UPDATE | Food & Beverage ▪ SINGAPORE

FOOD EMPIRE HOLDINGS LTD

(FEH SP / F03.SI)

Reactive playbook validated; model resets to a steadier, capacity-led growth path

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Investment Highlights

- **1H26 validates the growth thesis.** Revenue rose 15.0% to US$315.1m and normalised NPAT increased 12.2% to US$35.3m. Russia (+24.6%) and Central Asia (+33.6%) led broad-based regional growth, while gross margin held at 33.0%.
- **We upgrade FY26 but reset the outer years.** The revised sales forecast lifts FY26F revenue 1.4% to US$651.7m after anchoring to reported 1H26 but lowers FY27F/FY30F by 4.2%/7.6%. We now allow RUB/KZT translation to normalise and align growth with capacity timing.
- **Capacity is the next leg; cash conversion is the near-term cost.** Khorgos contributes from 2H26, India adds c.60% capacity by end-2027 and Vietnam is due in 2028. Meanwhile, promotion, receivables and capex compressed operating margin and drove conventional FCF to negative US$4.1m in 1H26.
- **The lower screen price is mostly mechanical.** The 1-for-5 bonus raised issued shares 20% and cut per-share values 16.7%. The old S$3.70 TP restated to S$3.08; versus S$3.18 TP today, the like-for-like TP rose by 3.3%.

Valuation & Action.

We reiterate our **OUTPERFORM** rating with a **S$3.186** 12-month DCF target (10% WACC, 2% terminal growth), implying 35.0% upside from S$2.36. Although the target is c.14.1% below the unadjusted S$3.70 headline, it is 3.3% above the bonus-adjusted prior target.

Risks.

Key downside risks include RUB/KZT depreciation, robusta-cost pressure, over-broad promotions, conflict-driven freight and energy inflation, slower India/Vietnam execution, weaker South Asia profitability, and terminal-value sensitivity.

OUTPERFORM	
Last close (S$)	2.360
12M Target Price (S$)	3.186
Adj. Previous TP (S$)	3.08
Upside / (Downside) (%)	35.0%
TRADING DATA	
Market Cap (S$mn)	1,558.67
Issued Shares (mn)	660.45
3M Avg Daily Vol (mn)	1.36
3M Avg Daily Val (S$mn)	3.33
Free Float (%)	41.56
MAJOR SHAREHOLDERS (%)	
Universal Integrated	24.00
Nair Sudeep	13.14
Tan Guek Ming	11.51

Financials & Key Operating Statistics

YE Dec (US$'mn)	FY24A	FY25A	FY26A	FY27A	FY28A
Revenue	476.3	576.9	642.7	703.7	763.9
Net Income	52.9	68.6	94.7	108.6	127.5
Adj. EPS (USD$ cents)	7.99	10.36	14.32	16.41	19.27
EPS growth (%)	(6.4%)	29.7%	38.2%	14.6%	17.4%
Adj. DPS (S$ cents)	6.39	9.91	13.70	15.70	18.43
Div Yield (%)	2.7%	4.2%	5.8%	6.7%	7.8%
Net Profit Margin (%)	11.1%	12.4%	13.1%	11.9%	11.9%
P/E (x)	7.9x	8.3x	7.6x	8.0x	7.7x
P/B (x)	5.3x	4.2x	3.6x	3.2x	2.7x

Source: Company data, KGI Research estimates

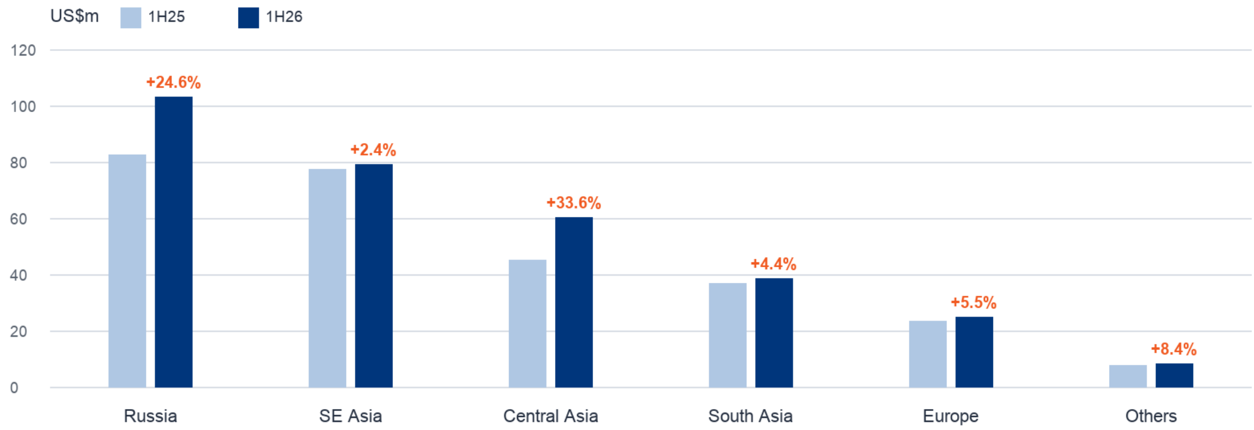
Business Updates

1H26: growth held, reinvestment capped margins

Revenue increased 15.0% to US$315.1m, gross profit rose 15.3% and gross margin held at 33.0%. Russia benefited from volume growth, heavier brand support and a 12.3% average RUB appreciation; Central Asia was volume-led across Kazakhstan, Uzbekistan and Turkmenistan. Southeast Asia rose only 2.4%, although Vietnam remained more than 60% of that segment, while India operated at near-full capacity.

Quality was solid but not clean. Selling and marketing grew 29.7%, operating margin fell 64bp to 15.0% and normalised NPAT growth trailed revenue at 12.2%. Operating cash flow declined to US$26.1m as receivables expanded, while US$30.1m of cash capex drove conventional FCF to negative US$4.1m (management's broader definition was -US$1.7m). Net cash was US$87.8m before REN and leases.

Figure 1: Broad-based 1H26 revenue growth by geography



Source: Food Empire 1H26 financial statements, pp. 11–12; KGI Research

From the FY25 rerating thesis to 1H26 proof

Since our 9 March FY25 report, shareholders approved the AGM resolutions on 17 April; 1Q26 revenue reached a record US$159.7m (+16.9%) and the bonus was proposed on 13 May; final and special FY25 dividends were paid on 14 May; Amrish Rungta became Group COO on 25 May; and 110.3m bonus shares were issued on 9 June and listed around 12 June. The 12 August 1H26 release added a S$0.04 interim dividend, payable 10 September.

Operationally, Khorgos is now running and should contribute from 2H26 at 40%-60% capacity; India remains scheduled for an approximately 60% capacity increase by end-2027; and Vietnam freeze-dried capacity remains a 2028 catalyst. The group also broadened index visibility and received brand awards. These support the franchise but do not change our forecasts; the model is driven by reported revenue, FX normalisation, capacity gates and margin-aware allocation.

Outlook

Near-term drivers

- **Khorgos ramp:** local Central Asia production and more efficient logistics support 2H26 volumes.
- **Price/mix discipline:** targeted promotions must defend gross margin while coffee and freight costs stay volatile.
- **Capacity allocation:** prioritise higher-contribution India contracts until end-2027; Vietnam expands supply from 2028.

Estimate revisions

FY26F revenue rises US$8.9m (+1.4%) to US$651.7m as Russia and Central Asia more than offset cuts to Southeast and South Asia. From FY27F, we reverse temporary FX translation, use slower mature-market growth, respect India's pre-expansion capacity ceiling and defer Vietnam's larger lift to 2028. Consequently, FY26–30 revenue CAGR falls from 7.5% to 5.0% and FY30F is US$65.5m below the prior build.

Valuation

Valuation summary

- **DCF basis:** FY26–30 FCF of US$77.0m–137.5m, 10% WACC and 2% terminal growth produce US$1.51bn EV and S$3.186 per share at USD/SGD 1.28.
- **Bonus basis:** the 1-for-5 issue multiplies shares by 1.2 and divides per-share prices by 1.2; it does not change equity value. The prior S$3.70 TP restates to S$3.08.
- **Bridge sensitivity:** the supplied DCF uses FY25 cash/debt. Substituting 30 June cash of US$151.3m and loans of US$63.5m gives S$3.09; treating the US$37.2m REN and US$11.5m leases as debt-like gives S$2.99.

Figure 2: KGI's DCF model

DCF VALUATION *All amounts in S$'000 unless otherwise stated*			*Projected*		
Year ended 31 Dec	**2026**	**2027**	**2028**	**2029**	**2030**
EBIT	114,959	132,463	154,298	163,329	171,713
Tax rate	17.0%	17.0%	17.0%	17.0%	17.0%
EBIT (1-T)	**95,416**	**109,945**	**128,067**	**135,563**	**142,522**
(+) D&A	19,405	22,246	26,110	27,811	29,292
(-) Change in NWC	(11,578)	(2,314)	(4,841)	(6,774)	(6,289)
(-) Capex	(26,273)	(27,191)	(27,320)	(27,787)	(28,023)
Free Cash Flow	**76,969**	**102,685**	**122,017**	**128,814**	**137,501**
Free Cash Flow to Firm	76,969	102,685	122,017	128,814	137,501
Terminal Value					1,753,139
Total FCFF to be Discounted	**76,969**	**102,685**	**122,017**	**128,814**	**1,890,640**
PV of Free Cash Flow	**69,972**	**84,864**	**91,673**	**87,981**	**1,173,939**
Enterprise Value	**1,508,429**				
(-) Debt	45,989				
(+) Cash	181,537				
Equity Value	**1,643,977**				
Diluted Shares Outstanding ('000)	660,451				
Fair Value / Share (US$)	**2.489**				
USD/SGD	1.28				
Fair Value / Share (S$)	**3.186**				
Current Share Price (S$)	2.360				
Upside / (Downside)	**35.0%**				

Source: KGI Research

Changes in our sales forecast

The prior model fails to recognise differentiated geographic outputs. The new build formula-rolls each region, separates Central Asia from Europe/Ukraine from FY24 and removes legacy zero-base growth errors. More importantly, it shifts from a blended recovery curve to differentiated drivers: reported 1H26 and 2H26 run-rates in the near term, then explicit FX normalisation, capacity gates and margin-aware growth thereafter.

Figure 3: Revenue forecast revisions by geography (US$m)

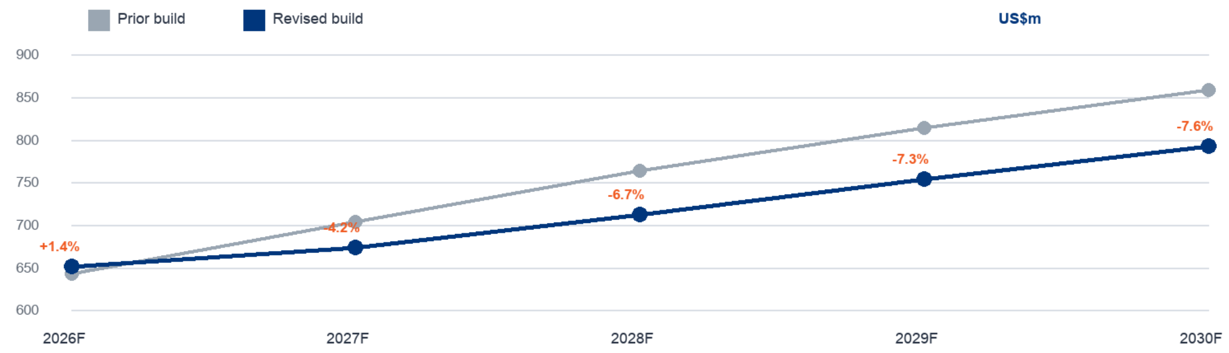
Region	FY26 previous est→ current est	Δ FY26	FY30 previous ets → current est	Δ FY30	KGI's assumptions
Total	642.7 → 651.7	+8.9	859.0 → 793.5	-65.5	1H26 anchor; slower mature-market and terminal growth
Russia	206.3 → 225.4	+19.1	245.9 → 234.4	-11.6	Volume/RUB in FY26; translation normalises from FY27
Central Asia	122.4 → 127.4	+5.1	177.2 → 168.6	-8.6	Khorgos ramp; more measured KZT/volume assumptions
SE Asia	165.5 → 155.2	-10.3	223.0 → 201.5	-21.5	1H26 sales +2.4%; material capacity only in 2028
South Asia	79.5 → 74.5	-5.0	124.8 → 104.9	-19.9	Near-full capacity until end-2027; prioritise higher contribution
Europe	52.5 → 51.5	-1.0	71.4 → 63.5	-7.9	Ukraine growth retained, but war/freight risk lowers trajectory
Others	16.6 → 17.6	+1.0	16.6 → 20.6	+4.0	Normalised 4% growth; least-supported model assumption

Source: KGI Research

A stronger FY26 anchor, followed by a lower terminal run-rate

The revised model lifts FY26F revenue by US$8.9m because reported 1H26 and segment-specific 2H26 assumptions replace the prior blended recovery curve. Russia contributes US$19.1m of the upgrade and Central Asia US$5.1m, more than offsetting cuts to Southeast Asia, South Asia and Europe. From FY27F, the model removes temporary FX translation and explicitly respects capacity timing.

Figure 4: KGI's sales model revision (US$m)



Source: KGI Research

Developments Since Our FY25 Report

Event ledger from 9 March through 17 August 2026

The operating thesis changed through reported trading, capacity milestones and the share bonus—not through a single transformational event. We separate forecast-changing disclosures from visibility, governance and routine capital-market updates below.

Figure 5: Food Empire event ledger

Date	Development	Investment implication
7 Apr	CaféPHO received a Top Influential Brand award	Supports Vietnam brand equity; no forecast change
17 Apr	AGM resolutions approved	Preserved capital-allocation and share-issuance mandates
4 May	MacCoffee again ranked among Top 100 Singaporean Brands	Franchise visibility; no direct model impact
13 May	Record 1Q26 revenue of US$159.7m (+16.9%); 1-for-5 bonus proposed	Raised FY26 revenue anchor; created need to restate per-share data
14 May	FY25 final S$0.05 and special S$0.04 dividends paid	FY25 total DPS was S$0.12 including interim
25 May	Amrish Rungta appointed Group COO; Tan Joon Hong retired	Execution ownership broadened during capacity ramp
28 May	MacCoffee Uzbekistan retained leading 3-in-1 recognition	Supports Central Asia brand strength
9–12 Jun	110.3m bonus shares issued and listed; issued shares rose to 661.7m	Mechanical 16.7% reduction in per-share price/TP/EPS base
1H26	US$5.1m of treasury shares acquired; REN proceeds deployed to Kazakhstan/Vietnam	Capital returns continued alongside growth capex
12 Aug	1H26 results released; S$0.04 interim dividend declared	Confirmed broad growth; dividend equals S$0.048 on old basis
Through 17 Aug	Additional index inclusion and brand/enterprise recognition	May improve liquidity and awareness; no forecast change

Source: KGI Research

Capital returns remain meaningful

Management reports S$261.5m of cumulative shareholder returns from FY21 through 1H26, comprising S$222.4m of dividends and S$39.1m of buybacks. The new S$0.04 interim dividend is nominally 33% above 1H25's S$0.03, but the prior dividend was not bonus-restated: four post-bonus cents equal 4.8 pre-bonus cents, a 60% like-for-like increase.

Awards, index additions and routine treasury/share-plan movements matter for visibility and technical liquidity, but we do not use them as earnings catalysts. The forecast-changing events are the record 1Q/1H run-rate, Khorgos start-up, capacity timing, working-capital intensity and the new post-bonus denominator.

Financial Summary

INCOME STATEMENT (US$'mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	476.3	576.9	642.7	703.7	763.9
Cost of sales	(332.0)	(383.4)	(423.6)	(424.9)	(434.9)
Gross profit	**144.4**	**193.5**	**219.1**	**278.9**	**328.9**
Selling & marketing expenses	(36.1)	(48.7)	(55.0)	(56.9)	(60.1)
Administrative expenses	(45.0)	(51.5)	(58.2)	(60.2)	(63.6)
Other operating gains/(expenses)	17.8	(12.5)	21.5	(15.7)	(36.5)
EBITDA	**81.1**	**80.9**	**127.5**	**146.0**	**168.7**
Depreciation & amortisation	(12.3)	(8.9)	(9.2)	(9.1)	(9.2)
Operating profit (EBIT)	**68.8**	**72.0**	**118.3**	**136.9**	**159.5**
Net finance income / (cost)	(0.3)	(4.6)	(0.8)	(1.6)	(0.7)
Other gains / (losses)	(3.3)	(7.7)	(3.3)	(4.4)	(5.2)
Profit before tax	**65.2**	**59.7**	**114.1**	**130.9**	**153.6**
Tax expense	(12.3)	(23.7)	(19.4)	(22.2)	(26.1)
Minority interests	-	0.0	0.0	0.0	0.0
Adj. Net profit (PATMI)	**52.9**	**68.6**	**94.7**	**108.6**	**127.5**
Adj. EPS (US$ cents)	7.99	10.36	14.32	16.41	19.27
Adj. DPS (SG$ cents)	6.39	9.91	13.70	15.70	18.43

CASH FLOW STATEMENT (US$'mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before tax	65.2	59.7	114.1	130.9	153.6
Depreciation & amortisation	11.8	12.7	9.0	9.4	9.3
Working capital changes	(38.3)	(0.8)	(11.6)	(2.3)	(4.8)
Tax paid	(11.8)	(23.7)	(19.4)	(22.2)	(26.1)
Other operating items	(1.4)	39.2	(0.8)	(1.3)	(2.7)
Operating cash flow	**25.5**	**87.1**	**91.4**	**114.5**	**129.2**
Capex	(24.4)	(22.2)	(13.0)	(13.5)	(12.8)
Interest received	4.3	4.3	5.9	7.0	8.5
Other investing items	1.8	(3.7)	(13.2)	(13.7)	(14.5)
Investing cash flow	**(18.3)**	**(21.6)**	**(20.4)**	**(20.2)**	**(18.8)**
Net debt drawdown / (repayment)	3.1	5.8	7.7	0.3	1.5
Dividends paid	(39.2)	(45.1)	(37.9)	(43.4)	(51.0)
Equity issuance / (buyback)	(6.2)	(5.6)	-	-	-
Other financing items	1.6	1.6	1.6	1.6	1.6
Financing cash flow	**(5.7)**	**(17.4)**	**(34.7)**	**(48.7)**	**(54.9)**
Net change in cash	**1.4**	**48.0**	**36.3**	**45.6**	**55.5**
Beginning cash	**131.3**	**130.9**	**180.8**	**217.1**	**262.7**
Ending cash	**132.7**	**178.9**	**217.1**	**262.7**	**318.2**

BALANCE SHEET (US$'mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	130.9	181.5	217.1	262.7	318.2
Trade and other receivables	54.0	59.3	64.0	66.2	70.0
Inventories	110.8	126.7	131.2	131.5	134.6
Other current assets	10.1	19.3	19.3	19.3	19.3
Current assets	**305.7**	**386.8**	**431.5**	**479.7**	**542.1**
Property, plant & equipment	118.7	130.8	138.1	145.7	153.0
Right-of-use Assets	12.6	21.5	31.5	41.9	52.9
Other non-current assets	23.1	27.2	26.3	26.9	27.7
Non-current assets	**154.4**	**179.5**	**195.9**	**214.5**	**233.5**
Total assets	**460.1**	**566.3**	**627.5**	**694.3**	**775.7**
Trade payables	55.8	71.4	70.3	70.5	72.2
Short-term borrowings	27.9	24.3	29.7	29.7	30.4
Other current liabilities	15.7	24.0	23.2	23.3	23.9
Current liabilities	**99.3**	**119.7**	**123.1**	**123.6**	**126.5**
Long-term borrowings	11.6	21.7	24.1	24.3	25.0
Other non-current liabilities	53.1	54.6	53.3	54.2	55.4
Non-current liabilities	**64.7**	**76.3**	**77.3**	**78.5**	**80.4**
Total liabilities	**164.0**	**196.0**	**200.4**	**202.0**	**206.9**
Shareholders' equity	309.7	372.4	429.3	494.4	570.9
Treasury Shares	(15.9)	(4.5)	(4.5)	(4.5)	(4.5)
NCI	2.3	2.3	2.3	2.3	2.3
Total equity	**296.1**	**370.2**	**427.1**	**492.2**	**568.7**

KEY RATIOS & VALUATION	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue growth (%)	11.9%	(6.8%)	3.1%	4.2%	3.4%
Gross margin (%)	30.3%	23.5%	25.5%	24.0%	24.0%
EBITDA margin (%)	17.0%	17.8%	19.5%	17.8%	17.7%
Net profit margin (%)	11.1%	12.4%	13.1%	11.9%	11.9%
ROE (%)	18.0%	9.1%	9.4%	8.5%	8.3%
ROA (%)	11.5%	8.3%	8.7%	7.8%	7.7%
Net debt / equity (x)	(0.3x)	(0.5x)	(0.5x)	(0.5x)	(0.6x)
Net debt / EBITDA (x)	(1.1x)	(4.0x)	(3.8x)	(4.3x)	(4.5x)
P/E (x)	7.9x	8.3x	7.6x	8.0x	7.7x
EV/EBITDA (x)	8.2x	9.7x	8.9x	9.6x	9.7x
P/NAV (x)	0.2x	0.1x	0.1x	0.1x	0.1x
Dividend yield (%)	3.8%	5.5%	5.3%	5.0%	5.2%

Source: Company, KGI Research estimates

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Neutral (N)	We take a neutral view on the stock. The stock is expected to perform in line with the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
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Not Rated (NR)	The stock is not rated by KGI Securities.
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