# PRESS RELEASE

**JAPFA LTD**
391B Orchard Road, #18-08, Ngee Ann City Tower B, Singapore 238874
Tel: (65) 6735 0031 Fax: (65) 6735 4465
Company Registration No: 200819599W

**1Q2023 Financial Results**

## 1Q2023 results impacted by ongoing challenging conditions

- **Margin compression arising from the combined effect of high raw material costs and lower consumer purchasing power continues to affect performance.**
- **Japfa posted a negative Group Core PATMI without Forex of US$37.9 million, as both segments PT Japfa Tbk and APO recorded losses.**
- **Decisive response to the current difficult environment, by recalibrating growth plans, freezing non-essential growth capex, streamlining operations and containing cost.**

**Singapore, 27 April 2023** – Leading industrialised agri-food company Japfa Ltd ("Japfa" or, together with its subsidiaries, the "Group") today reported financial results for the first quarter ended 31 March 2023 ("1Q2023").

The ongoing challenging conditions affected the Group's profitability for the quarter. Japfa recorded an overall margin compression resulting from the combination of external factors affecting both production costs and selling prices of our products. High raw material costs increased input costs across the value chain of our breeding, fattening and downstream operations. In addition, inflationary pressures affected consumer purchasing power and therefore our ability to manage increases in the Average Selling Prices ("ASPs") of our products.

Against this challenging backdrop, the Group's EBITDA stood at US$2.3 million (vs US$96.8 million in 1Q2022). Core PATMI without Forex was negative at US$37.9 million.

- **PT Japfa Tbk**: Despite a high-cost environment, feed margins are holding up. However, the segment's performance was weaker due to compressed margins of Day-Old-Chicks ("DOCs") and broilers;
- **Animal Protein Other ("APO")**: The segment's results were impacted by low ASPs and high production costs across all markets.

**Tan Yong Nang, Chief Executive Officer of Japfa**, said: "Our 1Q2023 results reflect the ongoing external headwinds, with inflationary pressures affecting both our production costs and selling prices of our products. Considering the current macro-economic uncertainties, for the time being we are adopting a prudent approach, by recalibrating our growth plans to navigate this challenging environment and emerge stronger. As such, we are freezing non-essential growth capex across the Group, reducing cost and streamlining our operations. While we adapt our plans to the current environment, we remain confident in our ability to navigate these challenges and capture the long-term growth prospects for protein consumption in our key markets".

Japfa has responded promptly to the ongoing challenging conditions by implementing plans aimed at increasing efficiency, reducing cost and streamlining operations in both PT Japfa Tbk and APO. With such a prudent and disciplined approach, Japfa will be better positioned to achieve its long-term goals and capture the growth potential arising from the prospects of protein consumption in Emerging Asia.

## Financial Highlights[1]

| US$ million | 1Q2022 | 1Q2023 | Change |
|---|---|---|---|
| Revenue | 1,098.9 | 1,016.5 | -7.5% |
| Operating profit | 59.1 | (28.6) | n/m |
| Operating Profit Margin (%) | 5.4% | -2.8% | -8.2 pts |
| EBITDA[2] | 96.8 | 2.3 | -97.7% |
| Profit After Tax (“PAT”) | 35.0 | (50.6) | n/m |
| Net Profit Attributable to Owners (“PATMI”) | 13.5 | (43.0) | n/m |
| Core PATMI without Forex[3] | 12.5 | (37.9) | n/m |

## Segmental Results

### PT Japfa Tbk

Despite a high-cost environment, feed margins are holding up. Feed remains a pillar of profitability, as PT Japfa Tbk continue to be able to pass raw material prices increases in its selling prices.

The segment’s revenue decreased 8% y-o-y to US$778.7 million (vs US$846.0 million in 1Q2022) mainly due to weak prices of DOCs and broilers.

Although feed margins have held up, PT Japfa Tbk recorded a weak overall performance resulting from the combination of several external factors:

- High raw material costs, that continued to impact our production costs;
- Lower consumer purchasing power, due to rising inflation, that continued to constraint the adjustment in the selling price of our products;
- The prolonged supply and demand imbalance in Day-Old-Chicks (“DOCs”) and broilers, which started in 2022 and has continued into 2023.

PT Japfa Tbk recorded an operating loss of US$6.1 million in 1Q2023, compared to an operating profit of US$66.4 million in 1Q2022. The EBITDA stood at US$13.3 million, down 85.9% compared to US$93.8 million in 1Q2022.

DOC and broiler prices are prone to fluctuation according to demand and supply dynamics, with effects on selling prices and profitability. Global factors, such as the Covid-19 pandemic, the conflict in Ukraine and the recent inflationary pressures, add to market dynamics. As reflected by the quarterly oscillation of PT Japfa Tbk operating profit over the last four years, the cyclicality tends to even-out. Going forward, the recent reopening of China is expected to improve prospects in the region, which could drive demand in Indonesia. In addition, the long-term prospects of protein consumptions in Indonesia remain good.

### Animal Protein Other (“APO”)

APO results were impacted by low ASPs and high production costs across all markets. The segment recorded a 4.2% y-o-y reduction in revenue to US$234.9 million in 1Q2023 from US$245.3 million in 1Q2022. The APO segment posted a PAT loss of US$34.1 million, compared to a PAT loss of US$9.5

---

[1]AustAsia Group Ltd (“AAG”), our Dairy segment in China, ceased to be a subsidiary of Japfa Ltd following the distribution in specie of AAG shares on 30 December 2022. For comparative purposes, the dairy segment has been excluded from 1Q2022 financial results.

[2] 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.

[3] 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.

million in 1Q2022, primarily from the margin contraction in Vietnam operations. Against a challenging scenario, feed remains a steady contributor to profitability but could not offset the significant losses from poultry and swine.

APO-Vietnam

Vietnam-Swine recorded an operating loss in 1Q2023 due to low swine ASPs, high production costs and the effects from ASF.

Swine ASPs were volatile because pre-emptive sales in the market due to ASF. In addition, pork prices remained low in 1Q2023 due to weak consumer demand resulting from layoffs from many export-oriented companies that saw a reduction in orders because of the economic slowdowns in their target markets.

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. Swine fattening livestock hit by ASF returned to a "normalised" level in 1Q2023, after a significant one-off impact in 4Q2022.

In Vietnam-Poultry, both broiler and colour birds recorded operating losses in 1Q2023 with declining ASPs due to weaker consumer demand.

After major downcycles, like the one the whole industry is going through in Vietnam, industrialised integrated operators should emerge with a larger market share. In addition, the long-term prospects of economic growth in Vietnam are expected to remain good, which should lead to a stronger demand for staple proteins.

APO-India

With feed as a major contributor to revenue and profitability, APO-India recorded a break-even PAT in 1Q2023.

APO-Myanmar

As the situation in Myanmar remains challenging, we have scaled back our poultry operations. The cost control measures introduced by the management during this uncertain period are still in place.

**Recalibrating growth plans**

While the long-term prospects of protein consumption in our markets remain sound, the current challenges are weighing down our operations in the near term. It is not possible to accurately predict how these global macro-economic issues will unfold, however we expect margin compression challenges to persist for the rest of this year.

In the light of the current situation, Japfa has initiated plans to mitigate risks, increase efficiency, reduce cost and streamline operations in both PT Japfa Tbk and APO-Vietnam.

PT Japfa Tbk

- PT Japfa Tbk has recalibrated its growth plans and prudently adjusted capex accordingly. This should limit the need for additional major funding. We have a proven track record in adjusting capex roll-out according to the prevailing market conditions. In 2Q2020, when Covid-19 first hit Indonesia, PT Japfa Tbk froze non-essential Capex. This freeze has continued over the last 3 years;
- Streamline poultry breeding farm operations to improve efficiency and control costs;
- Cost tightening measures, including freeze of new permanent hires, business travel restrictions, etc;
- Strengthen the downstream business through the development of poultry processing and consumer products business, as well as encourage retail sales growth through PT Japfa Tbk retail outlets both offline and online.

APO-Vietnam

- In the light of the low swine prices that Vietnam is experiencing since 4Q2022, the original aggressive growth plan for 2023 has been recalibrated until the "ASP relative to feed cost" is clearly trending upwards. This includes freezing non-essential growth capex. This is a risk-mitigating move in the event that the ASP/feed cost ratio remains low due to the adverse economic conditions;
- Progressive depopulation and closure of sow breeding farms that cannot meet our production and biosecurity standards;
- Reduction of PS Sow/Gilt population, which has already started. Due to the "long lead time" nature of the swine business, the effect on the fattening pig output will only be felt towards the end of 2023;
- As there is still no vaccine for ASF, special care has to be paid towards the potential impact on our larger farms. If biosecurity and control procedures are not well implemented, the economic impact may be bigger. The operational team is also continuing to tweak the existing production procedures and training staff to operate in these large farms;
- In order to take decisive and swift actions, senior management is now directly in charge of the swine operations in South Vietnam;
- Operational and management decision making has been streamlined to facilitate faster and effective execution at farm level.

These measures will allow Japfa to navigate the current challenges and emerge stronger and better positioned to capture the long-term prospects for protein consumptions in its markets.

###

**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*

**Contacts**

**Japfa Investor Relations and Corporate Communication**
Tel. +65 67350031
Email: investorcontact@japfa.com



###