Food Empire Holdings (FEH SP)

3Q26: Healthy Growth; Expect Better Margins And Earnings hoh For 2H26

Highlights

- FEH's 9M26 revenue reached a record US$477m (+12% yoy), while 3Q26 revenue rose 6% yoy to US$161m. 9M26 revenue formed 79% of our full-year forecast, ahead of expectations.
- We expect 2H26 net margin and earnings to be better hoh. While 3Q26 revenue growth moderated to 6%, FEH is deliberately prioritising profitability over chasing sales, particularly in Vietnam. This will translate to higher margins.
- Maintain BUY with target price of S$3.00. FEH trades at an attractive 11.4x 2027F PE, a 46% discount to peers' 21x. Its 6.7% yield is also attractive.

9M26/3Q26 Revenue By Key Market

Year to 30 Sep (US$m)	9M26	9M25	yoy%	3Q26	3Q25	yoy%
Total revenue	**476.5**	**426.7**	**11.7**	**161.4**	**152.6**	**5.8**
- Russia	155.5	134.0	16.0	52.3	51.2	2.1
- Southeast Asia (SEA)	117.8	114.5	2.9	38.5	37.0	4.1
- Central Asia	94.8	75.6	25.4	34.3	30.4	12.8
- South Asia	58.1	54.5	6.6	19.5	17.5	11.4
- Europe	35.9	35.3	1.7	10.9	11.5	(5.2)
- Others	14.4	12.8	12.5	5.9	5.0	18.0

Source: FEH, UOB Kay Hian

Analysis

- **Top-line reaches another all-time high.** Food Empire Holdings' (FEH) 9M26 revenue rose 11.7% yoy to a record US$476.5m, forming 79% of our full-year forecast and slightly ahead of expectations. 3Q26 revenue increased 5.8% yoy to US$161.4m, marking the third consecutive quarter of yoy growth. FEH remains on track for its sixth straight year of record revenue.
- **Broad-based growth led by Central Asia and Russia.** Central Asia delivered the strongest 9M26 growth of 25.4% yoy to US$94.8m, driven by higher volumes in Uzbekistan, Turkmenistan and Georgia, stronger Kazakhstan demand and Tenge appreciation. Russia grew 16.0% yoy to US$155.5m and remained FEH's largest market. South Asia/SEA/Europe/Others grew 6.6%/2.9%/1.7%/12.5% yoy respectively.
- **Expect better profitability hoh for 2H26 as management prioritises margins.** Given higher emphasis on margins for 2H26, we expect better earnings of around 7% hoh for 2H26. 3Q26 revenue growth eased to 5.8% yoy amid geopolitical uncertainty, logistics constraints and currency volatility. Central Asia faced Middle East-related supply-chain disruption and higher production and distribution costs, while Europe revenue fell 5.2% yoy. FEH responded by placing greater emphasis on margins while continuing to invest for growth.

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)	14.8	11.1	12.6	11.4	10.7
P/B (x)	2.5	2.1	2.4	2.3	2.1
EV/EBITDA (x)	10.5	7.4	7.4	6.8	6.4
Dividend yield (%)	4.5	6.7	6.7	6.7	6.7
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

Analyst(s)

John Cheong
Johncheong@uobkh.com
+65 6590 6623

Tang Kai Jie
kaijietang@uobkh.com
+65 6590 6624

BUY (Maintained)

Share Price	S$1.79
Target Price	S$3.00
Upside	67.6%
Previous TP	S$3.49

Stock Data

Sector	Consumer Staples
Bloomberg ticker	FEH SP
Shares issued (m)	655.9
Market cap (S$m)	1,174.0
Market cap (US$m)	913.8
3-mth avg daily t'over (US$m)	2.5

Price Performance (%)

52-week high/low				S$2.858/S$1.75
1mth	**3mth**	**6mth**	**1yr**	**YTD**
(5.3)	(28.7)	(29.6)	(8.6)	(10.5)

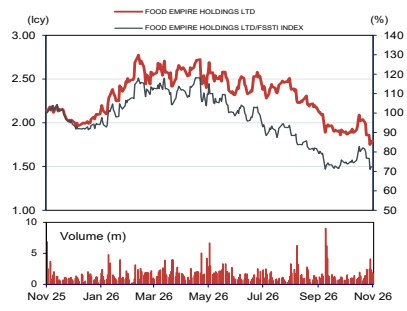
Major Shareholders (%)

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.

- **Capacity additions support the next phase of growth.** The new Khorgos coffee-mix facility in Kazakhstan, which started production in 1H26, should improve operating efficiency and mitigate logistics pressures as utilisation rises. The India spray-dried coffee expansion remains on track for end-27 and will raise capacity by 60%, while the new Vietnam freeze-dried facility targeted for 2028 will lift capacity by 120%.
- **Russia remains resilient.** 9M26 Russia revenue rose 16.0% yoy to US$155.5m despite higher market volatility in 3Q26. FEH's more than 30-year market presence, local manufacturing since 2006, established distribution infrastructure and continued brand investment underpin the resilience of its largest market.
- **Profitability takes priority in Vietnam.** SEA revenue grew 2.9% yoy to US$117.8m in 9M26. After two years of heavy brand investment, CaféPHỐ is now among Vietnam's leading brands, particularly in iced coffee. FEH expects near-term SEA revenue growth to be more measured as it balances sales growth with margins.
- **Well positioned to navigate changing conditions and pursue sustainable growth.** FEH's established brands, strong market positions and broad-based presence across markets and products underpin the resilience of its business. FEH remains committed to actively balance growth with margins in an extremely volatile environment, to maximise shareholder value. FEH's healthy balance sheet provides flexibility to keep investing in the business, in its brands and in capacity expansion. FEH continues to watch input costs and geopolitical developments closely, but it is confident in the long-term fundamentals and the outlook for 2026 and beyond.

Valuation/Recommendation

- **Maintain BUY** with a 14% lower target price of S$3.00, pegged to 19.5x 2027F PE or 1SD above the long-term average. We have rolled over our valuation base year and reduced the PE multiple peg from 25.5x (+2SD above mean) to reflect the general industry derating. FEH trades at only 11.4x 2027F PE, a 46% discount to the peer average of 21x. It also offers an attractive yield of 6.7% for 2026.

Earnings Revision/Risk

- No changes to our earnings forecasts.

Share Price Catalyst

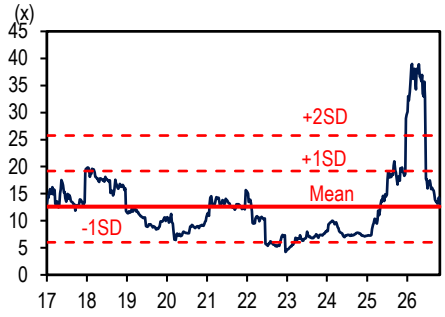
- a) Better-than-expected earnings, and b) higher-than-expected dividends.

Coffee Price Trend (1Y)



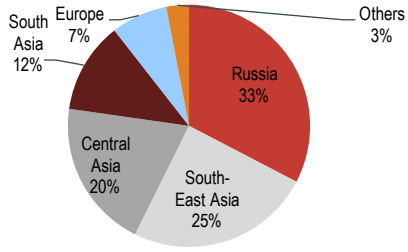
Source: Trading Economics, UOB Kay Hian

Long-term Historical PE Band



Source: Bloomberg, UOB Kay Hian

9M26 Revenue By Geography



Source: FEH, UOB Kay Hian

Capacity Expansion Pipeline

Facility	Location	Timeline	Capacity Increase
Spray-dried coffee (Phase 2)	India	2027	+60%
Freeze-dried coffee facility	Vietnam	2028	+120%

Source: FEH

Peer Comparison

		Price @	Market	PE		P/B		ROE	Yield
Company	Ticker	12 Nov 26	Cap	2026	2027	2026	2027	2026	2026
		(lcy)	(US$m)	(x)	(x)	(x)	(x)	(%)	(%)
Regional									
Ccl Products	CCLP IN	995.2	1,413	26.3	21.3	4.8	4.1	19.5	0.6
Dydo Group	2590 JP	3110	645	18.6	19.3	1.4	1.4	8.4	1.0
Mayora Indah	MYOR IJ	1470	1,802	9.9	9.0	1.6	1.5	17.0	4.1
Nestle (Malaysia)	NESZ MK	94.94	5,458	32.3	31.7	38.0	36.6	117.6	3.1
Carabao	CBG TB	55.75	1,650	19.6	17.2	3.6	3.3	19.6	3.1
Fevertree Drinks	FEVR LN	961.5	1,398	34.8	25.4	5.8	5.4	15.7	1.9
Ito En	2593 JP	3359	1,793	29.7	25.3	1.8	1.5	7.6	1.5
Vita Coco Co	COCO US	65.31	3,727	31.5	29.9	9.0	6.8	32.5	n.a.
Vitasoy	345 HK	6.105	787	22.6	19.1	2.1	2.0	9.9	2.9
Uni-President	220 HK	8.485	4,672	14.3	13.7	2.3	2.3	16.0	7.0
Average				**23.6**	**21.0**	**7.0**	**6.4**	**26.7**	**3.4**
Food Empire	FEH SP	1.79	914	12.6	11.4	2.4	2.2	19.3	6.7

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

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