



FRASER & NEAVE HOLDINGS BHD

20  
18



57<sup>th</sup>  
ANNUAL  
GENERAL  
MEETING

*23 January 2019*

FUTURE  
READY

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**Dear Shareholders and Stakeholders,**

2018 was another year of global and regional uncertainties, as well as a dynamic policy environment locally. Nonetheless, with our commitment to long-term sustainability, we continued to invest in our future, continuing the transformation within our organisation, empowering our people, re-engineering our processes, and rethinking the way we do business.

 Video presentation

  
**LIM YEW HOE**  
Chief Executive Officer





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**FY 2018**

**F&NHB Group Financial Performance**

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# FY 2018 F&NHB Group Financial Highlights



Financial Highlights	Full Year 2017/2018	Full Year 2016/2017	Change
Revenue (RM'000)	4,109,859	4,101,374	0.2%
Operating profit (RM'000)	420,240	345,066	21.8%
Profit before tax (RM'000) *	422,729	353,713	19.5%
Profit after tax (RM'000)	385,096	323,347	19.1%
Basic earnings per share (sen)	104.9	88.3	16.6

\* Excluding restructuring costs and other one-off items, profit before tax grew by 3.2%.

“  
While our results in 2018 illustrated our capability to derive better cost synergies, our priority going forward will be on revenue growth.”



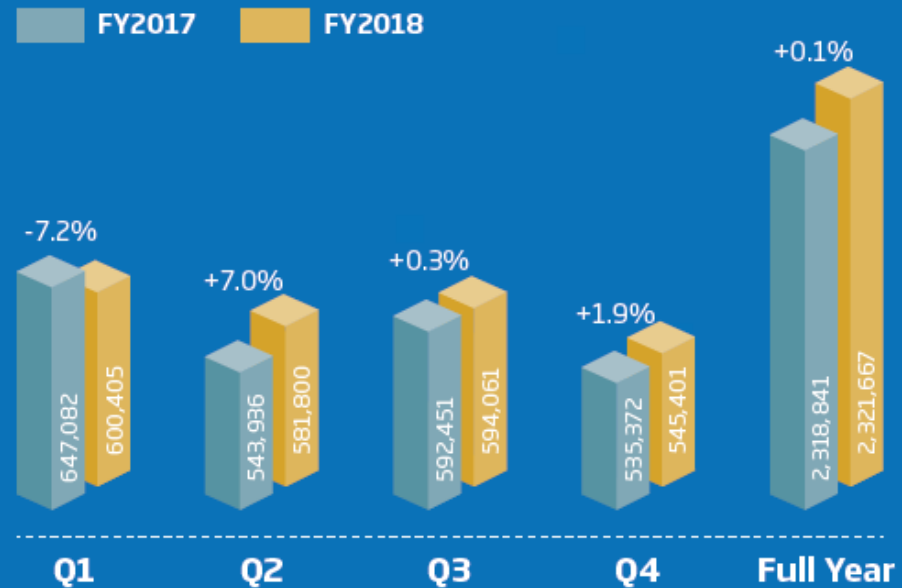
# F&B Malaysia

## Regained stability post-reorganisation

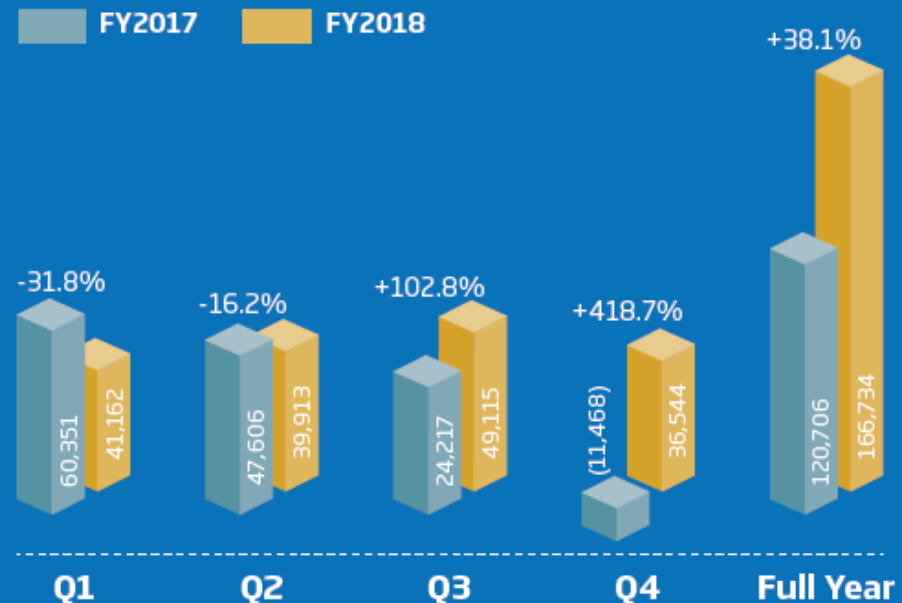
- Revenue **marginally higher**, up **0.1%** from last year.
  - Improved revenue for 3 consecutive quarters.
- Exports from Malaysia** continue the **year-on-year strong growth** in FY2018.
  - On track to surpass RM500 million goal in 2020.
- Operating profit** for F&B Malaysia increased by **38.1%** from stronger second half performance:
  - positive effect of **cost initiatives**;
  - favourable input cost for sugar**;
  - net favourable foreign currency impact from Ringgit Malaysia/US Dollar movements;
  - lower restructuring costs** incurred compared to last year; and
  - offset by higher costs for other dairy-based inputs, packaging costs and higher marketing spend.

Excluding restructuring costs and other one-off items, operating profit of F&B Malaysia eased by 4.5 per cent.

## REVENUE (RM'000)



## OPERATING PROFIT (RM'000)



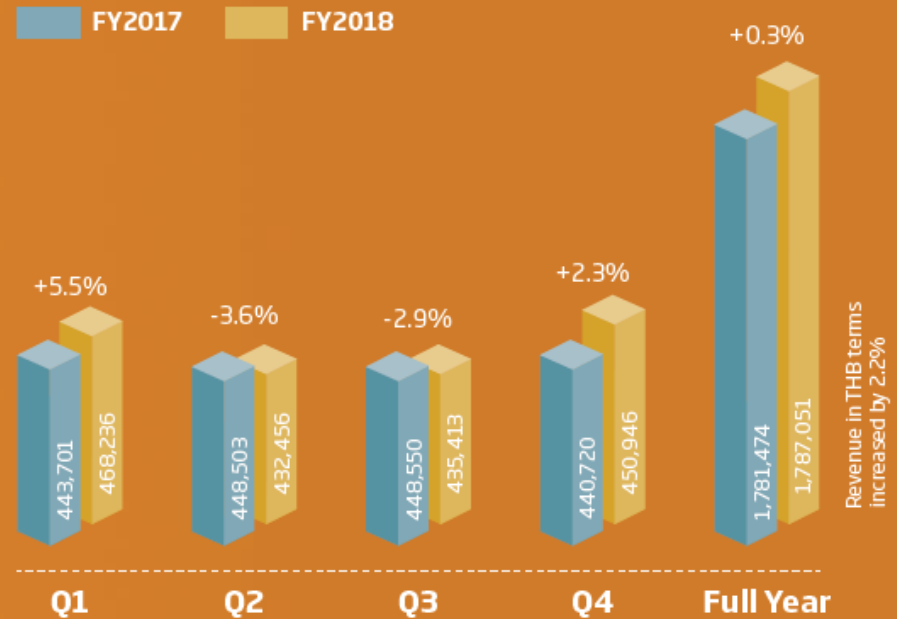


# F&B Thailand

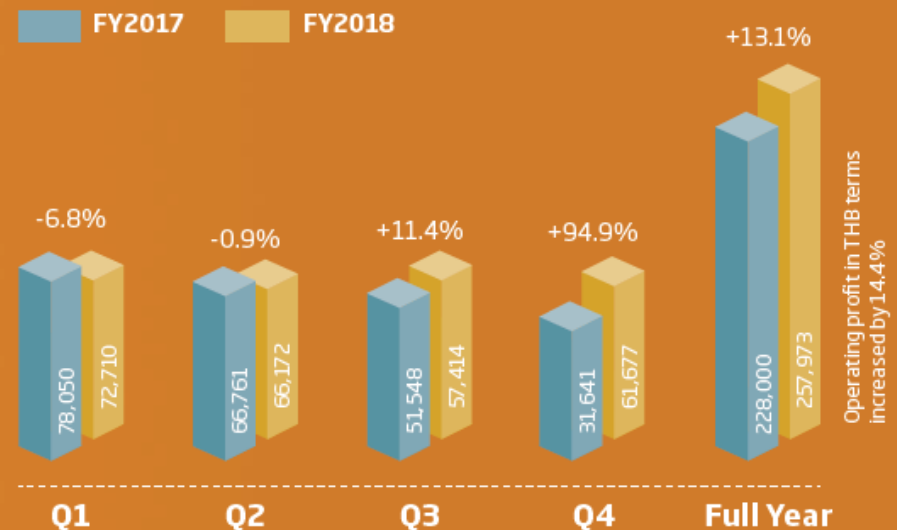
Despite the tough environment, F&B Thailand delivered a marginally higher revenue (+0.3%) with significant sales growth of over 20% in Indochina.

- Effective trade and marketing execution.
- Thai Government released a new regulation that imposed tax on sugar products, which has had some impact on sales and margin.
- This was exacerbated by an **overall market contraction, prolonged soft consumer sentiment and intensive competitive pricing.**
- Operating profit rose 13.1%:
  - higher export revenue;
  - **favourable input costs;**
  - lower overheads from cost initiatives;
  - offset by higher marketing spend for brand building activities and new product launches during the year.

## REVENUE (RM'000)



## OPERATING PROFIT (RM'000)





EXPORT MARKET: ▼

**68 countries worldwide**

CONTRIBUTION OF  
TOTAL EXPORTS  
FY2018

**16%** GROUP REVENUE

GROUP OPERATING PROFIT **14%**

## Building Exports as Our Third Pillar

EXPORT GROWTH  
FY2018



**15%** F&B MALAYSIA

F&B THAILAND

**8%**





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# Dividends



# Final Dividend Maintained at **30.5 Sen/Share**

**55%**  
Dividend payout  
ratio

	FY 2018	FY 2017
Total equity <sup>1</sup> (RM'000)	2,312,471	2,132,730
Total assets (RM'000)	3,345,258	3,231,498
Net cash (RM'000)	201,568	45,336
Net assets per share (RM)	6.31	5.82
Gearing ratio	0.15	0.18

<sup>1</sup> Includes non-controlling interest

- Final single tier dividend of **30.5 sen** per share, for approval by shareholders at the Annual General Meeting of the Company.
  - **Entitlement date: 29 January 2019**
  - **Payment date: 15 February 2019**
- Total dividends for the year of **57.5 sen** per share, **matching that in FY2017**.
- Takes into account Group's capital position, working capital requirements and capital expenditure investments.





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**Forging Ahead for the Future**

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# Our future growth will be supported by

## 3 Key drivers



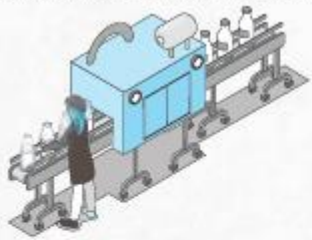
Our **inclusive growth strategy** will encompass:

- **Creating value** for our people, consumers, business partners, shareholders and the society we operate in;
- **Growing our brands and portfolio of products** to win in more markets;
- **Growing the breadth and depth of our market reach** including e-commerce, exports, B2B segment.



# Future Ready Investments

We have invested approximately RM500 million in capital expenditures to elevate our product innovation capabilities and cost competitiveness.



**600**  
**bottles per minute**  
water line in Shah Alam, Malaysia



- Cold-aseptic filling PET line & warehouse, Shah Alam, Malaysia
- Debottlenecking programme at dairy plant in Pulau Indah, Malaysia



- Sweetened condensed milk pouch & tube filling line, Rojana, Thailand
- Combi blow, mould & filling machine, Shah Alam, Malaysia



Mineral water plant expansion, Bentong, Malaysia



## FURTHER CAPITAL EXPENDITURE (CAPEX) INVESTMENTS FOR THE FUTURE:

- Allocated **RM30million** for CAPEX in FY2019 to **accelerate innovation and fast-track the development of healthier options.**
- **RM15 million production line** at its dairy manufacturing plant in Pulau Indah to further expand its capacity **to enable greater F&NHB's export capability.**



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# 2018 Highlights



# OUR NEW OFFERINGS



- 100PLUS Reduced Sugar
- 100PLUS Blackcurrant
- 100PLUS ACTIVE Powder
- F&N Ice Mountain Drinking Water
- F&N Lemon Lime
- F&N SEASONS Soya
- F&N SEASONS Juice



- CARNATION Plus
- TEAPOT Squeeze Tube
- F&N Magnolia Barista





# CLEAN LIVING SIMPLIFIED WITH 6-TIER WATER FILTRATION



Ultra Filter

Removes dust, dirt & other solid particles



Activated Carbon Filter

Removes organic material & chlorine



Cartridge Filter

Removes carbon residue & certain bacteria



Ultraviolet Treatment

Kills remaining bacteria



Reverse Osmosis

Removes dissolved solids, dirt & bacteria



Ultra Shield

Removes bacteria, viruses & bad taste

**F&N**  
Krim-kam Sampai Sedap  
BETUL-BETUL SENANG!  
BUKA > PICIT > HIDANG

MEMPERKENALKAN

**F&N Strawberry**  
KRIM TENUSU MANIS STRAWBERRY FLAVOURED SWEETENED DAIRY CREAMER

JIKA BOLEH DIDAPATI DALAM PEK MILK STICK!  
Ikuti [F&NDairies](#) untuk maklumat lanjut.

**F&N**  
Krim-kam Sampai Sedap  
BETUL-BETUL SENANG!  
BUKA > PICIT > HIDANG

MEMPERKENALKAN

**F&N Coklat**  
KRIM TENUSU MANIS COKLAT FLAVOURED SWEETENED DAIRY CREAMER

JIKA BOLEH DIDAPATI DALAM PEK MILK STICK!  
Ikuti [F&NDairies](#) untuk maklumat lanjut.

**F&N**  
Krim-kam Sampai Sedap  
BETUL-BETUL SENANG!  
BUKA > PICIT > HIDANG

MEMPERKENALKAN

**F&N Penuh Krim**  
KRIM TENUSU MANIS FULL CREAM SWEETENED CONDENSED MILK

JIKA BOLEH DIDAPATI DALAM PEK MILK STICK!  
Ikuti [F&NDairies](#) untuk maklumat lanjut.

Innovative & differentiated packaging for F&N Sweetened Condensed Milk

## SQUEEZE TUBE MILK STICK



## Increased Convenience

We have been differentiating our products and packaging to cater to consumers' demand for greater convenience and flexibility.



Launched **100PLUS ACTIVE** in powder sachets which are convenient for people who are constantly on the move



Our Sweetened Condensed Milk and Evaporated Milk are now available in flexible packaging from single serve stick and squeezable tube to 20kg bag to cater to different needs of our customers and consumers.



# OUR AWARDS & RECOGNITION



## MARKETPLACE



### FRASER & NEAVE HOLDINGS BHD

**Malaysia Enterprise  
Innovation Award 2018**  
from Asia IoT Business Platform

**Brand Laureate World Halal  
Best Brands 2018**  
– **Best Brand in FMCG (Dairy Products)**  
from The Brand Laureate

**QUDAL – Quality Medal 2018/2019**  
– **Soft Drink**  
by ICERTIAS

**2018 ARC Awards – Bronze**  
in Food & Beverage



### F&N DAIRIES THAILAND

**FDA Quality Award 2018**  
from Thailand Food & Drug Administration  
for 6 consecutive years

## ENVIRONMENTAL



### F&N DAIRIES MANUFACTURING PULAU INDAH

**OSH Gold Class II Award**  
from The Malaysia Society  
for Occupational Safety and Health

**Prime Minister's Hibiscus Award**  
Exceptional Performance



### F&N DAIRIES THAILAND

**Thailand Kaizen Award 2018**  
from Technology Promotion Association  
(Thailand-Japan)

**CSR-DIW Continuous Award 2018**  
from Thailand Ministry of Industry

**Green Industrial Level 4: Green Culture**  
from Thailand Ministry of Industry

## WORKPLACE



### FRASER & NEAVE HOLDINGS BHD

**Malaysia Best Employer**  
**Brand Awards 2018**  
from Employer Branding Institute

**Graduates' Choice Award 2018**  
– **Top 5 Best Employer Brands in FMCG**

**Human Resources HR Excellence Awards**  
– **Bronze in Excellence in HR Innovation**  
from Human Resources Magazine



### F&N DAIRIES THAILAND

**Excellent Establishment of  
Labour Relation & Welfare 2018**  
from Thailand Ministry of Labour  
for 6 consecutive years



**Putra Brand Awards 2018 – Gold  
Beverage – Non- alcoholic**  
by the Association of Accredited  
Advertising Agents Malaysia (4As)



**2018 International Innovation Awards**  
– **Product Category**  
by Entrepreneur Asia





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**Business Outlook**

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# F&B Malaysia

## OUR JOURNEY AHEAD

- The overall market for F&B Malaysia is likely to remain challenging - **competitive pricing pressures**.
- Prioritise the **extraction of synergies** from our transformation programme.
- **Expand our global reach for our export market.**
- **Innovation and reinvention** will be at the forefront of the business, to ensure that we constantly meet our customers' expectation for more affordable, tastier and healthier products.
- **Fast-track our R&D** to formulate and introduce more healthier options in FY2019.
- We will also closely monitor the impact and take timely actions on the **imposition of excise duty** on ready-to-drink beverages that contain sugar exceeding 5 grams per 100 millilitres as announced during Budget 2019.

*Innovation and reinvention will be at the forefront of the business, to ensure that we constantly meet our customers' expectation for more affordable, tastier and healthier products.*



# F&B Thailand

## OUR JOURNEY AHEAD

- The overall domestic market for Thailand remains challenging – **intense competition**.
- F&B Thailand **commence paying corporate taxes** in FY19 after the utilisation of the carried forward losses from non-promoted businesses.
- Nonetheless, we will continue to:
  - **build our capacity** and capability, and
  - **sharpen our competitiveness** with **brand building**
  - **expansion of our distribution network** to increase the reach of our products,
  - and further **expand our network of loyal hawkers**.
- In terms of distribution, we plan on **expanding our coverage to as many channels** as possible.
- We will also **synergise with ThaiBev** to expand our distribution in the F&B retail channel.

“  
While our results in 2018 illustrated our capability to derive better cost synergies, our priority going forward will be on revenue growth.”



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# Product Transformation

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# Sugar Sweetened Beverages Tax ("Sugar Tax")



Government introduction of excise duty 40sen per litre on sugary drinks in the form of Ready-To-Drink packaging on 2 categories:

## CATEGORY 1

Beverages containing sugar or other sweeteners containing sugar **> 5grams per 100ml**

## CATEGORY 2

Fruit juices and vegetable juices containing sugar **>12grams per 100ml**

*Effective 1<sup>st</sup> April 2019*

# F&N Beverages Portfolio Of Products Affected By Sugar Tax

No sugar tax

**5 grams**

Sugar tax products



**5 grams**

# How Do We Mitigate the Sugar Tax?

## 3 General Directions

### ORIGINAL RECIPES IN SMALLER PACK SIZE

- **Portion control packs** (250ml not 325ml cans) for:
  - F&N Orange Crush, Classic Sarsi, etc.
- Total sugar per serving reduced.
- Affordable price even after soda tax.

### REDUCED SUGAR RECIPES

- Most of our products will be **reformulated to be <5% sugar** while delivering original taste.
- Not subjected to soda tax, but we will incur higher COGS.
- With the experience from 100PLUS Reduced Sugar, we are confident of doing so.

### PORTFOLIO TRANSFORMATION

- **Speed up innovations** into healthy product categories, value added benefits, +Vitamins, etc.
- We are investing **RM30m capex** in Shah Alam plant to enable multiple new products to be produced from Oct 2019.



Then



Now



# Are We Ready for 1 April 2019?

- It is a big challenge, given our big portfolio of products. But we have started work way before the government announcement.
- We are **prioritising our efforts** by focusing on product category(ies) according to the significance of impact to our Group.
- Learning from international experience, after reformulation, we aim to **offer classic recipe options for consumers** in smaller pack sizes.
  - F&N is in an enviable position with many classic brands and recipes.
- In tandem with our promises of “Pure Enjoyment, Pure Goodness”, the Mission to our R&D Team is to **accelerate innovations** that deliver **healthier products that are tastier** at the same time.
  - And we will not shy away from investing in new technology to make it a reality.



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**THANK YOU**

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**FORGING**AHEAD  
for the future...



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A member of the FRASER AND NEAVE Group