

Fraser & Neave Holdings Berhad

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



Maintain BUY

Unchanged Target Price **RM36.77**

Corporate Update

1QFY25 Results Review

Revenue Growth, Profit Pressure

Within expectations. Fraser & Neave Holdings (“F&N”) reported a 3MFY25 core PATANCI of RM154.1m, after excluding one-time off item of -RM14.9m. This met our full year FY25 forecast and consensus at 26% and 27% of full year expectation respectively. As anticipated, no dividends were declared during the quarter, as F&N historically declares dividends from 2Q/3Q onwards.

Core PATANCI declined -9.4%yoy, rebounded +42.2%qoq. On a year-on-year basis, core PATANCI declined -9.4%, primarily due to a higher effective tax rate of 29.2% (+12.0ppt yoy), which offset the operational improvements achieved during the period. The increase in tax expenses was due to the expiry of tax incentives, leading to a higher taxable base. Despite this, the sequential quarter performance demonstrated a robust recovery, with core PATANCI surging by +42.2%qoq. This rebound was supported by seasonal festive-driven demand, better cost absorption, and improved economies of scale. Notably, the Malaysian operations saw a significant boost, driven by stronger sales from the Chinese New Year period. Additionally, operating profit benefited from an enhanced sales mix and lower input costs, which, in turn, led to a +1.8 ppts expansion in the operating profit margin to 17.5%.

Nevertheless, revenue came in higher. Despite the weaker profit performance, revenue rose +4.3%yoy to RM1.39b, driven by strong festive sales in Malaysia, a recovery in Thailand's domestic market supported by higher tourist arrivals, and improved performance in the Indochina region. In Malaysia, revenue increased +0.9%yoy, while Thailand saw an +8.9%yoy growth, supported by higher sales and effective promotional activities. On a quarter-on-quarter basis, revenue rose +10.6%, driven by stronger seasonal sales and a rebound in consumer spending.

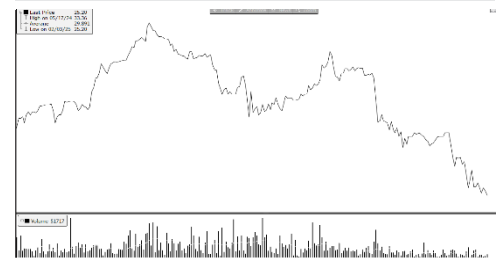
Maintain BUY with an unchanged TP of RM36.77. We make no changes to our earnings forecast, as the core PATANCI in line with our expectations. Our TP is based on an unchanged PER of 22.5x pegged to FY25F EPS of 163.4sen.

Outlook. We remain optimistic about F&N’s prospects, supported by sustained demand for out-of-home beverages, a rebound in tourism across Thailand and Malaysia, and a shift towards local brands. Looking forward, F&N remains focused on driving growth through enhanced route-to-market capabilities, operational efficiencies, and the ongoing development of its integrated dairy farm and dairy manufacturing plant in Cambodia. Furthermore, stabilizing commodity prices and a relatively favorable foreign exchange environment should support profitability in the coming quarters.

RETURN STATISTICS

Price @ 3 rd Feb 2025 (RM)	25.20
Expected share price return (%)	+45.9
Expected dividend yield (%)	+3.1
Expected total return (%)	+49.0

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-8.8	-4.3
3months	-10.6	-15.2
12 months	-10.7	-12.8

INVESTMENT STATISTICS

FYE SEPT (RM'm)	2025F	2026F	2027F
Revenue	5,871.6	6,172.8	6,489.9
EBITDA	867.5	925.5	982.8
PBT	768.7	828.3	885.3
Core PATANCI	600.4	646.9	691.4
Core EPS (sen)	163.4	176.1	188.2
DPS (sen)	77.0	77.0	77.0
Dividend Yield (%)	3.1	3.1	3.1

KEY STATISTICS

FBM KLCI	1,553.63
Issue shares (m)	366.78
Estimated free float (%)	31.96
Market Capitalisation (RM'm)	9,242.82
52-wk price range	RM25.0 - RM33.8
3-mth average daily volume (m)	0.09
3-mth average daily value (RM'm)	2.41
Top Shareholders (%)	
Fraser and Neave Ltd	55.48
Employees Provident Fund Board	11.83
Amanah Saham Nasional Bhd	7.95

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Fraser & Neave Holdings: 1QFY25 Results Summary

FYE Sept (RM'm)	Quarterly results					Cumulative results		
	1QFY25	4QFY24	1QFY24	YoY (%)	QoQ (%)	3MFY25	3MFY24	YoY (%)
Revenue	1,389.7	1,256.2	1,332.9	4.3	10.6	1,389.7	1,332.9	4.3
Cost of Sales	(935.2)	(870.7)	(913.1)	2.4	7.4	(935.2)	(913.1)	2.4
Gross Profit	454.5	385.5	419.8	8.3	17.9	454.5	419.8	8.3
Other income	29.0	18.1	10.5	177.7	60.5	29.0	10.5	177.7
Operating expenses	(241.1)	(285.0)	(220.9)	9.1	(15.4)	(241.1)	(220.9)	9.1
Other expenses	0.4	1.3	0.0	1,441.4	(64.8)	0.4	0.0	1,441.4
Operating profit (EBIT)	243.0	119.9	209.3	16.1	102.7	243.0	209.3	16.1
Net finance income/(cost)	(2.5)	(2.2)	(3.7)	(33.8)	10.2	(2.5)	(3.7)	(33.8)
Profit before tax (PBT)	240.5	116.5	205.5	17.0	106.4	240.5	205.5	17.0
Profit After tax (PAT)	170.4	84.7	170.2	0.1	101.2	170.4	170.2	0.1
PATANCI	169.0	85.0	170.7	(1.0)	98.9	169.0	170.7	(1.0)
Core PATANCI	154.1	108.4	170.1	(9.4)	42.2	154.1	170.1	(9.4)
Basic EPS (sen)	46.1	23.2	46.6	(1.1)	98.7	46.1	46.6	(1.1)
DPS (sen)	0.0	33.0	0.0	n.m.	(100.0)	0.0	0.0	n.m.
Growth & Margin (%)				<i>+/(-) ppts</i>	<i>+/(-) ppts</i>			<i>+/(-) ppts</i>
Gross Profit Margin	32.7	30.7	31.5	1.2	2.0	32.7	31.5	1.2
Operating Profit Margin	17.5	9.5	15.7	1.8	7.9	17.5	15.7	1.8
Core PATANCI Margin	11.1	8.6	12.8	(1.7)	2.5	11.1	12.8	(1.7)
Ratios & Valuation				<i>+/(-) ppts</i>	<i>+/(-) ppts</i>			<i>+/(-) ppts</i>
Net debt/total equity (%)	0.2	0.2	0.2	(0.0)	(0.0)	0.2	0.2	(0.0)
Effective tax rate (%)	29.2	27.3	17.2	12.0	1.8	29.2	17.2	12.0

Source: Company, MIDFR

Fraser & Neave Holdings: Breakdown by operating segment

FYE Sept (RM'm)	Quarterly results					Cumulative results		
	1QFY25	4QFY24	1QFY24	YoY (%)	QoQ (%)	3MFY25	3MFY24	YoY (%)
Revenue (RM'm):								
F&B Malaysia	769.3	670.5	762.6	0.9	14.7	769.3	762.6	0.9
F&B Thailand	619.6	584.9	569.1	8.9	5.9	619.6	569.1	8.9
Property	0.2	0.2	0.2	(6.1)	1.6	0.2	0.2	(6.1)
Others	0.7	0.7	1.0	(32.5)	(2.0)	0.7	1.0	(32.5)
Total	1,389.7	1,256.2	1,332.9	4.3	10.6	1,389.7	1,332.9	4.3
Operating Profit (RM'm):								
F&B Malaysia	96.9	55.8	83.3	16.4	73.7	96.9	83.3	16.4
F&B Thailand	133.3	102.0	125.9	5.9	30.7	133.3	125.9	5.9
Property	(0.3)	(2.4)	(0.3)	0.7	(86.9)	(0.3)	(0.3)	0.7
Others	13.0	(35.6)	0.5	2,671.1	(136.6)	13.0	0.5	2,671.1
Total	0.0	0.0	0.0	n.m.	n.m.	0.0	0.0	n.m.
Operating profit margin (%):								
F&B Malaysia	12.6	8.3	10.9	1.7	4.3	12.6	10.9	1.7
F&B Thailand	21.5	17.4	22.1	(0.6)	4.1	21.5	22.1	(0.6)
Property	>(100.0)	>(100.0)	>(100.0)	(11.2)	>(100.0)	>(100.0)	>(100.0)	>100.0
Others	>100.0	>(100.0)	47.4	>100.0	>(100.0)	>100.0	47.4	>100.0
Total	17.5	9.5	15.7	1.8	7.9	17.5	15.7	1.8

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025F	2026F	2027F	Cash Flow (RM'm)	2023A	2024A	2025F	2026F	2027F
Revenue	5,001.4	5,245.6	5,871.6	6,172.8	6,489.9	PBT	624.7	697.0	768.7	828.3	885.3
Gross Profit	1,434.8	1,651.0	1,751.5	1,858.7	1,972.3	Operating cash flow	1,053.0	732.7	545.1	610.9	637.3
EBITDA	790.7	847.8	867.5	925.5	982.8	Investing cash flow	(692.9)	(253.7)	(272.7)	(282.4)	(292.3)
EBIT	642.9	709.5	791.0	848.8	905.7	Financing cash flow	186.8	(365.5)	(325.8)	(318.5)	(311.9)
PBT	624.7	697.0	768.7	828.3	885.3	Net cashflow	546.9	113.6	(53.4)	10.0	33.1
Taxation	(82.6)	(152.7)	(168.4)	(181.4)	(193.9)	(+/-) Adjustments	22.8	(10.2)	0.0	0.0	0.0
PATANCI	536.9	542.8	600.4	646.9	691.4	Beginning cash flow	461.9	1,031.5	1,134.9	1,081.4	1,091.4
Core PATANCI	488.2	562.1	600.4	646.9	691.4	Ending cash flow	1,031.5	1,134.9	1,081.4	1,091.4	1,124.6
Core EPS (sen)	132.9	153.0	163.4	176.1	188.2						
PER (x)	17.2	17.0	15.4	14.3	13.4						
DPS (sen)	77.0	63.0	77.0	77.0	77.0						
Dividend yield (%)	3.1	2.5	3.1	3.1	3.1						
Growth (%)	2023A	2024A	2025F	2026F	2027F	Profitability Ratios (%)	2023A	2024A	2025F	2026F	2027F
Revenue Growth	11.9	4.9	11.9	5.1	5.1	Gross Profit Margin	28.7	31.5	29.8	30.1	30.4
Gross Profit Growth	22.2	15.1	6.1	6.1	6.1	EBITDA Margin	15.8	16.2	14.8	15.0	15.1
EBITDA Growth	36.9	7.2	2.3	6.7	6.2	EBIT Margin	12.9	13.5	13.5	13.7	14.0
Core PATANCI Growth	26.3	15.1	6.8	7.8	6.9	Core PATANCI Margin	9.8	10.7	10.2	10.5	10.7
Balance Sheet (RM'm)	2023A	2024A	2025F	2026F	2027F	Liquidity Ratios (x)	2023A	2024A	2025F	2026F	2027F
PPE	1,592.1	1,727.7	1,896.4	2,051.0	2,212.3	Current ratio	2.9	2.5	2.2	2.1	2.1
Intangible assets	433.4	430.3	510.8	537.0	564.6	Quick ratio	2.1	1.8	1.5	1.4	1.4
Non-current assets	2,602.5	2,741.5	3,112.8	3,361.3	3,621.4						
Inventories	764.2	745.0	968.0	1,013.6	1,061.3	Leverage Ratios (x)	2023A	2024A	2025F	2026F	2027F
ST - Trade receivables	713.3	852.9	932.9	980.8	1,031.2	Total Debt to Equity	0.2	0.2	0.2	0.2	0.2
Cash and cash equivalents	1,031.5	1,134.9	1,081.4	1,091.4	1,124.6	Total Debt to Assets	0.1	0.1	0.1	0.1	0.1
Current assets	2,509.1	2,733.0	2,982.4	3,085.8	3,217.1						
Total Assets	5,111.6	5,474.5	6,095.2	6,447.1	6,838.5	Efficiency Ratios (days)	2023A	2024A	2025F	2026F	2027F
Total Equity	3,351.6	3,586.9	3,804.5	4,070.5	4,377.6	Inventories	85.2	85.8	85.8	85.8	85.8
LT Lease Liabilities	49.5	47.0	58.1	61.1	64.2	Account receivables	58.4	55.7	56.9	58.1	58.3
LT Loans	706.0	592.0	706.0	706.0	713.1	Account receivables	58.4	55.7	56.9	58.1	58.3
Non-current liabilities	909.4	777.9	925.0	928.9	945.6	Account payable	72.5	73.5	73.5	73.5	73.5
ST Trade payables	724.8	825.9	829.7	868.8	909.8	Cash Conversion cycle	70.3	70.2	70.2	70.2	70.2
ST Loans	4.0	114.0	4.0	4.0	4.0						

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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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