



## PRESS RELEASE

### JAPFA LTD

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### FY2022 Financial Results

## FY2022 financial results impacted by global challenging environment

- **Group revenue<sup>1</sup> grew to US\$4.4 billion from US\$4.0 billion a year before, mainly driven by higher animal feed Average Selling Prices (“ASPs”) supported by steady volumes across all operations.**
- **Margins were impacted by high raw material costs combined with limited ASP increases across all the businesses in PT Japfa Tbk and Animal Protein Other (“APO”). In addition, APO-Vietnam was affected by African Swine Fever (“ASF”).**
- **As a result of this challenging environment, PT Japfa Tbk delivered a lower profit and APO recorded a loss.**
- **Group Core PATMI without Forex stood at US\$34.6 million with a respectable EBITDA of US\$268.9 million.**
- **A final dividend of 1.0 Singapore cent per share for FY2022 is proposed.**

**Singapore, 1 March 2023** – Leading industrialised agri-food company Japfa Ltd (“Japfa” or, together with its subsidiaries, the “Group”) today reported financial results for the full year ended 31 December 2022 (“FY2022”).

In a challenging operating environment, with high cost of raw materials and macro-economic uncertainties, revenue rose to US\$4,363.8 million, compared to US\$4,091.8 million in FY2021, mainly driven by higher feed ASPs supported by steady sales volumes. Profit margins were impacted by higher raw material costs across all operations in PT Japfa Tbk and APO, as well as the weak performance of swine in APO-Vietnam, which recorded an operating loss.

Amid a high-cost environment, the Group’s EBITDA stood at US\$268.9 million (vs US\$374.0 million in FY2021). Core PATMI without Forex was US\$34.6 million compared to US\$132.7 million a year ago.

- **PT Japfa Tbk:** The segment delivered respectable results, albeit lower than last year. A recovery in feed margins partially cushioned the impact of a persistent high-cost environment;
- **Animal Protein Other (“APO”):** Results were impacted by higher raw material costs across all countries and African Swine Fever (“ASF”) in APO-Vietnam. However, the segment’s EBITDA remained positive.

**Tan Yong Nang, Chief Executive Officer of Japfa,** said: “Our FY2022 results reflect a global challenging environment, with inflationary pressures on production costs and other external headwinds, such as ASF in Vietnam. The macro-economic uncertainties of the past year emphasise the importance of having a proven business model, ability to execute and financial discipline, which are the backbone of Japfa. In the near term, we expect the global economic conditions to remain volatile, but we remain optimistic about our long-term growth opportunities based on our position of strength in staple proteins and the growth prospects for protein consumption in our key markets”.

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<sup>1</sup> The consolidated revenue numbers for FY2022 and FY2021 do not include AAG.

## **Financial Highlights<sup>2</sup>**

<b>US\$ million</b>	<b>FY2021</b>	<b>FY2022</b>	<b>Change</b>
<b>Revenue</b>	<b>4,091.8</b>	<b>4,363.8</b>	<b>6.6%</b>
<b>Operating profit</b>	<b>218.7</b>	<b>155.5</b>	<b>-28.9%</b>
<b>Operating Profit Margin (%)</b>	<b>5.3%</b>	<b>3.6%</b>	<b>-1.8 pts</b>
<b>EBITDA<sup>3</sup></b>	<b>374.0</b>	<b>268.9</b>	<b>-28.1%</b>
<b>Profit After Tax (“PAT”)</b>	<b>212.7</b>	<b>61.6</b>	<b>-71.0%</b>
<b>Net Profit Attributable to Owners (“PATMI”)</b>	<b>118.8</b>	<b>8.2</b>	<b>-93.1%</b>
<b>Core PATMI without Forex<sup>4</sup></b>	<b>132.7</b>	<b>34.6</b>	<b>-73.9%</b>

## **Segmental Results**

### **PT Japfa Tbk**

PT Japfa Tbk delivered respectable results, albeit lower than last year, with recovering feed margins partially cushioning the impact of high raw materials costs.

Revenue grew 4.9% y-o-y to US\$3,283.0 million (vs US\$3,128.5 million in FY2021) mainly driven by higher feed prices, supported by steady volumes across all operations.

Despite raw material costs remain high, feed margins are on the road to recovery from the historical lows in 2021 due to Covid-19.

Although feed margins have improved, profitability remained under pressure as selling prices of both Day-Old-Chick (“DOC”) and broiler did not keep pace with higher production costs arising from high raw material costs.

In a high-cost environment, PT Japfa Tbk delivered a respectable EBITDA of US\$255.2 million (vs US\$335.7 million in FY2021), reflecting its strong position in feed, economies of scale and a resilient business model. PT Japfa Tbk PAT reduced by US\$47.8 million to US\$92.9 million in FY2022. FY2021 EBITDA and PAT included a one-off Other Income of US\$25.6 million due to a reduction in pension liability following a change in the law.

### **Animal Protein Other (“APO”)**

The APO segment recorded a 10.6% y-o-y growth in revenue to US\$1,038.9 million. Profits however were impacted by the weak results from Vietnam due to low ASPs, high production cost and African Swine Fever (“ASF”) that affected the performance of swine operations. Amid a challenging environment, the segment posted a positive EBITDA of US\$5.2 million compared to US\$35.0 million a year ago. APO recorded a PAT loss of US\$52.0 million, of which approximately US\$20 million is from the ASF impact on our Vietnam-Swine operations and the remaining from margin contraction across countries and proteins.

<sup>2</sup> The consolidated Revenue, Operating Profit and EBITDA do not include AAG. Following the DIS of AAG as of 30 December 2022, AAG ceased to be a subsidiary of Japfa Ltd. Accordingly, the “discontinued operations” accounting principle has been applied as at 31 December 2022, where AAG PAT for FY2022 is recorded as a separate line item “profit from discontinued operations”, which is included in the Group PAT, PATMI and Core PATMI w/o Forex. FY2021 comparatives have been adjusted accordingly.

<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.

<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 gain/losses.

### APO-Vietnam

APO-Vietnam recorded an operating loss in FY2022 due to low swine ASPs, high production costs and ASF.

Swine ASPs were volatile because pre-emptive sales in the market due to a resurgence of ASF. In addition, pork demand towards Tet was weaker than expected due to layoffs from many export-oriented companies that saw a reduction in orders because of the economic slowdowns in their target markets.

The resulting drop to low levels of pork prices contrasted with FY2021 when ASPs were exceptionally high due to a supply shortage in the market.

Concurrently, production costs have increased mainly as a result of high feed raw material costs globally, where feed is a significant component of swine production costs due to the long days on feed for pigs.

A significant number of swine fattening stock in our operations were hit by ASF causing losses of approximately US\$20 million, with the biggest impact in 4Q2022.

The long-term prospects of economic growth in Vietnam are expected to remain sound, which should lead to a stronger demand for staple proteins. As such, APO-Vietnam has set a strong base to grow with strategic investments, including:

- The construction in 2022 of a new feedmill increasing capacity to 1.8 million tons p.a.;
- The establishment, over the last few years, of a robust and modern industrialised swine value chain with a breeding pyramid starting from the Great-Grand Parent level, superior genetics, and modern breeding and fattening farms;
- The strategic expansion into a new poultry product line in colour bird, which is the preferred choice by Vietnamese consumers over broiler;
- The construction in 2022 of a new poultry slaughterhouse as part of our downstream strategy; and
- The construction of a vaccine factory in Vietnam, leveraging our strong track record in vaccine research and production by Vaksindo in Indonesia.

While the long-term prospects in Vietnam are sound, the current challenges are expected to weigh down our operations in the near term. In the light of the current market volatility, APO-Vietnam has temporarily frozen non-essential new capital expenditure and scaled down the sow breeding and swine fattening livestock.

### APO-India

With feed as a major contributor to revenue and profitability, APO-India posted an increase in revenue as a result of higher sales volumes and prices for feed and poultry operations. APO-India recorded a PAT of US\$2.8 million.

### APO-Bangladesh

As our poultry and cattle feedmill operations are still in the start-up phase, the financial performance of APO-Bangladesh is not yet meaningful.

### APO-Myanmar

As the situation in Myanmar remains challenging, we have scaled back our poultry feed volumes by 20%. APO-Myanmar recorded a positive EBITDA on the back of improvements in poultry prices and the cost control measures introduced by the management. The Group continues to monitor the situation and adapt operations as necessary.

### **Outlook**

In the near term the global economic outlook is uncertain, but we remain optimistic about the growth prospects for protein consumption in our markets. In addition, the recent reopening of China is expected to improve prospects in the region, which could drive demand for our products.

As the Group produces quality yet affordable protein foods, Japfa is well positioned to respond to consumer needs in emerging Asia even in an uncertain macro-economic scenario.

After the spin-off of AAG, Japfa can focus its financial resources on the growth and expansion in the animal protein sector. As a pure-play animal protein producer, with a proven vertically-integrated industrialised business model, Japfa competes from a position of strength.

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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, swine and aquaculture as well as protein-based consumer products across fast-growing emerging Asian economies such as Indonesia, Vietnam, India, Myanmar and Bangladesh. Japfa embraces an integrated industrial approach to livestock and food production across the value chain. Its operations span from Feed & Breeding (upstream), Fattening (midstream) and Processing and Distribution (downstream). For more information, please visit [www.japfa.com](http://www.japfa.com)

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