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FRASER & NEAVE HOLDINGS BHD

62ND ANNUAL GENERAL MEETING





QUESTIONS & ANSWERS



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**QUESTIONS
FROM MSWG**

QUESTIONS FROM MSWG

Operational & Financial Matters



1. In FY2023, F&N achieved a record year with its annual revenue crossed the RM5 billion (FY2022: RM4.47 billion) mark for the first time.

At the same time, its net profit jumped by 40% or RM153.69 million to RM536.9 million, compared to RM383.2 million a year ago.

The significant increase in net profit included a one-off remeasurement gain of previously held equity interest in Cocoaland Holdings Berhad amounting to RM89.26 million and the consolidation of financial contribution from Cocoaland.

- a) What was the quantum of growth in revenue and profit from the legacy beverages business, excluding the factors above?

Our response:

Excluding Halal Packaged Food segment and exceptional items, revenue and profit grew by 8.5% and 6.9%, respectively in FY2023.





Operational & Financial Matters (Cont'd)

1. b) What was Cocoland's financial contribution to the Group in FY2023?

Our response:

The Halal Packaged Foods segment currently constitutes less than 10% of the Group's revenue and profit.

- c) F&N mentioned it intends to drive topline growth in FY2024 via higher sales volume. However, doing so may squeeze the profit margin. What is the projected sales volume growth F&N is targeting to achieve in FY2024? Profit margin wise, to what extent is F&N comfortable forgoing to achieve volume growth?

Our response:

We do not normally disclose forward-looking numbers. Rest assured, we look at our various business units separately as each has its own respective target for revenue growth and profit margin that are relevant in their own categories.





Operational & Financial Matters (Cont'd)

2. **F&N plans to invest RM1.3 billion over the next two years to complete the first phase of the integrated dairy farm in Ladang Permai Damai in Gemas, Negeri Sembilan, by early 2025.**

The first milking is expected in early 2025, with a herd of 2,000 cattle capable of producing about 20 million litres per year.

- a) **The intensive capital expenditure will likely take a toll on F&N's bottomline. Please share the near and medium-term impact of such significant capex on the Group's financial performance, balance sheet, cash flow and future dividend payout.**

Our response:

We are acutely aware of how this RM1.3 billion, which is a large cash outlay, will impact our cash flow. Prior to undertaking this project, we had studied our affordability with regard to the need to fund this via a mixture of equity and debt and at the same time able to pay dividends. We want to assure you that the board has the shareholders' best interest at heart and dividend is our top consideration.





Operational & Financial Matters (Cont'd)

2. b) Upon completion of the first phase in 2025, what is the expected capex for the subsequent phase of works? Please elaborate on the proposed funding structure for the next phase of expansion.

Our response:

We are currently focused on the completion of the first phase of our integrated farm. Any subsequent capex will be evaluated once the integrated farm is operating.





Operational & Financial Matters (Cont'd)

3. **Another key strategy for growth in FY2024 is to integrate Sri Nona and Cocoaland's business under the Halal Food pillar.**
 - a) **Under this vision, Cocoaland's factory in Rawang will be turned into a food manufacturing hub to house the entire food business, including Sri Nona. How much capex does the integration cost? What steps are taken to unleash the synergies between the two businesses fully? What are the potential and expected synergies to be seen between the two?**

Our response:

The capex investment for the integration is not significant as they mainly involve transfer of assets and automation, and the investment was paid via savings of overheads such as reduction in manual labour and utility consumption. At this moment, the absolute amount of savings may not be large, but it increases our overall capacity to capture higher sales.

We have integrated the operational activities especially the shared services capabilities and supporting activities such as manufacturing and supply chain, human capital, etc.





Operational & Financial Matters (Cont'd)

3. b) The Group also mentioned the potential for the export of Cocoaland and Sri Nona products to Thailand in the FY2023 full-year result briefing. What is the potential of Cocoaland and Sri Nona products in Thailand? How do these local products suit Thai diet preferences?

Our response:

The idea behind introducing Cocoaland and Sri Nona products to Thailand is to leverage on our current distribution strength in Thailand and Cambodia. We are currently evaluating the suitability of our products by conducting market studies, including our competition and product suitability.





Operational & Financial Matters (Cont'd)

4. The completion of the Wang Muang liquid milk & plant-based beverages factory in Thailand marked a strategic shift towards the liquid milk segment as it reduced reliance on condensed milk in line with market trends and preferences.
- a) The Magnolia and Bear brands anchored the F&N Thailand liquid milk segment. What is the current market share of the two brands in the liquid milk segment, i.e., UHT and fresh milk?

Our response:

Currently, we command 10% of the 20 billion Baht liquid milk market. However, the shares are predominantly from Bear Brand sterilised milk. The objective of the Wang Muang plant is to increase the share of UHT and fresh milk via our Magnolia brand. We will share further when we have more info.





Operational & Financial Matters (Cont'd)

4. b) **How different is Thailand in dairy product consumption compared to Malaysia? As our consumption preference gravitates towards fresh milk, is a similar trend observed in Thailand?**

Our response:

Fresh milk is consumed more and more across the region. Thailand consumes more fresh milk than Malaysia because of the government's support of the school milk program that utilises local fresh milk.





Operational & Financial Matters (Cont'd)

5. **The Company recognised an additional impairment loss of RM5.14 million for the investment in F&N Properties Sdn Bhd under “other expenses” in profit or loss as the recoverable amount is less than the carrying amount (page 224 of AR2023).**

What factors contributed to the lower carrying amount of F&N Properties, resulting in impairment on F&N’s investment in FY2023?

Our response:

The decline in fair value of the investment properties was due to revaluation of our properties in Technocentre in Pudu KL including the car parks.



QUESTIONS FROM MSWG

Sustainability Matters



1. In 2020, F&N developed 2025 targets for the 12 highest priority material issues. A check on the list of targets shows that F&N is falling behind in Environment-related issues, namely Energy, Climate Change, Water Stewardship and Waste Management (pages 159 and 160).

Compared to the FY2020 baseline, the intensity ratios for energy, GHG emissions, and water increased by 3%, 2%, and 3%, respectively, in contrast to an 8% reduction set for the three categories.

As For Waste Management, the total solid waste sent to landfills increased by 1% compared to the FY2020 baseline, compared to a 30% reduction target from the baseline number.

Given the short time span of two years, is the Group on track to achieve the targets set? Please explain the measures taken to accelerate F&N's progress in achieving the ESG-related targets set.





Our response:

Our ESG targets for 2025 were set from the FY2020 baseline. Despite the pandemic, we have embarked on various capex projects in the last couple of years. This included new production lines at several facilities, upgrading to automation to replace manual operations, and the establishment of a new plant in Wang Muang, Thailand. The increase in energy and water intensity ratios is also a result of strategic product mix compared to FY2020.

*Through strategic investments in solar roofs across three of our facilities, we have **improved our Greenhouse Gas (GHG) emissions intensity ratio** by 2% compared to the 2020 baseline. Plans are underway to extend our solar roof systems by another 6.38MWp across five facilities in 2024. This expansion will further improve our GHG emissions intensity ratio.*





Our response: (Cont'd)

The increase in waste sent to landfill in FY2023 was due to the waste generated by our new plant in Wang Muang during October and November 2022, which was sent to landfill in accordance with Good Manufacturing Practice requirements. Excluding this one-off waste, which amounted to 992 MT, there is a 12% improvement against the FY2020 baseline. This reduction is a result of various recycling efforts undertaken by our team. Wang Muang plant has achieved zero waste to landfill since December 2022.

Acknowledging the gap between our current progress and the set targets, we are actively implementing various initiatives to enhance our environmental performance. We remain committed to accelerating our progress and achieving our 2025 targets.





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**QUESTIONS
FROM OTHER
SHAREHOLDERS**

QUESTIONS FROM OTHER SHAREHOLDERS

Finance



CHERYL KAUR POLA

1. Why is F&N incurring so much interest expense when it is in a net cash position?

Our response:

The increased interest expense is due to borrowings to finance the Company's recent acquisitions (Cocoaland Holdings Berhad and Ladang Permai Damai Sdn Bhd) and for working capital purposes. The Group is in a net cash position due to cash generated from operating subsidiaries and the funds will be partially used to finance on-going and future capital expenditures, such as the integrated dairy farm.

2. Why is there such a big difference between the return on equity (ROE) of the Thai and Malaysian operations?

Our response:

The difference between the return on equity (ROE) for the Thai and Malaysian operations is because profit margin in Thailand is higher. Malaysian operations have invested in higher capex over the years for expansion and as well as for replacement.





Finance (Cont'd)

CHERYL KAUR POLA (Cont'd)

3. The soft drink business is doing well compared to pre-pandemic. Do explain the reasons behind this, especially in terms of the strong top line growth.

Our response:

The growth in the soft drink business is attributed to two components; Firstly, it is due to post-pandemic recovery, with people returning to normal activities and greater out-of-home consumption. Secondly, it is due to pricing adjustment to manage higher commodity prices.

4. Why has the tax rate been coming down since 2019?

Our response:

The effective tax rate was lower due to the utilisation of tax incentives by a Thai subsidiary (Board of Investment incentives) and certain manufacturing subsidiaries (reinvestment allowances) in Malaysia.



Finance (Cont'd)

CHERYL KAUR POLA (Cont'd)

5. What was the average sugar, skim milk powder and palm oil price incurred by F&N in FY2023 and what is the expectation for 2024?

	Average price in FY2023	Average price in FY2022
Sugar	RM3,059/MT	RM2,584/MT
Skimmed Milk Powder	USD3,453/MT	USD3,159/MT
Palm Oil	RM4,257/MT	RM5,685/MT

Our response:

We expect commodity prices for certain items including sugar and milk to remain high. Nonetheless, we will continue to focus on delivering strategies to enhance our business resiliency. Typically, commodities and raw materials price risk is managed through between three to 12 months of forward purchase, active monitoring of commodities price trends, and vigilant sales forecasting and production planning.



Finance (Cont'd)

CHERYL KAUR POLA (Cont'd)

6. What has F&N done to bring down distribution cost as a percentage of revenue from 8.8% in FY2019 to 7.1% in FY2023?

Our response:

We have initiated a few steps, such as insourcing of warehousing and improving the efficiency of logistics operations.





Finance (Cont'd)

KOW LIH SHI

1. **F&NHB has grown and expanded over the years. Will the company give out more dividend?**

Our response:

Over the years, the Company has maintained a track record of paying approximately 50% of the Group Attributable Profit Before Fair Value Adjustments and Exceptional Items. The Board will likely continue this practice subject to balancing the needs against company's investment requirement to ensure sustainable growth in the future.

2. **Is F&NHB able to venture into sugar manufacturing for use in the production of your products? Are there any cost-efficient solutions from replacing raw sugar with liquid sugar?**

Our response:

Currently, there is no plan to venture into sugar manufacturing. We are exploring all options including liquid sugar which is currently partially used in Thailand and being piloted in Malaysia.





Finance (Cont'd)

KOW LIH SHI (Cont'd)

- 3. Cost of operation has increased over the years. The minimum wage has been at RM1,500 since 2022. The government has mulled raising minimum wage for fresh grads. Our exchange rates are doing badly, plus sugar tax. How can the Company overcome the discrepancy?**

Our response:

We are aligned with and support government policies in providing fair and equitable salary to our workforce as a part of our core value of caring for our stakeholders. We will manage this cost increase and any disruptions (eg sugar tax, exchange rate) by driving cost efficiencies across the organisation.





Finance (Cont'd)

KOW LIH SHI (Cont'd)

4. Has the price of sugar posed the biggest challenge to F&NHB?

Our response:

All commodities and material prices contribute to the overall cost and profitability of our products. This includes tin plate, palm oil and milk powder. We will endeavour to manage commodities and materials price risk through forward purchase of key commodities, active monitoring of commodities price trends and vigilant sales forecasting and production planning.



QUESTIONS FROM OTHER SHAREHOLDERS

Human Capital



KOW LIH SHI

1. Malaysia is now approaching TVET (Technical and Vocational Education and Training) and government agencies are promoting careers in F&B industry. Is the Company planning to hire more TVET graduates or use AI / Robotics to reduce manpower?

Our response:

Our Company is dedicated to training in both formal and informal learning opportunities to meet our workforce needs. Our people are trained to run multiple tasks and to handle automation and AI, which are already in place in the workplace, such as our automated ketupat line for Sri Nona.

Job opportunities are always open to all who qualify. We are always looking for new talents, including TVET grads, who will be suited to our shift in focus to AI and robotics. We believe this initiative will reduce our reliance on foreign workers, opening more opportunities to local qualified workers, including those from TVET.



QUESTIONS FROM OTHER SHAREHOLDERS

Brands & Products



KOW LIH SHI

1. The Company has been expanding your product portfolio. Will the integration of brands see more introduction of new products?

Our response:

In 2023, The Group has integrated our Halal Packaged food business and we are continuing to develop synergies within its Halal Packaged Food pillar, seeking to improve efficiencies and capitalise on opportunities between F&N, Sri Nona and Cocoaland. We have already begun brand refresh exercises and introducing new products for all three brands. Moving forward, we will continue to seek synergies between the three brands to extract more value.



QUESTIONS FROM OTHER SHAREHOLDERS

Other Matters



NISA MADIHAH BINTI MOHD RIDZUAN

1. What is the company's exposure to Israel market?

Our response:

We do not have any business transactions with Israel.

KOW LIH SHI

1. Is F&N impacted by the war in Gaza?

Our response:

We are fortunate that our main business is in Malaysia and Thailand, and we remain focused in providing Pure Enjoyment, Pure Goodness to our core consumers.





Other Matters (Cont'd)

TAN MEI TENG

Are the door gift given to individuals or 1+1?

SEE YOOT WAH

Would F&NHB consider giving out vouchers to be redeemed at supermarkets?

Our response:

Door gifts are given out only to every attending shareholder of our AGM, as a token of our appreciation for your attendance.

Due to logistics reasons, we will distribute the door gifts only from the venue of the AGM to every attending shareholder.





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