



## PRESS RELEASE

### JAPFA LTD

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### FY2021 Financial Results

## **Japfa posts 20% growth in revenue and EBITDA of US\$534 million in a challenging environment**

- **FY2021 revenue increased to US\$4.6 billion, exceeding the US\$4 billion milestone for the first time, driven by higher sales volumes across all segments.**
- **EBITDA remains strong despite Covid-19 impact and high feed raw materials costs.**
- **Both PT Japfa Tbk and Dairy recorded solid results. On the other hand, the weaker performance of Animal Protein Other (“APO”), which was impacted by Covid-19 and resurgence of African Swine Fever (“ASF”) in Vietnam, affected Group profits.**
- **Core PATMI without Forex stood at US\$132.7 million.**
- **The Company recommends a final dividend of 1.5 Singapore cents per share for FY2021.**

**Singapore, 1 March 2022** – Leading industrialised agri-food company Japfa Ltd (“Japfa” or, together with its subsidiaries, the “Group”) today posted sound results for the full year ended 31 December 2021 (“FY2021”) in a persistently challenging environment.

Revenue increased 19.9% to US\$4.6 billion compared to US\$3.9 billion in FY2020, driven by higher sales volumes across all segments, and exceeded the US\$4 billion milestone. The increase in revenue helped mitigate a drop in profit margins due to tightened feed raw materials costs across our vertically integrated operations. Excluding for comparative purposes the one-off extraordinary gain in FY2020<sup>1</sup>, EBITDA was fairly stable at US\$533.9 million (-1.6% y-on-y).

Both PT Japfa Tbk and Dairy posted solid results, counterbalancing the weaker performance of Animal Protein Other (“APO”) in FY2020. PT Japfa Tbk revenue and profits grew, despite shrinking feed margins due to high raw materials prices, and the impact of Covid-19 on poultry demand and prices. Dairy revenue and profits in FY2021 matched the levels of FY2020, even without the contribution from Dairy Southeast Asia (“Dairy-SEA” or “Greenfields”)<sup>2</sup> in FY2021. The lower performance of Animal Protein Other (“APO”) impacted Group profits, as the strict Covid-19 lockdowns and resurgence of African Swine Fever affected operations and profitability in Vietnam. Group Core PATMI without Forex amounted to US\$132.7 million compared to US\$195.4 million in the previous year.

**Tan Yong Nang, Chief Executive Officer of Japfa**, said: “Japfa delivered a solid performance as we surpassed the US\$4 billion milestone in revenue, demonstrating the commercial excellence and continued dedication of our people. Despite high feed raw material costs impacting on margins, and the persisting challenges posed by Covid-19 in particular markets in which the Group operates, our EBITDA was solid at above the US\$500 million mark. We recommend a dividend of 1.5 Singapore cents per

<sup>1</sup> FY2020 EBITDA and PATMI included US\$140.2 million from the effective sale of 80% in Dairy Southeast Asia in 2020.

<sup>2</sup> In 2020, 100% of Dairy-SEA was consolidated into the Dairy segment. Starting from 1 January 2021, the 2021 numbers above do not include Dairy-SEA after the effective sale of 80% of Dairy-SEA, for which we apply equity accounting for our 20% stake at Japfa Group level.

share to reward shareholders for their continued support. As we navigate the significant challenges posed by the pandemic, we remain committed to executing our strategy to replicate our industrialised business model across proteins and countries to feed emerging Asia in an efficient way. At the same time, we will also intensify our efforts towards the promotion of sustainable practices in the agri-food industry, as demonstrated by the successful launch in 2021 of the first sustainability-linked bond in the agri-food industry in the world”.

### **Financial Highlights**

US\$ million	FY2020	FY2020ex (without extraordinary item)*	FY2021	Change FY2020ex vs FY2021
Revenue	3,868.3	3,868.3	4,636.4	19.9%
Operating profit	363.8	380.8	331.9	-12.8%
Operating Profit Margin (%)	9.4%	9.8%	7.2%	-2.7 ppt
EBITDA <sup>3</sup>	683.1	542.8	533.9	-1.6%
Profit After Tax (“PAT”)	371.6	231.3	212.7	-8.0%
Net Profit Attributable to Owners (“PATMI”)	322.0	181.8	118.8	-34.6%
Core PATMI without Forex <sup>4</sup>	195.4	195.4	132.7	-32.1%

\* The one-off extraordinary net gain of US\$140.2 million from the effective sale of 80% in Dairy Southeast Asia in 2020 was excluded and presented under column FY2020ex for comparative purposes against FY2021.

### **Segmental Results**

#### **PT Japfa Tbk**

PT Japfa Tbk posted solid results despite the negative impact of Covid-19 pandemic in 3Q2021 on the back of higher sales volumes across the board.

Revenue grew 23.8% to US\$3,128.5 million (vs 2,527.5 million in FY2020). Despite the negative impact of Covid-19 lockdowns in 3Q2021, operating profit increased 25.3% to US\$217.9 million (vs US\$173.9 million in FY2020), and EBITDA grew 30.4% to US\$335.7 million year-on-year (“y-o-y”).

The second wave of Covid-19 brought to lockdowns in July 2021 with the closing of food stalls, restaurants and shopping malls. This has resulted in a significant drop in demand for poultry with broiler prices falling below cost in 3Q2021. As lockdown eased, prices recovered in the latter part of the year. Government continued its initiatives to balance demand and supply dynamics for poultry throughout 2021.

Feed margins tightened due to high raw materials prices and global shipping costs. Nevertheless, profitability has improved on the back of strong growth in volumes. Profit After Tax (“PAT”) grew to US\$140.7 million, a 82.0% increase compared to FY2020.

<sup>3</sup> We define “**EBITDA**” as profit before tax, excluding interest income, finance costs, depreciation and amortisation expenses. We also exclude (a) foreign exchange adjustments gains/(losses), (b) changes in fair value of derivatives relating to foreign exchange hedging, and (c) fair value of biological assets, other than gains/(losses) from the sale of beef in China.

<sup>4</sup> We derived “**Core PATMI**” from “Profit Attributable to Owners of the Parent, Net of Tax” by excluding (a) changes in fair value of biological assets (net of tax), other than gains/(losses) from the sale of beef in China, (b) changes in fair value of derivatives, and (c) extraordinary items, attributable to the owners of the parent. “**Core PATMI w/o Forex**” is an estimate derived from Core PATMI by excluding foreign exchange gains/losses (before tax) attributable to the owners of the parent. We have not made an estimate of the tax impact on foreign exchange gains/losses.

## **Animal Protein Other (“APO”)**

APO revenue increased 18.0% y-o-y to US\$936.6 million, due to increases in sales volumes. Profits however were affected by strict Covid-19 lockdowns and ASF in Vietnam, high cost of raw materials, as well as disruptions in Myanmar.

In Vietnam, the full lockdowns following the worst wave of Covid-19 infections in 3Q2021 severely affected demand and consumption of both pork and chicken. Chicken demand was particularly affected by the closure of factories, offices, schools and food markets, where this low-cost protein is typically served.

The resurgence of ASF in Vietnam in 4Q2021 has caused operational costs to increase and, at the same time, swine fattening prices to drop due to pre-emptive sales in the market. This contrasted with 2020, when prices were exceptionally high due to the supply shortage.

Feed margins tightens due to high feed raw materials prices and global shipping costs. However, feed remained profitable, and APO-Vietnam delivered a positive operating profit of US\$8.1 million despite the weak performance from poultry and swine.

APO-Myanmar, which represents 2% of Group revenue and assets in FY2021, recorded an operating loss of US\$8.7 million as DOC and broiler prices remained low due to the impact of Covid-19 on demand for poultry as well as the political disruption in the country. The management has introduced measures to contain costs and adapt operations during these uncertain times. APO-Myanmar.

In FY2021, the APO segment reported a loss of US\$25.2 million (vs a profit after tax of US\$78.4 million in FY2020). This included a bio-asset fair loss of US\$5.2 million due to lower swine prices in Vietnam and a loss US\$7.4 million due to the depreciation of the Myanmar Kyat.

## **Dairy**

The Dairy segment delivered strong revenue and profitability on the back of higher sales volumes and raw milk prices in China.

FY2021 revenue and profits matched the levels of FY2020, even without Dairy Southeast Asia<sup>5</sup> (“Dairy-SEA”). Revenue grew 3.1% y-o-y to US\$564.3 million (vs US\$547.5 million in FY2020) with the additional contribution from Farm 8 in Chifeng, Inner Mongolia, and the two newly acquired farms in Shandong. Operating profit slightly decreased to US\$112.7 million (-1.3% vs 114.3 million in FY2020). Revenue and profitability were sustained by strong milk yields of 40kg/head/day in FY2021, and higher raw milk prices in a persisting supply shortage in China. Buoyant raw milk prices mitigated rising global feed costs.

Beef operations in China also boosted revenue by US\$75.1 million and PAT by US\$14.9 million in FY2021 on the back of higher sales volumes and prices.

We believe the supply shortage and the strong raw milk price environment will continue over the medium term as it takes time for the industry to build new dairy farms and reach the “full milking” stage.

## **Major developments in 2021**

**PT Japfa Tbk:** Japfa’s 55.0%-owned subsidiary PT Japfa Comfeed Indonesia Tbk (“PT Japfa Tbk”) issued the first-ever Sustainability-Linked Bond (“SLB”) in the agri-food industry in the world. The orderbook was over 3 times oversubscribed and the final allocation went to high quality institutional

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<sup>5</sup> In 2020, 100% of Dairy-SEA was consolidated into the Dairy segment. Starting from 1 January 2021, the 2021 numbers above do not include Dairy-SEA after the effective sale of 80% of Dairy-SEA, for which we apply equity accounting for our 20% stake at Japfa Group level.

investors, with more than 50% being ESG-related funds. The SLB prioritise an environmental Key Performance Indicator that is linked to the achievement of a Sustainability Performance Target to minimise the impact related to water pollution from untreated wastewater. With this issue Japfa reinforce its commitment to sustainability and further align its strategy to the United Nations Sustainable Development Goals ("UN SGDs").

**Dairy:** in 2021, Japfa forged new strategic partnerships with three Chinese strategic investors through the sale of a total 12.5% equity stake in its dairy segment ("AustAsia", "Dairy-China", or "Dairy") which runs our China dairy operations, to Genki Forest (5%), New Hope Dairy (5%) and Honest Dairy Group (2.5%). With these agreements Japfa added strategic milk processors as shareholders of AustAsia and further strengthened its position into the largest independent raw milk producer in China. Today, Japfa remains the single largest shareholder of Dairy-China with a 62.5% shareholding and continues to control and manage its farming operations in China.

AustAsia demonstrated a commitment to grow its dairy farming capacity with the acquisition of two dairy farms in Shandong with a combined capacity of 16,000 heads. This acquisition also included two additional sites of land in Shandong that can potentially be further developed.

### **Looking ahead**

Covid-19 pandemic has impacted people's lives and the global economy as well as our business over the past two years. In addition, the continued high feed raw materials prices have put pressure on our margins. Despite these headwinds, Japfa was able to manage the situation on the strength of our large scale, industrialised business model, vertical integration and diversification strategy. Even with these continued challenges and increasing geopolitical tensions that may impact global economies, we remain confident in our long-term outlook as we have set a solid foundation for future growth, based on the prospects for protein consumption in emerging Asia.

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### **About Japfa Ltd**

Headquartered in Singapore, Japfa Ltd is a leading vertically integrated agri-food company listed on the SGX Main Board since 2014. Established in 1971, the Group has grown into one of Asia's leading low-cost producers of protein staples including poultry, beef, dairy as well as protein-based consumer products across fast-growing emerging Asian economies such as Indonesia, China, India, Myanmar and Vietnam. Japfa embraces an integrated industrial approach to livestock and food production across the value chain. Its vertically integrated business model spans from Feed & Breeding (upstream), Milking and Fattening (mid-stream) and Processing and Distribution of consumer products (downstream). For more information, please visit [www.japfa.com](http://www.japfa.com)

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