.6	12.6
Intangible Assets	8.3	8.8	8.8	8.8	8.8
Total Other Non-Current Assets	4.7	8.3	8.3	8.3	8.3
Total Non-current Assets	139.2	144.6	142.7	140.0	136.7
Short-term Debt	15.2	17.2	17.2	17.2	17.2
Current Portion of Long-Term Debt					
Total Creditors	52.8	53.5	58.0	61.2	64.6
Other Current Liabilities	3.3	6.2	6.2	6.2	6.2
Total Current Liabilities	71.3	76.8	81.4	84.5	87.9
Total Long-term Debt	29.4	23.9	23.9	23.9	23.9
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0.0	0.0	0.0	0.0	0.0
Total Non-current Liabilities	29.4	23.9	23.9	23.9	23.9
Total Provisions	5.2	7.7	7.7	7.7	7.7
Total Liabilities	105.9	108.4	112.9	116.1	119.5
Shareholders' Equity	276.7	295.6	337.6	383.6	433.9
Minority Interests	(1.1)	(1.1)	(1.2)	(1.2)	(1.3)
Total Equity	275.6	294.5	336.4	382.3	432.6

Key Ratios

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue Growth	24.5%	6.9%	5.8%	5.9%	5.9%
Operating EBITDA Growth	75.7%	30.1%	5.3%	6.5%	6.6%
Operating EBITDA Margin	15.9%	19.3%	19.2%	19.4%	19.5%
Net Cash Per Share (US\$)	0.15	0.17	0.26	0.35	0.44
BVPS (US\$)	0.52	0.56	0.64	0.73	0.82
Gross Interest Cover	24.42	20.04	21.32	22.75	24.29
Effective Tax Rate	15.0%	22.1%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	38.8%	69.0%	29.0%	27.2%	25.4%
Accounts Receivables Days	32.73	29.85	30.54	29.17	29.17
Inventory Days	100.1	100.8	98.0	96.2	96.1
Accounts Payables Days	65.42	65.61	65.71	66.49	66.46
ROIC (%)	24.5%	37.7%	37.4%	41.1%	43.7%
ROCE (%)	17.6%	22.5%	21.7%	20.6%	19.6%
Return On Average Assets	12.8%	14.2%	13.7%	13.1%	12.7%

Key Drivers

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue growth	0.3	(0.0)	0.1	0.1	0.1

SOURCES: CGSI RESEARCH, COMPANY REPORTS

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

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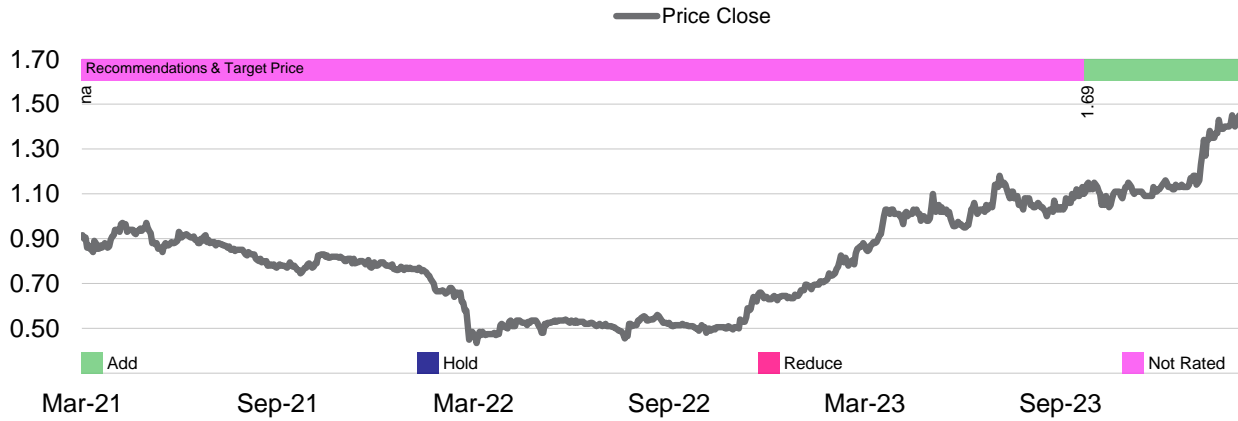
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2023		
636 companies under coverage for quarter ended on 31 December 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	67.5%	1.3%
Hold	22.5%	0.0%
Reduce	10.1%	0.2%

Spitzer Chart for stock being researched (2 year data)

Food Empire Holdings Ltd (FEH SP)



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.

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

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