Food Empire Holdings (FEH SP)

Business As Usual In Russia; Share Price Weakness, Potential Market Share Gain And High Short Position Present Buying Opportunities

Highlights

- FEH clarified that its operations and investments in Russia remain unaffected by the recent measures against one of its peers.
- The disruption to its peer's coffee business could allow FEH to gain market share, while FEH's Singapore base reduces the risk of asset confiscation.
- A short covering of its huge short position of >10m shares and more aggressive share buyback are near-term catalysts. FEH trades at an attractive 12.5x 2027F PE, below peers' 20x. Maintain BUY and target price of S$3.49.

Analysis

- **Business as usual in Russia.** Food Empire Holdings' (FEH) share price corrected 10% on 21 Sep 26 following news that Russia had seized the assets of Swiss-owned Nestlé and French retailer Auchan, which it described as "European companies from unfriendly countries". On the same day, FEH released an announcement clarifying that its Russian operation are continuing as usual. Investment in marketing initiatives and brands have also continued. FEH has been operating in Russia for more than 30 years and has manufactured locally since 2006. To recap, Russia contributes around 30% of FEH revenue.
- **Share price correction overdone; market has not priced in positive potential of market share gain.** We believe the share price correction is overdone and presents a good buying opportunity, given that the news has no impact on FEH's business. On the contrary, there could be positive implications for FEH if its competitor's operations faces disruptions.
- **FEH's position as a Singapore-based company reduces political risk.** On the political front, while European leaders generally isolate Moscow diplomatically, Singapore leverages its position to engage. PM Lawrence Wong's meeting with President Vladimir Putin at the Jun 26 ASEAN-Russia Commemorative Summit in Kazan was described as the first high-level exchange between the two nations since 2018.
- **Potential short covering of huge short position; more positive signaling. A** potential short covering of the huge outstanding short position of 10.6m shares (based on MAS's 11 Sep 26 data), equivalent to around 5% of FEH's free float, could be a near-term positive catalyst for FEH's share price. In addition, more aggressive share buyback could be another positive catalyst. FEH has increased the amount of share buyback since 21 September.

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)	16.2	12.2	13.8	12.5	11.7
P/B (x)	2.7	2.3	2.6	2.5	2.3
EV/EBITDA (x)	11.8	8.3	8.3	7.6	7.2
Dividend yield (%)	4.1	6.1	6.1	6.1	6.1
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)	-	-	74	82	97
UOBKH/Consensus (x)	-	-	0.99	0.98	0.89

Source: FEH, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	S$1.95
Target Price	S$3.49
Upside	79.0%

Stock Data

Sector	Consumer Staples
Bloomberg ticker	FEH SP
Shares issued (m)	657.1
Market cap (S$m)	1,281.3
Market cap (US$m)	1,004.0
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
(12.6)	(22.3)	(27.1)	(12.4)	(2.5)

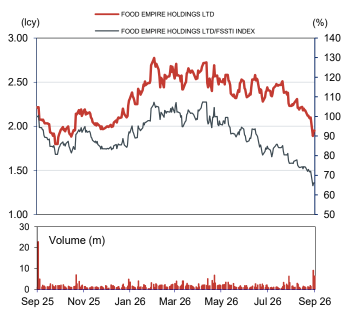
Major Shareholders (%)

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.

- **New Kazakhstan facility to support Central Asia growth.** FEH'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, which was completed in 1H26 and increased snack output by 50%, should also support FEH's 2H26 results.
- **Strong expansion pipeline to support growth.** FEH is progressing with two key capacity additions: a spray-dried soluble coffee expansion in India by end-27 (+60% capacity) and 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 the 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 12.5x 2027F PE, a 37% discount to the peer average of 20x.

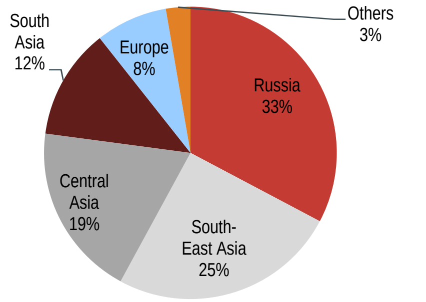
Earnings Revision/Risk

- No changes to our earnings forecasts.

Share Price Catalyst

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

1H26 Revenue By Geography



Source: FEH, UOB Kay Hian

Capacity Expansion Pipeline

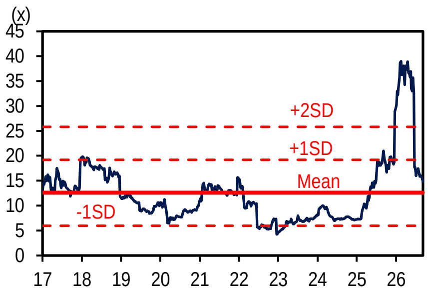
Facility	Location	Timeline	Capacity Impact
Spray-dried coffee (Phase 2)	India	2027	+60% India capacity
Freeze-dried coffee facility	Vietnam	2028	New entrant

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 @ 22 Sep 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	1047.2	1,460	27.5	22.1	5.1	4.3	19.8	0.6
Dydo Group	2590 JP	3010	634	18.0	18.7	1.4	1.3	8.4	1.0
Mayora Indah	MYOR IJ	1490	1,865	10.0	8.9	1.6	1.5	17.2	3.9
Nestle (Malaysia)	NESZ MK	89.16	5,130	33.2	31.1	35.5	34.9	106.0	2.9
Carabao	CBG TB	55.25	1,663	19.0	16.9	3.6	3.3	19.5	3.2
Fevertree Drinks	FEVR LN	859	1,272	30.9	22.7	5.1	4.7	15.7	2.1
Ito En	2593 JP	3165	1,715	24.9	23.3	2.0	n.a.	8.2	1.6
Vita Coco Co	COCO US	57.25	3,286	29.2	26.1	7.3	5.6	32.7	n.a.
Vitasoy	345 HK	6.53	847	24.2	20.4	2.3	2.2	9.9	2.8
Uni-President	220 HK	6.87	3,783	11.6	10.9	1.9	1.8	16.0	8.7
Average				22.3	19.7	6.5	6.4	25.8	3.7
Food Empire	FEH SP	1.95	1,004	13.8	12.5	2.6	2.5	19.3	6.1

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