Corporate Update

Fraser & Neave Holdings Berhad

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

4 Stars

SHARIAH Compliant

Maintain **BUY**

Unchanged Target Price **RM32.68**

2QFY25 Results Review

Fundamental Intact Despite Temporary Headwinds

Maintain BUY with unchanged TP of RM32.68. F&N's 1HFY25 results were within expectations, supported by resilient domestic demand and stronger exports despite softer festive sales due to East Malaysia floods. Core PATANCI moderated on start-up costs from the AgriValley dairy farm. We maintain our earnings forecasts as results align with expectations. Our TP remains at RM32.68, based on an unchanged PER of 20x pegged to FY25F EPS of 163.4sen.

Within expectation. F&N chalked in 2QFY25 revenue of RM1.33m (-4.0%qoq; -1.4%yoy) and core PATANCI of RM142.8m (-7.4%qoq, -11.8%yoy) which brought 1HFY25 core PATANCI to RM296.9m (-10.6%yoy). This met our full-year FY25 forecast and consensus at 49% and 52% of full-year expectations respectively. The company declared a dividend of 30.0sen/share.

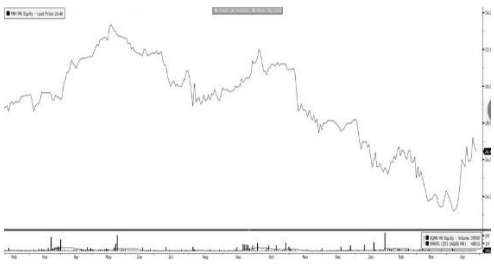
Festive sales dampened by floods. F&N's 2QFY25 revenue eased marginally by -1.4%yoy to RM1.33b, as festive season sales momentum in Malaysia was disrupted by severe flooding across East Malaysia during the critical Chinese New Year trading window. Meanwhile, F&B Thailand's revenue also softened by -2.2%yoy in 2QFY25, attributed to proactive initiatives in Thailand to maintain healthy distributor inventory levels. Nevertheless, this was partially offset by stronger sales into Cambodia and Laos, underpinned by stable demand and a sufficient supply of fresh milk. Cumulatively, 1HFY25 revenue grew +2.7%yoy to RM2.72b, supported by resilient domestic consumption, broad-based sales growth during 1QFY25, and strengthening regional export momentum.

Margin moderation from AgriValley start-up costs. 2QFY25 core PATANCI declined by -11.8%yoy to RM142.8m, weighed primarily by elevated start-up costs associated with the AgriValley integrated dairy farm. Cumulatively, 1HFY25 core PATANCI contracted by -10.6%yoy to RM296.9m. Notably, while F&B Malaysia's operating profit margin softened marginally to 11.0% in 1HFY25 (from 11.4% in 1HFY24) due to initial AgriValley-related cost absorption, the Group's overall operating profit margin expanded to 16.0% (from 15.5% a year ago), underpinned by effective cost discipline, improved product mix, and favourable input cost dynamics.

Outlook. We remain optimistic on F&N's prospects, anchored by its strong earnings defensiveness and resilient consumer base. Demand for essential food and beverage products remains stable despite inflationary pressures and global macro uncertainties, reinforcing its position as a dependable consumer staple. The Group continues to benefit from robust demand for ready-to-drink beverages and a recovery in tourism across Malaysia and Thailand, which supports out-of-home consumption trends. Over the longer term, growth will be underpinned by its integrated dairy farm in Gemas, strengthening supply chain resilience and enabling F&N to capture opportunities within Malaysia's underserved fresh milk market.

RETURN STATISTICS	
Price @ 28th April 2025 (RM)	26.46
Expected share price return (%)	+23.5
Expected dividend yield (%)	+2.9
Expected total return (%)	+26.4

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	8.9	8.3
3months	8.9	5.6
12 months	-16.2	-13.3

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 (%)	2.9	2.9	2.9

KEY STATISTICS	
FBM KLCI	1,521.59
Issue shares (m)	366.78
Estimated free float (%)	31.96
Market Capitalisation (RM'm)	9,704.96
52-wk price range	RM22.4 - RM33.8
3-mth average daily volume (m)	0.09
3-mth average daily value (RM'm)	2.32
Top Shareholders (%)	
Fraser and Neave Ltd	55.48
Employees Provident Fund Board	12.08
Amanah Saham Nasional Bhd	7.95

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Fraser & Neave Holdings: 2QFY25 Results Summary

FYE Sept (RM'm)	Quarterly results					Cumulative results		
	2QFY25	1QFY25	2QFY24	YoY (%)	QoQ (%)	1HFY25	1HFY24	YoY (%)
Revenue	1,334.1	1,389.7	1,352.4	(1.4)	(4.0)	**2,723.9**	**2,685.3**	**1.4**
Cost of Sales	(905.6)	(935.2)	(912.9)	(0.8)	(3.2)	**(1,840.8)**	**(1,826.0)**	**0.8**
Gross Profit	**428.5**	**454.5**	**439.5**	**(2.5)**	**(5.7)**	**883.0**	**859.2**	**2.8**
Other income	6.8	29.0	9.4	(27.4)	(76.5)	**35.9**	**19.9**	**80.5**
Operating expenses	(241.1)	(241.1)	(242.0)	0.4	0.9	**(484.2)**	**(462.9)**	**4.6**
Other expenses	(0.4)	0.4	0.6	(173.6)	(199.8)	**0.0**	**0.6**	**(99.8)**
Operating profit (EBIT)	**191.8**	**243.0**	**207.5**	**(7.6)**	**(21.1)**	**434.8**	**416.8**	**4.3**
Net finance income/(cost)	(2.2)	(2.5)	(3.1)	(27.9)	(10.4)	**(4.7)**	**(6.8)**	**(31.1)**
Profit before tax (PBT)	**189.6**	**240.5**	**204.4**	**(7.2)**	**(21.2)**	**430.1**	**409.9**	**4.9**
Profit After tax (PAT)	140.0	170.4	165.7	(15.5)	(17.8)	**310.4**	**335.9**	**(7.6)**
PATANCI	140.3	169.0	165.4	(15.2)	(17.0)	**309.4**	**336.1**	**(8.0)**
Core PATANCI	**142.8**	**154.1**	**162.0**	**(11.8)**	**(7.4)**	**296.9**	**332.1**	**(10.6)**
Core EPS (sen)	39.0	42.1	44.2	(11.8)	(7.4)	**81.1**	**90.7**	**(10.6)**
DPS (sen)	30.0	0.0	30.0	0.0	n.m.	**30.0**	**30.0**	**0.0**
Margin (%)				*+/(-) ppts*	*+/(-) ppts*			***+/(-) ppts***
Gross Profit Margin	32.1	32.7	32.5	(0.4)	(0.6)	**32.4**	**32.0**	**0.4**
Operating Profit Margin	14.4	17.5	15.3	(1.0)	(3.1)	**16.0**	**15.5**	**0.4**
Core PATANCI Margin	10.7	11.1	12.0	(1.3)	(0.4)	**10.9**	**12.4**	**(1.5)**
Ratios & Valuation				*+/(-) ppts*	*+/(-) ppts*			***+/(-) ppts***
Effective tax rate (%)	26.2	29.2	18.9	7.2	(3.0)	**27.8**	**18.1**	**9.8**

Source: Company, MIDFR

Fraser & Neave Holdings: Breakdown by operating segment

FYE Sept (RM'm)	Quarterly results					Cumulative results		
	2QFY25	1QFY25	2QFY24	YoY (%)	QoQ (%)	1HFY25	1HFY24	YoY (%)
Revenue (RM'm):								
F&B Malaysia	781.6	769.3	787.7	(0.8)	1.6	**1,551.0**	1,550.3	0.0
F&B Indochina	551.6	619.6	563.8	(2.2)	(11.0)	**1,171.2**	1,132.9	3.4
Property	0.2	0.2	0.2	4.6	10.8	**0.4**	0.4	(0.8)
Others	0.7	0.7	0.7	(5.1)	(1.8)	**1.3**	1.7	(21.2)
Total	**1,334.1**	**1,389.7**	**1,352.4**	**(1.4)**	**(4.0)**	**2,723.9**	2,685.3	1.4
Operating Profit (RM'm):								
F&B Malaysia	73.3	96.9	92.9	(21.1)	(24.4)	**170.2**	176.1	(3.4)
F&B Indochina	120.2	133.3	116.8	2.9	(9.8)	**253.6**	242.7	4.5
Property	0.0	(0.3)	(0.4)	(100.0)	(100.0)	**(0.3)**	(0.7)	(55.0)
Others	(1.7)	13.0	(1.9)	(7.6)	(113.1)	**11.3**	(1.4)	(919.2)
Total	**191.8**	**243.0**	**207.5**	**(7.6)**	**(21.1)**	**434.8**	416.8	4.3
Operating profit margin (%):								
F&B Malaysia	9.4	12.6	11.8	(2.4)	(3.2)	**11.0**	11.4	(0.4)
F&B Indochina	21.8	21.5	20.7	1.1	0.3	**21.7**	21.4	0.2
Property	0.0	>(100.0)	>(100.0)	>100.0	>100.0	**(79.0)**	>(100.0)	95.1
Others	>(100.0)	>100.0	>(100.0)	7.1	>(100.0)	**851.9**	>(100.0)	>100.0
Total	**14.4**	**17.5**	**15.3**	**(1.0)**	**(3.1)**	**16.0**	15.5	0.4

Source: Company, MIDFR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025F	2026F	2027F
Revenue	5,001.4	5,245.6	5,871.6	6,172.8	6,489.9
Gross Profit	1,434.8	1,651.0	1,751.5	1,858.7	1,972.3
EBITDA	790.7	847.8	867.5	925.5	982.8
EBIT	642.9	709.5	791.0	848.8	905.7
PBT	624.7	697.0	768.7	828.3	885.3
Taxation	(82.6)	(152.7)	(168.4)	(181.4)	(193.9)
PATANCI	536.9	542.8	600.4	646.9	691.4
Core PATANCI	577.9	542.5	600.4	646.9	691.4
Core EPS (sen)	157.3	147.7	163.4	176.1	188.2
PER (x)	18.1	17.9	16.2	15.0	14.1
DPS (sen)	77.0	63.0	77.0	77.0	77.0
Dividend yield (%)	2.9	2.4	2.9	2.9	2.9

Cash Flow (RM'm)	2023A	2024A	2025F	2026F	2027F
PBT	624.7	697.0	768.7	828.3	885.3
Operating cash flow	1,053.0	732.7	545.1	610.9	637.3
Investing cash flow	(692.9)	(253.7)	(272.7)	(282.4)	(292.3)
Financing cash flow	186.8	(365.5)	(325.8)	(318.5)	(311.9)
Net cashflow	546.9	113.6	(53.4)	10.0	33.1
Beginning cash flow	461.9	1,031.5	1,134.9	1,081.4	1,091.4
Ending cash flow	1,031.5	1,134.9	1,081.4	1,091.4	1,124.6

Growth (%)	2023A	2024A	2025F	2026F	2027F
Revenue Growth	11.9	4.9	11.9	5.1	5.1
Gross Profit Growth	22.2	15.1	6.1	6.1	6.1
EBITDA Growth	36.9	7.2	2.3	6.7	6.2
Core PATANCI Growth	49.5	(6.1)	10.7	7.8	6.9

Profitability Ratios (%)	2023A	2024A	2025F	2026F	2027F
Gross Profit Margin	28.7	31.5	29.8	30.1	30.4
EBITDA Margin	15.8	16.2	14.8	15.0	15.1
EBIT Margin	12.9	13.5	13.5	13.7	14.0
Core PATANCI Margin	11.6	10.3	10.2	10.5	10.7

Balance Sheet (RM'm)	2023A	2024A	2025F	2026F	2027F
PPE	1,592.1	1,727.7	1,896.4	2,051.0	2,212.3
Intangible assets	433.4	430.3	510.8	537.0	564.6
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
ST - Trade receivables	713.3	852.9	932.9	980.8	1,031.2
Cash	1,031.5	1,134.9	1,081.4	1,091.4	1,124.6
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
Total Equity	3,351.6	3,586.9	3,804.5	4,070.5	4,377.6
LT Loans	706.0	592.0	706.0	706.0	713.1
Non-current liabilities	909.4	777.9	925.0	928.9	945.6
ST Trade payables	724.8	825.9	829.7	868.8	909.8
ST Loans	4.0	114.0	4.0	4.0	4.0
Current Liabilities	850.6	1,109.7	1,365.7	1,447.7	1,515.3
Total Liabilities	1,760.0	1,887.6	2,290.7	2,376.7	2,460.9

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