



# Important notice

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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

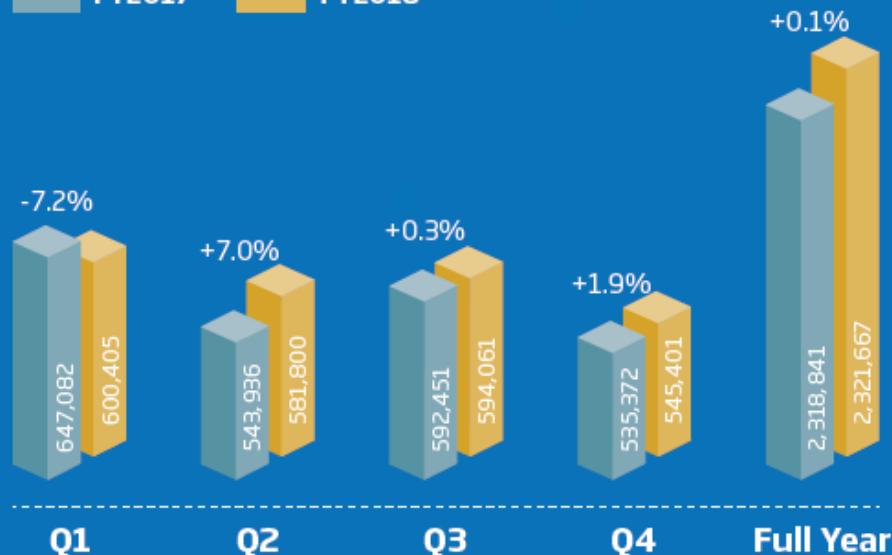
- Revenue **marginally higher**, up **0.1%** from last year.
  - Improved revenue for 3 consecutive quarters.
- Exports from Malaysia** continue the **year-on-year strong growth** in FY2018.
  - On track to surpass RM500 million goal in 2020.
- Operating profit** for F&B Malaysia increased by **38.1% 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)

FY2017

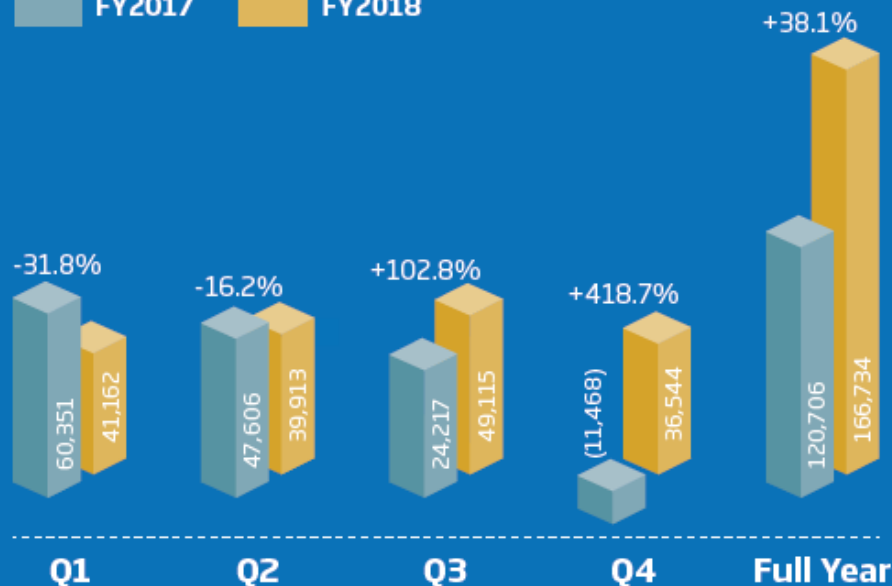
FY2018



## OPERATING PROFIT (RM'000)

FY2017

FY2018



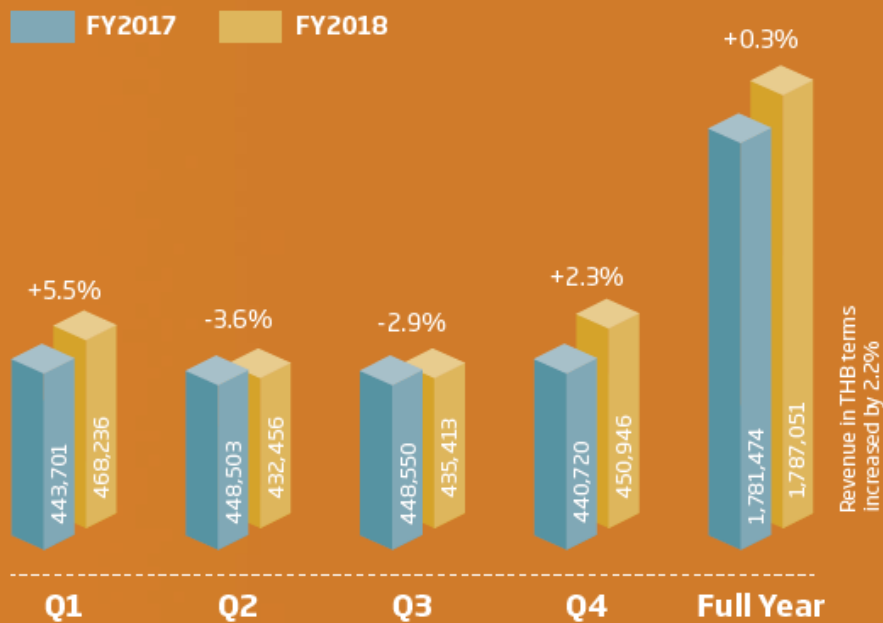


# F&B Thailand

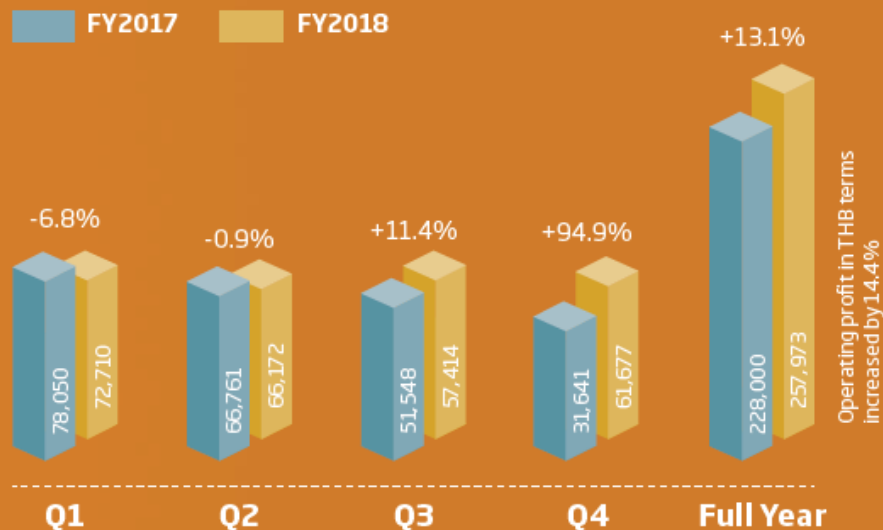
Despite the tough environment, F&B Thailand delivered a marginally higher revenue (+0.3%) with significant sales growth of over 20% in Indochina.

- 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%**



**15%** F&B  
MALAYSIA

F&B  
THAILAND

**8%**



**Building Exports as Our Third Pillar**

EXPORT  
GROWTH  
FY2018





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# Dividends

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# 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

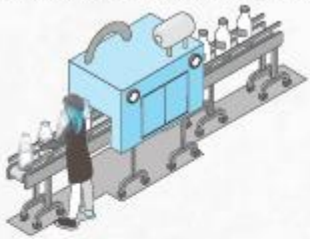


Our **inclusive growth strategy** will encompass:

- **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

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# 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





**ICE  
MOUNTAIN**

# CLEAN LIVING SIMPLIFIED WITH 6-TIER WATER FILTRATION



Removes dust, dirt &  
other solid particles



Removes organic material  
& chlorine



Removes carbon residue  
& certain bacteria



Kills remaining bacteria



Removes dissolved solids,  
dirt & bacteria



Removes bacteria, viruses  
& bad taste



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 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 Enterprise 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")



BUDGET  
2019

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



# 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.



Then



Now

### 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.



# 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