

Food Empire Holdings (FEH SP)

Meeting Highlights: Strong Brand Equity Supports Inflation Resilience; Russian Risks Warrant Differentiated Assessment

Highlights

- FEH's strong brand equity and extensive distribution network provide an operational hedge against prolonged inflation, supporting demand resilience, pricing power and potential market-share gains.
- FEH's Russian operations remain unaffected by recent measures against Nestlé. While geopolitical risks remain, the development should not be directly extrapolated to FEH or justify excluding Russian earnings from its valuation.
- Maintain BUY and target price of S\$3.49. FEH trades at an attractive 12.2x 2027F PE, a 39% discount to peers' 20x.

Analysis

- Brand equity and distribution infrastructure support inflation resilience and Russia risk requires a differentiated assessment.** Our recent Kuala Lumpur non-deal roadshow highlighted investor concerns over prolonged input-cost inflation amid the Middle East conflict and Russia's intervention in Nestlé's local business. Food Empire Holdings' (FEH) strong brand equity, extensive distribution network and experience operating in volatile markets provide an operational hedge against inflation and could support further market-share gains. While Russia remains a key geopolitical risk requiring continued monitoring, Nestlé's situation should not be directly extrapolated to FEH or justify excluding Russian earnings from its base-case valuation.
- Brand equity and robust network provide an operational hedge against inflation.** Investors raised concerns over prolonged inflation, particularly rising energy, sugar, packaging and logistics costs, alongside climate-related risks to coffee supply. FEH's established brands and extensive distribution network support pricing power, product availability and customer retention. Its experience in managing commodity inflation and supply-chain disruptions also allows for price adjustments, product-mix optimisation and supply flexibility.
- Affordable products reinforce demand resilience.** FEH's coffee products occupy an affordable, everyday consumption category. Consumers facing tighter household budgets may continue purchasing packaged coffee while reducing spending on more expensive discretionary occasions. Brand familiarity, convenient availability and accessible pricing support this demand. In Vietnam, Café Phở's established consumer franchise and distribution reach provide a strong platform for managing pricing while preserving purchase frequency. Affordability remains essential, and price increases have been calibrated carefully.

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)	15.9	12.0	13.6	12.3	11.5
P/B (x)	2.7	2.2	2.5	2.4	2.3
EV/EBITDA (x)	11.5	8.1	8.1	7.4	7.0
Dividend yield (%)	4.2	6.3	6.3	6.3	6.3
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\$1.92
Target Price	S\$3.49
Upside	81.8%

Stock Data

Sector	Consumer Staples
Bloomberg ticker	FEH SP
Shares issued (m)	656.0
Market cap (S\$m)	1,259.5
Market cap (US\$m)	983.9
3-mth avg daily t'over (US\$m)	2.6

Price Performance (%)

52-week high/low				S\$2.858/S\$1.80
1mth	3mth	6mth	1yr	YTD
(12.7)	(24.4)	(26.4)	(5.2)	(4.0)

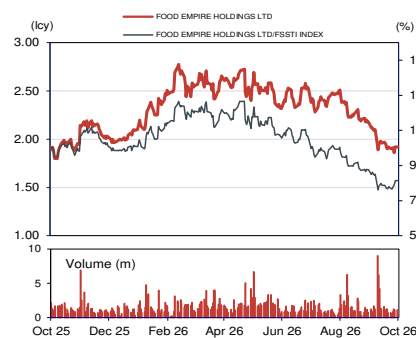
Major Shareholders (%)

Anthoni Salim	24.08
Tan Wang Cheow	21.11
Sudeep Nair	12.91

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.

- **Industry cost pressure could strengthen FEH's competitive position.** Prolonged inflation could benefit established operators as smaller competitors face difficulties managing inventories, promotions and rising operating costs. FEH's strong brand equity and distribution infrastructure position it to maintain market presence and potentially gain shelf space and market share. Distributors and retailers may also favour trusted brands with reliable product turnover.
- **Geographic exposure offers a potential additional buffer.** FEH's exposure to energy-producing economies, particularly Russia and Kazakhstan, could partially offset higher operating costs elsewhere. Elevated energy prices may support export revenues, economic activity and consumer spending in these markets, benefitting consumers' demand.
- **Linear extrapolation from Nestlé to FEH is analytically unsound.** Investors raised concerns over whether Russia's intervention in Nestlé's local business could pose similar risks to FEH. However, FEH's Russian operations remain normal, with no indication of similar intervention reported during the roadshow. While the Nestlé development highlights geopolitical risks, differences in ownership, operating arrangements and local relationships warrant a company-specific assessment. Singapore's targeted sanctions and continued diplomatic engagement with Russia also provide relevant context. Although intervention risks remain, Nestlé's situation should not be directly extrapolated to FEH.
- **Excluding Russian earnings belongs in an extreme downside scenario.** Removing FEH's entire Russian earnings contribution would assume a complete loss of the business' economic benefits, representing an extreme stress case rather than a base-case assumption. While such a scenario helps assess downside risks, FEH's ongoing operations and earnings contribution should continue to be reflected in valuation, with appropriate adjustments for geopolitical risks. Key considerations include operational continuity, cash accessibility, currency exposure and potential government intervention. Although risks remain, excluding Russian earnings entirely without company-specific evidence would be premature.

Valuation/Recommendation

- **Maintain BUY with an unchanged PE-based target price of S\$3.49,** pegged to 25x 2026F PE or 2SD above the long-term average. The stock trades at only 12.2x 2027F PE, a 39% 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.

Peer Comparison

		Price @	Market	PE		P/B		ROE	Yield
Company	Ticker	22 Sep 26	Cap	2026	2027	2026	2027	2026	2026
		(lcy)	(US\$m)	(x)	(x)	(x)	(x)	(%)	(%)
Regional									
Ccl Products	CCLP IN	1058.3	1,461	27.8	22.3	5.1	4.3	19.8	0.6
Dydo Group	2590 JP	2939	616	17.6	18.3	1.4	1.3	8.4	1.0
Mayora Indah	MYOR IJ	1375	1,718	9.2	8.2	1.5	1.4	17.2	4.4
Nestle (Malaysia)	NESZ MK	90.16	5,176	33.3	31.3	34.0	33.4	106.0	2.9
Carabao	CBG TB	49.5	1,476	17.2	15.2	3.2	2.9	19.5	3.6
Fevertree Drinks	FEVR LN	872.5	1,275	31.5	23.1	5.3	4.9	15.6	2.1
Ito En	2593 JP	3136	1,690	24.7	23.1	2.0	n.a.	8.2	1.7
Vita Coco Co	COCO US	55.98	3,213	28.4	25.4	7.1	5.5	33.1	n.a.
Vitasoy	345 HK	6.785	880	25.1	21.2	2.4	2.2	9.9	2.7
Uni-President	220 HK	7.665	4,219	12.8	12.1	2.1	2.0	16.0	7.8
Average				22.2	19.6	6.4	6.2	25.8	3.7
Food Empire	FEH SP	1.92	984	13.5	12.2	2.5	2.4	19.3	5.2

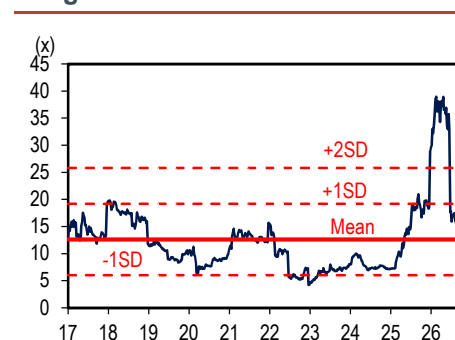
Source: Bloomberg, UOB Kay Hian

Coffee Price Trend (1Y)



Source: Trading Economics, UOB Kay Hian

Long-term Historical PE Band



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

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

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

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

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