



# Food Empire Holdings Ltd.

(FEH SP/ F03.SI)

## Reactive playbook paying off, diversification becomes the edge

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- FY25 was a step change year.** Revenue reached US\$576.9m (+21.1% YoY) and normalised NPAT rose to US\$68.6m (+37.0% YoY). The Group proposed a record dividend of S\$0.12 per share for FY25.
- Management continues to run a reactive playbook on market share versus margin.** In Russia, they leaned into a 10% RUB appreciation and stepped-up marketing and in store execution, driving FY25 Russia revenue +34.8% YoY and +20.9% in local currency terms.
- Vietnam remained the growth engine in Southeast Asia.** Food Empire raised prices modestly to reflect coffee costs while increasing marketing to gain share, delivering Southeast Asia revenue +14.3% YoY in FY25.
- We see scope for margin upside versus FY25.** We forecast ~14.5% NPM through FY26 and gradually ramping up as coffee costs moderate and FY25 marketing intensity normalises, supported by utilisation ramp in Kazakhstan and ingredients capacity in Southeast Asia.
- FY25 financial results.** Food Empire Holdings reported higher revenue of US\$576.9mn for FY25, up 21.1% YoY, compared to US\$476.3mn in FY24, led by strong growth across its key markets on resilient consumer demand. The company's topline was supported by higher sales volume and pricing actions, alongside currency appreciation in several operating markets versus the US dollar despite elevated coffee input costs. Food Empire also reported an operating profit of US\$93.4mn in FY25, up 47.5% YoY, compared to US\$63.3mn in FY24, reflecting operating leverage and disciplined cost management. Normalised net profit after tax rose by 37.0% to US\$68.6mn in FY25, compared to US\$50.0mn in FY24.

### Financials & Key Operating Statistics

YE Dec (US\$'000)	2024	2025	2026F	2027F	2028F
Revenue	476.3	576.9	642.7	703.7	763.9
Net Income	52.9	36.0	93.4	113.5	136.4
EPS (cents)	13.1	8.9	23.1	28.0	33.7
EPS growth (%)	-6.4%	-32.0%	159.8%	21.4%	20.2%
DPS (Sing cents)	8.0	10.0	9.2	11.2	13.5
Div Yield (Y%)	2.6%	3.3%	3.0%	3.7%	4.4%
Net Profit Margin (%)	11.1%	6.2%	14.5%	16.1%	17.9%
Net Debt/ (Net Cash) Gearing (%)	(28.8%)	(33.5%)	(35.8%)	(39.2%)	(43.1%)
ROA (%)	11.5%	6.4%	15.0%	16.1%	17.2%
ROE (%)	17.9%	9.7%	21.9%	22.9%	23.7%

Source: KGI Research

Outperform - Company Update		Performance (Absolute)	
Price as of 6 Mar 26 (SGD)	3.08	1 Month (%)	8.8
12M TP (\$)	3.70	3 Month (%)	24.4
Previous TP (\$)	2.69	12 Month (%)	172.2
Upside, incl div (%)	23.1%		
Trading data		Perf. vs STI Index (Red)	
Mkt Cap (\$mn)	1,688		
Issued Shares (mn)	548		
Vol - 3M Daily avg (mn)	1.13		
Val - 3M Daily avg (\$mn)	3.13		
Free Float (%)	41.50%		
Major Shareholders		Previous Recommendations	
Universal Integrated Corp. C	24.1%	5-Nov-26 (OP)	2.69
Nair Sudeep	13.0%	17-Mar-25 (OP)	1.4
Tan Guek Ming	11.6%	23-Aug-24 (OP)	1.35

**Valuation & Action:** We maintain an **OUTPERFORM** recommendation and increase our TP to **S\$3.70** from S\$2.69, based on a Discounted Cash Flow (DCF) valuation with a terminal growth rate of 2% and a WACC of 10.0%, representing an upside of 23.1%.

We believe the rerating is underpinned by Food Empire's decade long diversification playbook that allows it to re-allocate profit pools across markets, using margin strength in Russia and Central Asia to fund disciplined share gains in Southeast Asia, particularly Vietnam. We also expect demand to remain resilient across key markets, supported by continued brand investments and capacity ramps, including the commencement of production at the Kazakhstan coffee mix facility in 1Q26 and Malaysia snacks expansion in 2Q26. Our model reflects a higher NPM forecast of ~14.5% versus consensus, premised on coffee input costs moderating from FY25 highs and a structural normalisation in sales and marketing intensity following the FY25 share capture phase, while utilisation improvements in ingredients and new capacity should further support operating leverage through FY26 to FY30.

**Risk:** The company is exposed to currency translation risk as it operates its business in several key markets and coffee input costs.

## Industry Outlook

### Coffee Volatility Persist, Execution becomes the Differentiator

The instant beverages and ingredients complex should remain structurally supported into FY26, underpinned by steady at home consumption, convenience led penetration in emerging markets, and continued premiumisation within affordable daily staples like 3 in 1 coffee and milk tea. That said, the near-term earnings envelope remains driven by input cost and FX, with coffee still the swing factor as climate related supply disruptions keep volatility elevated, forcing the sector to rely on calibrated pricing, pack architecture, and mix management rather than assuming a straight-line margin recovery. In this context, the winners should be brand owners with proven route to market, the ability to defend shelf space through marketing and in store execution, and sufficient geographic diversification to re-allocate spending and protect group profitability when one market tightens. We also expect competition to stay rational but intense in high growth markets such as Vietnam, where share gains are increasingly a function of execution and distribution depth rather than pure pricing. Finally, incremental capacity additions in Asia ingredients and downstream manufacturing should support medium term volume and absorption upside for scaled operators, especially as the cost cycle normalises and freight and working capital headwinds ease from recent peaks.

## Company Outlook

### Geography remains the diversification engine

Food Empire re-categorised its revenue into five main geographies in FY25. The FY24 comparative was restated. The segment revenue for ingredients is allocated by factory location, while other sales are allocated by customer location.

Figure 1: Revenue by Geographical Segment

FY25 segment revenue (US\$ m)	FY25	FY24	YoY
Russia	191.0	141.7	34.8%
South East Asia	147.8	129.4	14.3%
Central Asia	102.0	81.2	25.6%
South Asia	71.0	61.4	15.7%
Europe	48.6	45.2	7.6%
Others	16.6	17.5	-5.3%

Source: KGI Research

- **Central Asia** was the best performing segment in FY25. Kazakhstan led growth, supported by improved in store execution and full year consolidation of Tea House. We expect momentum to extend into FY26 as the new Kazakhstan facility commences production and ramps.
- **South Asia** demand remained robust on higher volumes and price adjustments. With plants near full utilisation, the India spray dried expansion in FY27 is a meaningful capacity unlock.
- **Europe** was unexpectedly resilient in FY25. Ukraine held up despite uncertainty, but we expect near term volume growth to be modest.

## Business Update

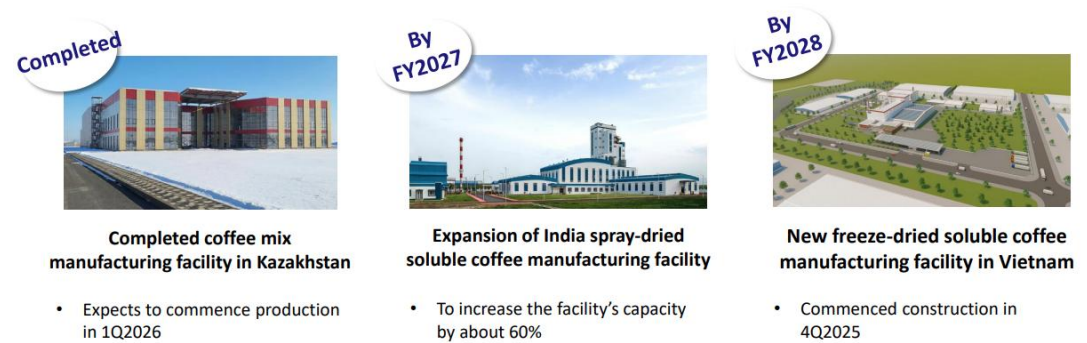
### Reactive execution and profit pool reallocation underpin the re-rating case

Russia remains the key profit pool, and management used FY25 currency strength to lean into brand investment and shelf execution, driving incremental volume while maintaining pricing discipline. In contrast, Vietnam is the share gain battlefield: the company lifted pricing modestly to reflect elevated coffee costs, but simultaneously stepped-up marketing and targeted in store execution to capture share, a strategy enabled by stronger sales economics in Russia. We view this ability to re allocate resources across markets as an underappreciated moat. With Russia and Central Asia acting as the margin engine, Food Empire can stay aggressive in Southeast Asia without structurally impairing group profitability, effectively optimising the P&L across the cycle rather than managing each geography in isolation.

### Capacity ramp supports growth and margin resilience

Capacity expansion remains a visible medium-term support for both growth and margin resilience. Management expects the Kazakhstan coffee mix facility and Malaysia snacks expansion to commence production in 1Q26 and 2Q26 respectively, with utilisation ramping over the subsequent 2 to 3 years, which should lift throughput and improve fixed cost absorption as volumes scale. Within ingredients, Southeast Asia still has meaningful headroom: non-dairy creamer utilisation was estimated at ~60% in FY25, with a stated target to exceed 80% by FY27, implying a credible pathway to operating leverage without disproportionate incremental capex. South Asia, in contrast, remains capacity constrained, with two plants running near full utilisation, and the planned India spray dried soluble coffee facility expected to complete in FY27, adding ~60% capacity and providing the next step change in volume capacity to support demand.

Figure 2: Food Empire’s Capacity Expansion Projects



Source: Company Data

## Valuation

### Net Margin Expansion

Our ~14.5% NPM assumption is built on three levers. First, coffee input costs should ease from FY25 highs, improving gross margin and reducing the need for repeated price resets. The World Bank projects beverage prices to fall 6% in 2026 and a further 7% in 2027 as coffee and cocoa supplies recover, although weather risk remains a swing factor. Second, we expect sales and marketing to normalise from FY25 elevated levels, after rising 34.8% YoY in FY25, as the Vietnam share gain push matures. Third, higher utilisation in Kazakhstan and ingredients should improve fixed cost absorption and reduce unit costs. On FX, FY25 benefited from RUB appreciation. We assume RUB levels off from its FY25 strength rather than repeating a similar appreciation, which reduces translation tailwinds but improves planning visibility. A stable currency backdrop should support more disciplined price and promotion decisions and help sustain the margin step up we underwrite.

**Figure 3: Coffee Prices vs Food Empire's NPM**



Source: Bloomberg, KGI Research

**Valuation update**

We raise our 12-month TP to **S\$3.70** from S\$2.69, based on a DCF with **10% WACC** and **2% terminal growth**. The DCF captures the margin step up we expect as coffee costs moderate and marketing intensity normalises, while preserving downside protection through conservative terminal growth.

**Figure 4: Free Cash Flow Calculations**

Free Cash Flow Calculation (US\$'mn)	2024	2025	2026F	2027F	2028F	2029F	2030F
Earnings before Income Tax	65.2	59.7	112.6	136.7	164.3	176.2	186.0
Add: Interest	0.3	4.6	0.8	1.5	1.0	0.1	-0.2
Operating Profit (EBIT)	65.5	64.3	113.4	138.2	165.3	176.3	185.9
Less: Tax	12.3	23.7	19.1	23.2	27.9	29.9	31.6
Add: Depreciation & Amortisation	11.7	12.3	8.8	9.6	9.8	9.9	9.9
Less: Changes in working capital	38.3	0.8	10.1	8.6	8.3	8.2	7.2
Less: Capital Expenditures	24.4	26.0	25.9	28.4	29.3	30.0	30.3
FCFF	2.1	26.2	67.0	87.6	109.6	118.0	126.6
Terminal Value	-	-	-	-	-	-	1,614.0
Total FCFF	2.1	26.2	67.0	87.6	109.6	118.0	1,740.6
Period			1.0	2.0	3.0	4.0	5.0
Discount Factor			0.9	0.8	0.8	0.7	0.6
PV FCFF			60.9	72.4	82.3	80.6	1,080.8

Source: KGI Research

**Figure 5: Financial Valuation**

Valuations (US\$'000)	
Discounted Cash Flow (DCF)	
Terminal Growth Rate	2.0%
Expected Return/ WACC (%)	10.0%
Sum of PV FCFF	1,377,032.5
Less: Net Debt	124,101.0
Less: Interest*(1-Tax)	(3,666.7)
Implied Equity Value	1,497,466.8
Diluted Shares	526,054,399
Implied 12M-TP (US\$)	2.85
Implied 12M-TP (S\$)	<b>3.70</b>
Upside (%)	20.1%

Source: KGI Research

**Financial Summary**

FYE December					
<b>Income Statement</b>	<b>2024</b>	<b>2025</b>	<b>2026F</b>	<b>2027F</b>	<b>2028F</b>
<b>Revenues</b>	<b>476.3</b>	<b>576.9</b>	<b>642.7</b>	<b>703.7</b>	<b>763.9</b>
Cost Of Goods Sold	(332.0)	(383.4)	(417.8)	(443.4)	(466.0)
<b>Gross Profit</b>	<b>144.4</b>	<b>193.5</b>	<b>225.0</b>	<b>260.4</b>	<b>297.9</b>
Selling & Marketing Expense	(36.1)	(48.7)	(54.2)	(59.4)	(64.4)
General & Administrative Expenses	(45.0)	(51.5)	(57.4)	(62.8)	(68.2)
Other Operating Income/(Expense)	2.7	(30.7)	–	–	–
Interest Income and Others	(0.8)	(3.0)	(0.8)	(1.5)	(1.0)
<b>Profit Before Income Tax</b>	<b>65.2</b>	<b>59.7</b>	<b>112.6</b>	<b>136.7</b>	<b>164.3</b>
Income Tax Expense	(12.3)	(23.7)	(19.1)	(23.2)	(27.9)
<b>Net Income</b>	<b>52.9</b>	<b>36.0</b>	<b>93.4</b>	<b>113.5</b>	<b>136.4</b>
<b>Balance Sheet</b>	<b>2024</b>	<b>2025</b>	<b>2026F</b>	<b>2027F</b>	<b>2028F</b>
Cash and cash equivalents	130.9	181.5	217.2	262.1	320.0
Inventories	110.8	126.7	129.4	137.3	144.3
Trade receivables	49.5	55.5	58.5	64.1	69.6
Other receivables, deposits and prepayments	12.2	21.2	22.1	22.5	22.9
Other current assets	2.3	1.8	1.8	1.8	1.8
<b>Total current assets</b>	<b>305.7</b>	<b>386.8</b>	<b>429.0</b>	<b>487.7</b>	<b>558.5</b>
Property, plant and equipment	118.7	130.8	138.0	146.0	153.7
Right-of-use Assets	12.6	21.5	31.4	42.2	54.0
Deferred tax assets	3.9	5.0	4.0	4.9	5.9
Other non-current assets	19.2	22.2	22.2	22.2	22.2
<b>Total non-current assets</b>	<b>154.4</b>	<b>179.5</b>	<b>195.7</b>	<b>215.3</b>	<b>235.8</b>
<b>Total assets</b>	<b>460.1</b>	<b>566.3</b>	<b>624.6</b>	<b>703.0</b>	<b>794.3</b>
Trade Payables and Accruals	55.8	71.4	69.3	73.5	77.3
Other Payables	6.3	11.3	9.6	10.2	10.7
Bank Borrowings & Lease Liabilities	30.3	27.3	32.5	34.6	36.5
Other current liabilities	7.0	9.7	10.0	10.4	10.7
<b>Total current liabilities</b>	<b>99.3</b>	<b>119.7</b>	<b>121.4</b>	<b>128.8</b>	<b>135.3</b>
Bank Borrowings & Lease Liabilities	15.4	30.2	32.2	33.9	35.3
Other non-current liabilities	49.2	46.1	44.7	46.0	47.5
<b>Total non-current liabilities</b>	<b>64.7</b>	<b>76.3</b>	<b>76.9</b>	<b>79.8</b>	<b>82.8</b>
<b>Total liabilities</b>	<b>164.0</b>	<b>196.0</b>	<b>198.3</b>	<b>208.6</b>	<b>218.1</b>
Share capital	47.5	47.5	47.5	47.5	47.5
Treasury Shares	(15.9)	(4.5)	(4.5)	(4.5)	(4.5)
Retained Earnings	262.2	324.9	381.0	449.1	530.9
<b>Equity Attributable to owners of the Company</b>	<b>293.8</b>	<b>368.0</b>	<b>424.0</b>	<b>492.1</b>	<b>573.9</b>
Non-Controlling Interest	2.3	2.3	2.3	2.3	2.3
<b>Total Equity</b>	<b>296.1</b>	<b>370.2</b>	<b>426.3</b>	<b>494.4</b>	<b>576.2</b>
<b>Total Liabilities and Equity</b>	<b>460.1</b>	<b>566.3</b>	<b>624.6</b>	<b>703.0</b>	<b>794.3</b>
<b>Cash Flow</b>	<b>2024</b>	<b>2025</b>	<b>2026F</b>	<b>2027F</b>	<b>2028F</b>
<b>Profit Before Income Tax</b>	<b>65.2</b>	<b>59.7</b>	<b>112.6</b>	<b>136.7</b>	<b>164.3</b>
Depreciation & Amort.	11.7	12.3	8.8	9.6	9.8
Other Operating Cash Flows Adjustments	(1.3)	39.5	(0.7)	(1.1)	(2.2)
<b>Operating cash flows before WC changes</b>	<b>75.6</b>	<b>111.5</b>	<b>120.7</b>	<b>145.2</b>	<b>171.9</b>
Change in working capital	(38.3)	(0.8)	(10.1)	(8.6)	(8.3)
<b>Cash Generated from Operations</b>	<b>37.3</b>	<b>110.8</b>	<b>110.6</b>	<b>136.5</b>	<b>163.6</b>
Income tax paid	(11.8)	(23.7)	(19.1)	(23.2)	(27.9)
<b>Cash flows from operations</b>	<b>25.5</b>	<b>87.1</b>	<b>91.4</b>	<b>113.3</b>	<b>135.6</b>
Capital expenditure	(24.4)	(22.2)	(12.9)	(14.1)	(13.7)
Interest Received	4.3	4.3	5.9	7.0	8.5
Proceeds from disposal of property, plant and	–	0.0	–	–	–
Other investing cashflow	1.8	0.0	–	–	–
<b>Cash flows from investing</b>	<b>(18.3)</b>	<b>(17.9)</b>	<b>(7.0)</b>	<b>(7.1)</b>	<b>(5.3)</b>
Repayment of bank borrowings	(63.5)	(138.8)	7.0	3.4	3.1
Repayment of principal portion of lease liabil	(2.2)	(2.6)	0.3	0.3	0.3
Interest paid	(4.5)	(5.9)	(4.4)	(5.9)	(6.2)
Dividends paid	(39.2)	(45.1)	(37.4)	(45.4)	(54.6)
Other financing cashflow	103.6	175.0	(0.5)	0.4	0.5
<b>Cash flows from financing</b>	<b>(5.7)</b>	<b>(17.4)</b>	<b>(35.0)</b>	<b>(47.1)</b>	<b>(56.9)</b>
<b>Net increase in cash</b>	<b>1.4</b>	<b>48.0</b>	<b>36.4</b>	<b>44.9</b>	<b>57.9</b>
Effect of Exchange Rate Changes	0.5	2.2	0.7	–	–
Cash and Cash Balance BOP	130.9	180.8	217.2	262.1	320.0
<b>Cash and Cash Balance EOP</b>	<b>180.8</b>	<b>217.2</b>	<b>262.1</b>	<b>320.0</b>	<b>355.2</b>
<b>KEY RATIOS</b>	<b>2024</b>	<b>2025</b>	<b>2026F</b>	<b>2027F</b>	<b>2028F</b>
DPS (SGD cents)	8.00	10.00	9.23	11.21	13.48
Dividend yield (%)	2.6%	3.3%	3.0%	3.7%	4.4%
NAV per share (SGD cents)	73.2	91.5	105.3	122.2	142.4
Price/NAV (x)	4.2	3.3	2.9	2.5	2.1
<b>Profitability</b>					
EBITDA Margin (%)	17.0%	14.0%	19.6%	21.6%	23.6%
Gross Profit Margin (%)	30.3%	33.5%	35.0%	37.0%	39.0%
Net Profit Margin (%)	11.1%	6.2%	14.5%	16.1%	17.9%
ROE (%)	17.9%	9.7%	21.9%	22.9%	23.7%
ROA (%)	11.5%	6.4%	15.0%	16.1%	17.2%
<b>Financial Structure</b>					
Net Debt/ (Net Cash) Gearing Ratio (%)	(28.8%)	(33.5%)	(35.8%)	(39.2%)	(43.1%)

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