Food Empire Holdings (FEH SP)

1H26: Solid Growth In Key Markets; Surprise Dividend Hike Of 60% yoy

Highlights

- FEH delivered another record 1H26 revenue of US$315.1m (+15% yoy), while net profit grew to US$35.3m (+12% yoy). Results are in line.
- FEH delivered growth across all key markets, led by Central Asia (+33.9%) and Russia (+24.6%), driven by higher volumes across FEH's key markets.
- There was a positive surprise from a 60% yoy increase in interim dividend after adjusting for bonus issue. Maintain BUY with an unchanged target price of S$3.49.

1H26 Results

Year to 31 Dec (S$m)	1H26	1H25	yoy%
Total revenue	315.1	274.1	15.0
- Russia	103.2	82.8	24.6
- Southeast Asia (SEA)	79.3	77.5	2.4
- Central Asia	60.5	45.3	33.6
- South Asia	38.6	37.0	4.4
- Europe	25.0	23.7	5.5
- Others	8.5	7.8	8.4
Net profit	35.3	31.5[1]	12.2
Net profit margin (%)	11.2	11.5	(0.3) ppt

[1]*Excludes a one-off, non-cash, fair value loss on redeemable exchangeable notes ("REN") of US$32,592,000 recorded in 1H25*

Source: FEH, UOB Kay Hian

Analysis

- **Top-line reaches all-time high.** Food Empire Holdings' (FEH) 1H26 revenue of US$315.1m (+15.0% yoy) formed 52% of our full-year forecasts, ahead of our expectations. This represents another record half-year performance, following five consecutive years of record revenue from 2021-25. Net profit also grew 12.2% to US$35.3m, in tandem with the strong top-line growth, and remains in line with our forecasts at 49%.
- **Growth across all markets.** Russia surged 24.6% yoy, aided by increased sales volume and a 12.3% ruble appreciation; Southeast Asia grew 2.4%, anchored by Vietnam; Central Asia delivered the strongest growth of 33.9% yoy, fuelled by solid sales volume expansion; South Asia also recorded revenue growth of 4.4% yoy, driven by stronger demand in 1H26; Europe grew by 5.5% yoy largely due to higher sales volumes and price gains in its Ukraine market. This broad-based growth across all of FEH's key markets continues to underpin FEH's branding and presence in the markets it operates in.

Key Financials

Year to 31 Dec (US$m)	2024	2025	2026F	2027F	2028F
Net turnover	476	577	606	643	680
EBITDA	72	103	103	112	119
Operating profit	63	93	91	100	107
Net profit (rep./act.)	53	36	73	81	86
Net profit (adj.)	50	69	73	81	86
EPS (US$ cent)	9.4	12.5	11.0	12.2	13.1
PE (x)	20.8	15.6	17.8	16.1	15.0
P/B (x)	3.5	2.9	3.3	3.2	3.0
EV/EBITDA (x)	15.8	11.1	11.1	10.2	9.6
Dividend yield (%)	3.2	4.8	4.8	4.8	4.8
Net margin (%)	11.0	6.2	12.1	12.6	12.7
Net debt/(cash) to equity (%)	(31.1)	(36.8)	(39.7)	(41.6)	(44.3)
Interest cover (x)	273.8	22.1	24.5	27.9	30.3
ROE (%)	17.8	10.9	19.3	20.2	20.6
Consensus net profit (US$m)	-	-	72	81	90
UOBKH/Consensus (x)	-	-	1.02	0.99	0.96

Source: BKM, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	S$2.51
Target Price	S$3.49
Upside	39.0%

Stock Data

Sector	Consumer Staples
Bloomberg ticker	FEH SP
Shares issued (m)	661.6
Market cap (S$m)	1,660.5
Market cap (US$m)	1,297.2
3-mth avg daily t'over (US$m)	2.7

Price Performance (%)

52-week high/low				S$2.86/S$1.80
1mth	3mth	6mth	1yr	YTD
(0.8)	(1.3)	0.1	25.5	25.5

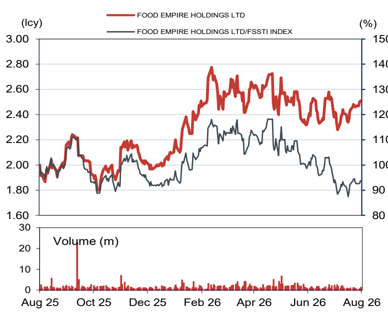
Major Shareholders (%)

Anthoni Salim	24.1
Tan Wang Cheow	21.1
Sudeep Nair	13.1

Balance Sheet Metrics

FY26 NAV/Share (US$)	0.59
FY26 Net Debt/Share (US$)	0.23

Price Chart



Source: Bloomberg

Company Description

Food Empire Holdings manufactures and markets instant beverage products, frozen convenience food, confectioneries and snacks. The company exports its products to markets such as Russia, Eastern Europe, Central Asia, the Middle East and Indochina.

- **Stronger interim dividend declared.** FEH declared an interim dividend of 4.0 S cents in 1H26 (1H25: 3.0 S cents). Taking into account the recent 1-for-5 bonus issue, this represents a growth of around 60% yoy. This is supported by a healthy balance sheet position with a cash position of US$151.3m as at end-June. The higher interim dividend also comes after FEH paid a record dividend in 2025. This represents a payout of around 57%, and implies a 2026 yield of around 4.8%.
- **New Kazakhstan facility to support Central Asia growth.** The group's new coffee-mix manufacturing facility in Khorgos, Kazakhstan, commenced operations earlier this year and is expected to contribute positively from 2H26. Strategically located to serve the Central Asian market, the facility strengthens the group's regional manufacturing footprint. The Malaysia snack factory expansion, completed in 1H26 and increasing snack output by 50%, should also support FEH's 2H26 results.
- **Strong expansion pipeline to support growth.** The group is progressing with two key capacity additions: a) a spray-dried soluble coffee expansion in India by end-27 (+60% capacity), and b) a new freeze-dried facility in Vietnam by 2028. These will bring FEH's network to 10 facilities, supporting branded volume growth and B2B sales. With India plants already at full utilisation, the expansion is demand-backed, while the US$80m Vietnam facility will be FEH's largest-ever investment and establish it as a regional freeze-dried coffee supplier.
- **Margin tailwinds from retreating coffee prices.** Robusta coffee, FEH's primary input, peaked at US$5,821/tonne in Feb 25, nearly tripling from 2022 levels. The cycle has since turned with Robusta now trading at US$3,780/tonne (-35% from peak). Global coffee production is forecast to hit a record 178.8m bags in 2025/26, supported by recovering supply from Vietnam. We expect lower coffee costs to support margins across FEH's coffee portfolio, while providing some cushion against input-cost pressures across its broader food and beverage businesses.

Valuation/Recommendation

- Maintain BUY with an unchanged PE-based target price of S$3.49, pegged to 25x 2026F PE or 2.5SD above the long-term average. The stock trades at only 18x 2026F PE, a 25% discount to the peer average of 24x.

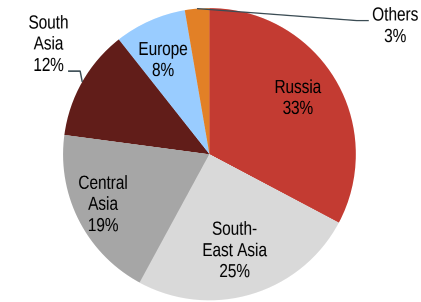
Earnings Revision/Risk

- No changes to our earnings forecasts.

Share Price Catalyst

- a) Earnings-accretive acquisitions, b) better-than-expected earnings, and c) higher-than-expected dividends.

1H26 Revenue By Geography



Source: FEH, UOB Kay Hian

Capacity Expansion Pipeline

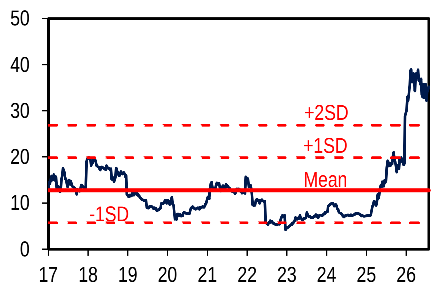
Facility	Location	Timeline	Capacity Impact
Spray-dried coffee (Phase 2)	India	2027	+60% India capacity
Freeze-dried coffee facility	Vietnam	2028	New entrant

Source: UOB Kay Hian

Coffee Price Trend (1Y)

Source: Trading Economics

Long-term Historical PE Band



Source: Bloomberg, UOB Kay Hian

Peer Comparison

Company	Ticker	Price @ 12 Aug 26 (lcy)	Market Cap (US$m)	PE 2026 (x)	PE 2027 (x)	P/B 2026 (x)	P/B 2027 (x)	ROE 2026 (%)	Yield 2026 (%)
Regional									
Ccl Products	CCLP IN	1123.8	1,573	29.6	23.7	5.4	4.6	19.8	0.5
Dydo Group	2590 JP	2945	613	17.6	18.3	1.4	1.3	8.4	1.0
Mayora Indah	MYOR IJ	1665	2,084	11.1	9.7	1.8	1.7	17.3	3.5
Nestle (Malaysia)	NESZ MK	102.9	5,906	38.3	35.7	43.2	42.0	105.7	2.5
Carabao	CBG TB	51.25	1,549	18.7	17.0	3.3	3.0	18.5	2.6
Fevertree Drinks	FEVR LN	856.5	1,295	30.6	22.6	5.0	4.7	15.6	2.2
Ito En	2593 JP	2984	1,596	28.5	23.6	1.6	1.5	7.2	1.7
Vita Coco Co	COCO US	64.46	3,700	32.8	29.1	8.2	6.3	32.7	n.a.
Vitasoy	345 HK	6.4	830	23.7	20.0	2.2	2.1	9.9	2.8
Uni-President	220 HK	7.755	4,269	13.2	12.3	2.1	2.1	16.1	7.7
Average				23.6	20.6	7.3	6.7	25.7	3.5
Food Empire	FEH SP	2.51	1,297	17.7	16.0	3.3	3.1	19.3	4.0

Source: Bloomberg, UOB Kay Hian

Profit & loss

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Net turnover	576.9	606.1	642.6	679.7
EBITDA	102.9	102.9	112.0	118.6
Deprec. & amort.	9.5	12.0	11.6	11.3
EBIT	93.4	91.0	100.4	107.3
Total other non-operating income	(30.7)	2.7	2.7	2.7
Associate contributions	1.7	0.6	0.6	0.6
Net interest income/(expense)	(4.6)	(4.2)	(4.0)	(3.9)
Pre-tax profit	59.7	90.0	99.6	106.6
Tax	(23.7)	(17.0)	(18.8)	(20.2)
Minorities	0.0	0.0	0.0	0.0
Net profit	36.0	73.0	80.8	86.5
Net profit (adj.)	68.6	73.0	80.8	86.5

Balance Sheet

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Fixed assets	130.8	126.8	123.2	119.9
Other LT assets	48.7	48.7	48.7	48.7
Cash/ST investment	181.5	206.0	226.6	253.5
Other current assets	205.3	216.6	228.2	240.1
Total assets	566.3	598.1	626.7	662.1
ST debt	24.3	24.3	24.3	24.3
Other current liabilities	95.4	100.2	104.8	109.5
LT debt	21.7	26.9	32.2	37.5
Other LT liabilities	54.6	54.6	54.6	54.6
Shareholders' equity	368.0	389.8	408.5	433.0
Minority interest	2.3	2.2	2.2	2.2
Total liabilities & equity	566.3	598.1	626.7	661.1

Cash flow

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Operating	87.1	82.8	89.5	94.7
Pre-tax profit	59.7	90.0	99.6	106.6
Tax	(23.7)	(17.0)	(18.8)	(20.2)
Deprec. & amort.	9.5	12.0	11.6	11.3
Associates	1.7	0.6	0.6	0.6
Working capital changes	(0.8)	(6.5)	(7.1)	(7.2)
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	40.7	3.8	3.6	3.5
Investing	(21.6)	(5.3)	(5.3)	(5.3)
Capex (growth)	(22.2)	(8.0)	(8.0)	(8.0)
Investment	0.0	0.0	0.0	0.0
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	0.6	2.7	2.7	2.7
Financing	(17.4)	(52.2)	(62.8)	(62.7)
Dividend payments	(45.1)	(51.2)	(62.0)	(62.0)
Proceeds from borrowings	144.6	144.6	144.6	144.6
Loan repayment	(138.8)	(138.8)	(138.8)	(138.8)
Others/interest paid	21.9	(6.8)	(6.6)	(6.5)
Net cash inflow (outflow)	48.0	25.3	21.4	26.7
Beginning cash & cash equivalent	130.9	181.5	206.0	226.6
Changes due to forex impact	2.7	(0.8)	(0.8)	0.2
Ending cash & cash equivalent	181.5	206.0	226.6	253.5

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	17.8	17.0	17.4	17.5
Pre-tax margin	10.3	14.9	15.5	15.7
Net margin	6.2	12.1	12.6	12.7
ROA	7.0	12.5	13.2	13.4
ROE	10.9	19.3	20.2	20.6
Growth				
Turnover	21.1	5.1	6.0	5.8
EBITDA	42.3	0.1	8.8	5.9
Pre-tax profit	(8.5)	50.9	10.6	7.0
Net profit	(31.5)	103.0	10.6	7.0
Net profit (adj.)	38.0	6.5	10.6	7.0
EPS	32.8	(12.0)	10.6	7.0
Leverage				
Debt to total capital	11.0	11.6	12.1	12.4
Debt to equity	12.5	13.1	13.8	14.3
Net debt/(cash) to equity	(36.8)	(39.7)	(41.6)	(44.3)
Interest cover (x)	22.1	24.5	27.9	30.3