



Fraser & Neave Holdings Berhad

(3689 | FNH MK) Main | Consumer Products & Services | Food & Beverages

Maintain BUY

Maintain Final Dividend Amid AgriValley Setback

Revised Target Price: RM40.47
(Previously RM37.00)

KEY INVESTMENT HIGHLIGHTS

- **12MFY24 results came in within expectation**
- **Proposed final dividend of 33 sen per share, totaling 63 sen for FY24**
- **Subdued Q4FY24 Performance**
- **Strong demand in Malaysia and F&B Thailand**
- **Maintain FY25-26F earnings forecast; introduce FY27F projections**
- **Maintain BUY with a higher TP of RM40.47 (from RM37.00)**

Within our expectation. Fraser & Neave Holdings ("F&N") reported a 12MFY24 core PATANCI of RM562.1m, after excluding a one-time off item. This aligns with our FY24F full-year projection but came in slightly below consensus estimates, accounting for 96%/94% respectively. The company proposed a final single-tier dividend of 33sen per share, bringing total dividend payout for FY24 to 63 sen per share, compared to the previous year's total of 77 sen per share which included a special dividend. That translates into dividend yield of 2%.

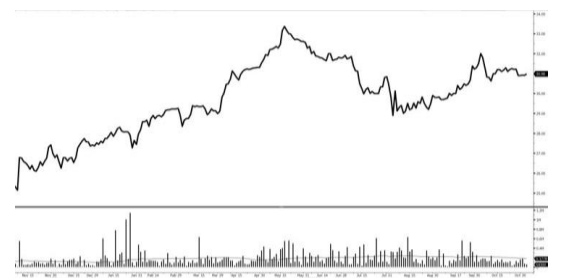
Subdued 4QFY24 performance. Core net profit in 4QFY24 dropped by -19.4%yoy to RM108.4m, dragged by higher tax expenses and increased withholding taxes on dividends repatriated from Thailand. Operating profit was further impacted by costs associated with the integrated dairy farm startup, restructuring expenses, and lower contributions from F&B Thailand. On a quarterly basis, core net profit dropped by -10.9%qoq reflecting the aforementioned factors and a sales growth decline of -3.7%qoq. Consequently, EBIT fell by -30.7%qoq to RM119.9m, reflecting one-off restructuring costs.

F&B Malaysia and Thailand fuel revenue growth despite Q4 setbacks. Despite lower earnings in 4QFY24, F&N concluded FY24 with improved core earnings of +15%yoy. That was driven by a 4.9%yoy increase in revenue to RM5.25b, supported by steady gains across both F&B Malaysia (+3.5%yoy) and F&B Thailand (+6.7%yoy). In Malaysia, domestic demand remained strong, bolstered by effective marketing campaigns and expanded distribution networks. The food segment also contributed significantly to this growth, supported by key initiatives and deeper market penetration. Meanwhile, F&B Thailand benefited from a boost in domestic sales and higher exports to Cambodia following the exclusive distribution rights for BEAR BRAND milk. Meanwhile, the Group's core EBIT expanded by +10.4%yoy to RM710m, aided by an improved product mix and operational efficiencies, despite global logistical challenges and geopolitical uncertainties.

RETURN STATISTICS

Price @ 5 Nov 2024 (RM)	30.98
Expected share price return (%)	+30.6
Expected dividend yield (%)	+2.5
Expected total return (%)	+33.1

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-2.6	-2.0
3 months	-0.8	1.6
12 months	19.3	6.7

INVESTMENT STATISTICS

FYE Sept (RM'm)	2025F	2026F	2027F
Revenue	6,029.7	6,338.6	6,663.8
EBITDA	899.2	959.1	1,018.3
Profit before tax (PBT)	798.1	859.6	918.6
Core PATANCI	660.8	711.8	760.6
Core EPS (sen)	179.9	193.7	207.0
DPS (sen)	77.0	77.0	77.0
Dividend Yield (%)	2.5	2.5	2.5

KEY STATISTICS


FBM KLCI	1,620.70
Issue shares (m)	366.78
Estimated free float (%)	32.44
Market Capitalisation (RM'm)	11,362.80
52-wk price range	RM25.6 - RM33.80
3-mth average daily volume (m)	0.19
3-mth average daily value (RM'm)	5.72
Top Shareholders (%)	
Fraser and Neave Ltd	55.48
Employees Provident Fund Board	11.53
Amanah Saham Nasional Bhd	7.95

Analyst(s)

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Outlook. Looking forward, F&N remains focused on maximizing efficiencies within its core businesses while driving new growth through its F&N AgriValley project. The integrated dairy farm in Gemas faces a recent setback due to a delayed shipment of livestock from the US, initially planned for October 2024, after concerns over HPAI H5N1. Despite this, the farm's development is on track, with the Group exploring solutions to address the delay. F&N's commitment to growth is further underscored by new production investments, including a manufacturing plant in Cambodia and additional production lines in Malaysia for carbonated beverages, drinking water, sterilized milk, and chocolate.

Maintain BUY with a higher TP of RM40.47. We maintain our FY25-26F earnings forecast and introduce our FY27F projections. We reiterate our **BUY** rating on F&N with an increased **target price (TP) of RM40.47**, despite no adjustments to our earnings forecast. This revised TP is based on an updated PE valuation from a 3-year to a 5-year historical to better align with the medium-term outlook, applying a PER of 22.5x to FY25F EPS of 179.9 sen. We remain optimistic about F&N's prospects supported by sustained out-of-home beverage demand, a rebound in tourism to Thailand and Malaysia, and shifting consumer preferences toward local brands. Additionally, the expected lower input costs such as sugar and pet resin should support margins, while the group's integrated dairy farm is set to enhance self-sufficiency in Malaysia's fresh milk market. Looking ahead to 1QFY25, we anticipate revenue growth from consumer stockpiling for the holiday and festive season.

Valuation. F&N is currently trading at FY25F PER of 17.2x vs. its 5-year historical average 22.5x, while offering a dividend yield of 2.5% in FY25F. **Downside risks** are: (1) a further increase in commodity prices (tin plates, milk, palm oil, sugar, pet resin), and (2) fluctuation in currency rates (THB and USD). 

Fraser & Neave Holdings: 4QFY24 Results Summary

FYE Sept (RM'm)	Quarterly results					Cumulative results		
	4QFY24	3QFY24	4QFY23	YoY (%)	QoQ (%)	12MFY24	12MFY23	YoY (%)
Revenue	1,256.2	1,304.1	1,244.4	1.0	(3.7)	5,245.6	5,001.4	4.9
Cost of Sales	(870.7)	(897.9)	(871.7)	(0.1)	(3.0)	(3,594.7)	(3,566.6)	0.8
Gross Profit	385.5	406.2	372.7	3.4	(5.1)	1,651.0	1,434.8	15.1
Other income	18.1	7.2	7.8	132.4	149.8	45.2	115.0	(60.7)
Operating expenses	(285.0)	(237.0)	(213.1)	33.7	20.2	(985.0)	(905.4)	8.8
Other expenses	1.3	(3.6)	(1.1)	(211.1)	(135.3)	(1.7)	(1.4)	17.8
Operating profit (EBIT)	119.9	172.8	166.2	(27.9)	(30.7)	709.5	642.9	10.4
Net finance income/(cost)	(2.2)	(2.2)	(4.3)	(48.2)	1.3	(11.3)	(22.0)	(48.8)
Profit before tax (PBT)	116.5	170.6	161.8	(28.0)	(31.7)	697.0	624.7	11.6
Profit After tax (PAT)	84.7	123.7	139.0	(39.1)	(31.6)	544.3	542.0	0.4
PATANCI	85.0	121.6	137.6	(38.2)	(30.1)	542.8	536.9	1.1
Core PATANCI	108.4	121.6	134.4	(19.4)	(10.9)	562.1	488.2	15.1
Basic EPS (sen)	23.2	33.2	37.5	(38.1)	(30.1)	148.2	147.3	0.6
DPS (sen)	33.0	0.0	50.0	(34.0)	n.m.	63.0	77.0	(18.2)
Growth & Margin (%)				+ / (-) ppts	+ / (-) ppts			+ / (-) ppts
Gross Profit Margin	30.7	31.1	29.9	0.7	(0.5)	31.5	28.7	2.8
Operating Profit Margin	9.5	13.3	13.4	(3.8)	(3.7)	13.5	12.9	0.7
Core PATANCI Margin	8.6	9.3	10.8	(2.2)	(0.7)	10.7	9.8	1.0
Ratios & Valuation				+ / (-) ppts	+ / (-) ppts			+ / (-) ppts
Net debt/total equity (%)	0.2	0.2	0.2	(0.0)	(0.0)	0.2	0.2	(0.0)
Effective tax rate (%)	27.3	27.5	14.1	13.2	(0.2)	21.9	13.2	8.7

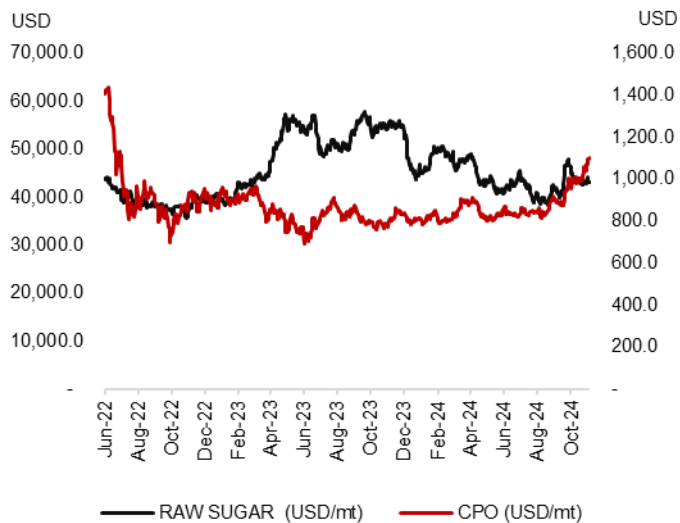
Source: Company, MIDFR

Fraser & Neave Holdings: Breakdown by operating segment

FYE Sept (RM'm)	Quarterly results					Cumulative results		
	4QFY24	3QFY24	4QFY23	YoY (%)	QoQ (%)	12MFY24	12MFY23	YoY (%)
Revenue (RM'm):								
F&B Malaysia	670.5	730.0	681.8	(1.7)	(8.2)	2,950.8	2,851.5	3.5
F&B Thailand	584.9	573.3	561.7	4.1	2.0	2,291.0	2,146.2	6.7
Property	0.2	0.2	0.2	(6.2)	(7.6)	0.8	0.8	1.4
Others	0.7	0.6	0.6	15.0	9.4	3.0	2.9	4.8
Total	1,256.2	1,304.1	1,244.4	1.0	(3.7)	5,245.6	5,001.4	4.9
Operating Profit (RM'm):								
F&B Malaysia	55.8	73.4	59.0	(5.5)	(24.0)	305.4	204.3	49.5
F&B Thailand	102.0	105.2	120.7	(15.5)	(3.0)	449.9	371.8	21.0
Property	(2.4)	(0.8)	(0.9)	170.9	185.0	(3.9)	(9.0)	(57.2)
Others	(35.6)	(5.0)	(12.6)	181.9	618.3	(41.9)	75.8	(155.3)
Total	119.9	172.8	166.2	(27.9)	(30.7)	709.5	642.9	10.4
Operating profit margin (%)								
F&B Malaysia	8.3	10.1	8.7	(0.3)	(1.7)	10.3	7.2	3.2
F&B Thailand	17.4	18.4	21.5	(4.0)	(0.9)	19.6	17.3	2.3
Property	>(100.0)	>(100.0)	>(100.0)	>(100.0)	>(100.0)	>(100.0)	>(100.0)	>100.0
Others	>(100.0)	>(100.0)	>(100.0)	>(100.0)	>(100.0)	>(100.0)	>(100.0)	>(100.0)
Total	9.5	13.3	13.4	(3.8)	(3.7)	13.5	12.9	0.7

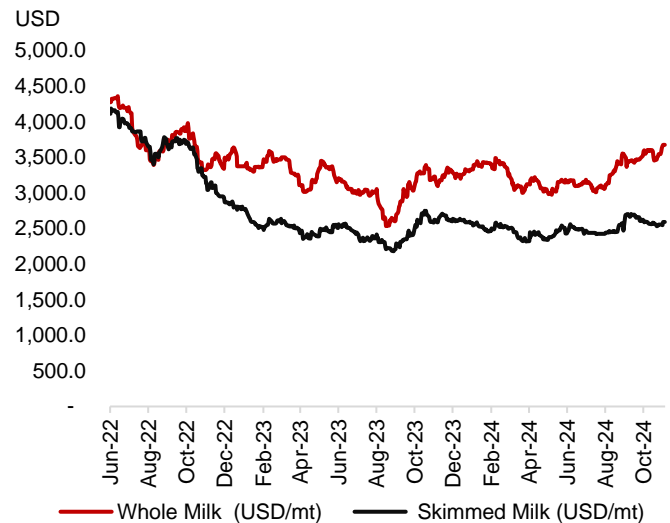
Source: Company, MIDFR

CHART 1: RAW SUGAR & CPO FUTURES PRICE TREND (USD/mt)



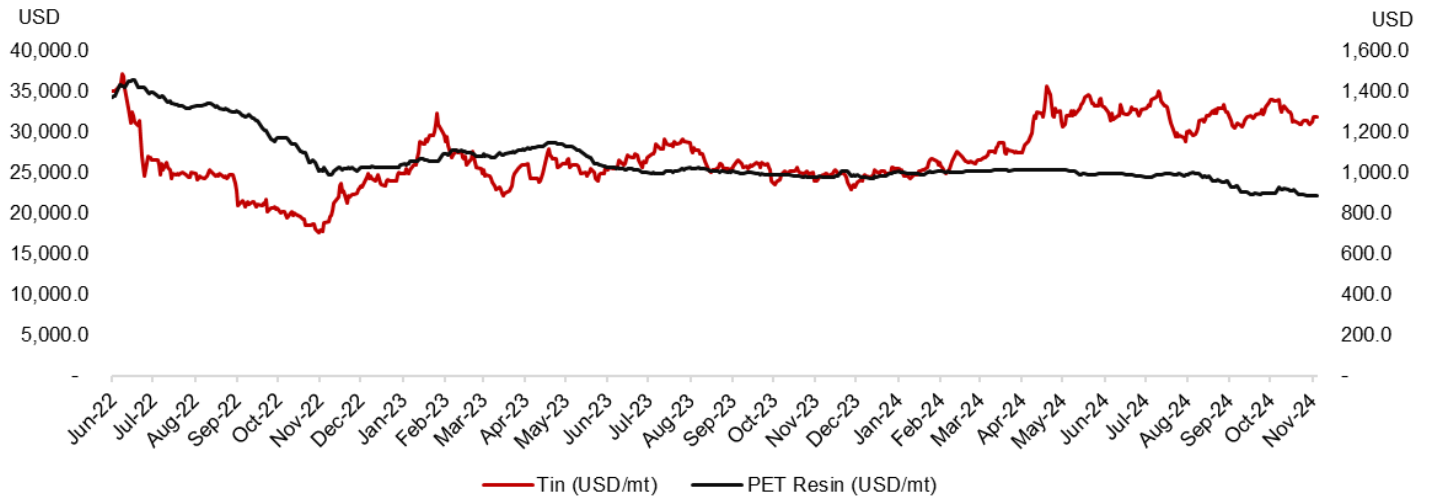
Source: Bloomberg, MIDFR

CHART 2: WHOLE MILK AND SKIMMED MILK POWDER FUTURES PRICE TREND (USD/mt)



Source: Bloomberg, MIDFR

CHART 3: PET RESIN, TIN FUTURES PRICE TREND (USD/mt)



Source: Bloomberg, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2023A	2024A	2025F	2026F	2027F
Revenue	5,001.4	5,245.6	6,029.7	6,338.6	6,663.8
Cost of Sales	(3,566.6)	(3,594.7)	(4,231.1)	(4,430.1)	(4,638.7)
Gross Profit	1,434.8	1,651.0	1,798.6	1,908.6	2,025.1
Other Income	115.0	45.2	31.1	33.6	35.7
Selling and Distribution expenses	(666.1)	(754.5)	(811.1)	(856.9)	(905.4)
General & Administrative	(192.6)	(172.9)	(182.7)	(189.2)	(199.9)
Other operating expenses	(48.1)	(59.2)	(15.8)	(16.3)	(16.9)
EBITDA	790.7	847.8	899.2	959.1	1,018.3
EBIT	642.9	709.5	820.1	879.7	938.6
Profit before tax (PBT)	624.7	697.0	798.1	859.6	918.6
Income tax expense	(82.6)	(152.7)	(137.3)	(147.9)	(158.0)
PATANCI	536.9	542.8	660.8	711.8	760.6
Core PATANCI	488.2	562.1	660.8	711.8	760.6
Core EPS (sen)	157.3	153.0	179.9	193.7	207.0
DPS (sen)	77.0	63.0	77.0	77.0	77.0

Balance Sheet (RM'm)	2023A	2024A	2025F	2026F	2027F
Property, plant, and equipment	1,592.1	1,727.7	1,899.9	2,058.0	2,223.1
Intangible assets	433.4	430.3	524.6	551.5	579.7
Total Non-current assets	2,602.5	2,741.5	3,134.7	3,389.3	3,655.8
Inventories	764.2	745.0	994.0	1,040.8	1,089.8
ST - Trade and other receivables	713.3	852.9	958.0	1,007.1	1,058.8
Cash and cash equivalents	1,031.5	1,134.9	1,110.6	1,120.8	1,154.7
Total current assets	2,509.1	2,733.0	3,062.7	3,168.7	3,303.3
Total Assets	5,111.6	5,474.5	6,197.4	6,558.0	6,959.1
Total Equity	3,351.6	3,586.9	3,862.4	4,190.6	4,564.1
LT Loans and borrowings	706.0	592.0	706.0	706.0	713.1
Total Non-current liabilities	909.4	777.9	930.0	934.0	950.9
ST Trade and other payables	724.8	825.9	852.1	892.2	934.2
ST Loans and borrowings	4.0	114.0	4.0	4.0	4.0
Total Current Liabilities	850.6	1,109.7	1,405.0	1,433.5	1,444.1
Total Liabilities	1,760.0	1,887.6	2,335.0	2,367.4	2,395.0

Cash Flow (RM'm)	2023A	2024A	2025F	2026F	2027F
Pretax profit	624.7	697.0	798.1	859.6	918.6
Cash flow from operations	1,053.0	732.7	583.3	618.8	646.1
Cash flow from investing	(692.9)	(253.7)	(280.0)	(290.0)	(300.1)
Cash flow from financing	186.8	(365.5)	(327.6)	(318.6)	(312.0)
Net cash flow	546.9	113.6	(24.3)	10.2	33.9
(+/-) Adjustments	22.8	(10.2)	0.0	0.0	0.0
Net cash/(debt) b/f	461.9	1,031.5	1,134.9	1,110.6	1,120.8
Net cash/(debt) c/f	1,031.5	1,134.9	1,110.6	1,120.8	1,154.7

Key Metrics	2023A	2024A	2025F	2026F	2027F
Effective tax rate (%)	13.2	21.9	17.2	17.2	17.2
PER (x)	21.1	20.9	17.2	16.0	15.0
Inventories (Days)	85.2	85.8	85.8	85.8	85.8
Net cash/Market Capitalisation (%)	13.2	21.9	17.2	17.2	17.2

Profitability Margins	2023A	2024A	2025F	2026F	2027F
Gross Profit Margin (%)	28.7	31.5	29.8	30.1	30.4
EBITDA Margin (%)	15.8	16.2	14.9	15.1	15.3
Core PATANCI Margin (%)	11.6	10.7	11.0	11.2	11.4

Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology