



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

FY2023 Financial Results

Profitability affected by reduced consumer purchasing power across all markets

- Despite significant improvements in 2H2023, a weak 1H2023 dampened full-year results.
- The Group recorded a positive Core PATMI without Forex of US\$21.2 million in 2H2023, after a negative US\$49.3m in 1H2023.
- Japfa posted an operating profit of US\$118.8 million in FY2023, with US\$115.1 million recorded in 2H2023 alone.
- These improvements in 2H2023 resulted mainly from stronger feed margins, higher selling prices in colour birds and lower production costs in swine operations.

Singapore, 29 February 2024 – 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 2023 (“FY2023”).

The Group’s profitability in FY2023 was affected by the challenging operating conditions, as rising inflation reduced consumer purchasing power across all our markets. While the cost-of-living pressures hampered our ability to increase selling prices, Japfa made substantial progress in reducing its production costs in line with the 2023 plan to streamline operations and recalibrate growth.

In 2H2023, the Group’s performance improved substantially, however a weak 1H2023 dragged down the full-year results. The Group recorded a positive Core PATMI without Forex of US\$21.2 million in 2H2023, after a negative US\$49.3m in 1H2023. In 2H2023 alone, operating profit was US\$115.1 million, compared to US\$118.8 million for FY2023. These improvements in 2H2023 resulted from:

- stronger feed margins in most of Japfa’s markets;
- lower production costs in swine operations in Vietnam stemming from management’s efforts to streamline operations; and
- higher selling prices of colour birds in Vietnam.

Against this backdrop, Group’s revenue increased 1.5% y-o-y to US\$4.4 billion. Although Core PATMI without Forex was negative at US\$29.6 million in FY2023, the Group EBITDA stood at US\$237.9 million (-11.5% y-o-y).

- **PT Japfa Tbk:** Despite the substantial improvements in 2H2023, a weak 1H2023 dampened the full-year performance. While the feed business proved once again to be a pillar of profitability with stable margins, weak poultry prices weighed down the full-year performance.
- **Animal Protein Other (“APO”):** The segment’s performance improved significantly in 2H2023 as both operating profit and EBITDA moved back into positive territory compared to 1H2023, due to higher selling prices for colour birds and a tangible reduction in production costs. Despite such improvements, FY2023 results were still impacted by margin contraction in APO markets, as selling prices remained low for most of the period under review. The cost related to streamlining initiatives in Vietnam also impacted performance.

Tan Yong Nang, Chief Executive Officer of Japfa, said: “2023 was a year of two contrasting halves for Japfa. Despite the significant improvements in 2H2023, a weak 1H2023 took its toll on the full-year results. The Group’s performance was affected by the cost-of-living pressures, as inflation rose and disposable income, particularly in the low-income segment, were squeezed. Against this backdrop, we adopted a conservative approach and launched plans to mitigate risks, increase efficiency and streamline operations in both PT Japfa Tbk and APO-Vietnam. This approach has yielded positive results, and we are encouraged by the continued progress we are making in recalibrating growth. Looking forward, we remain confident in our ability to readily harness the ups and downs of the market and capture the long-term growth potential for protein consumption in Emerging Asia”.

Despite the recent improvements in profitability, the Group remain vigilant for the potential disruptions from the cost-of-living pressures and the recent geopolitical tensions across the world.

Financial Highlights¹

US\$ million	FY2022	1H2023	2H2023	FY2023	Change y-o-y
Revenue	4,363.8	2,118.9	2,310.1	4,428.9	1.5%
Operating profit	155.5	3.8	115.1	118.8	-23.6%
Operating Profit Margin (%)	3.6%	0.2%	5.0%	2.7%	-0.9 pts
EBITDA ²	268.9	64.0	173.9	237.9	-11.5%
Profit After Tax (“PAT”)	38.3	(50.8)	44.8	(6.0)	-115.6%
Net Profit Attributable to Owners (“PATMI”)	(6.5)	(53.6)	22.8	(30.8)	-376.5%
Core PATMI without Forex ³	(1.0)	(49.3)	21.2	(28.2)	n/m

Segmental Results

PT Japfa Tbk

Despite substantial improvements in 2H2023, a weak 1H2023 dragged down PT Japfa Tbk FY2023 results.

The segment’s revenue increased 2.4% y-o-y to US\$3,362.7 million in FY2023 mainly due to higher feed volume and selling prices.

PT Japfa Tbk recorded an operating profit of US\$141.1 million in FY2023, a decrease of US\$39.7 million compared to FY2022, mainly due to weaker poultry prices. EBITDA stood at US\$218.9 million, down 14.2% compared to US\$255.2 million in FY2022. PAT was US\$54.5 million compared to US\$92.9 million a year ago.

Feed proves yet again to be a pillar of profitability and we continue to pass on increases in raw materials prices into our selling prices. Feed margins remained stable y-o-y, partially cushioning the impact of a high-cost environment and weak poultry prices.

¹AustAsia 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 FY2022 financial results.

²We 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.

³We 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), (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.

Poultry prices remained weak throughout the year, as a result of the prolonged demand and supply imbalance of both Day-Old-Chicks (“DOCs”) and broilers since 2022.

Breeding operations recorded a lower profit y-o-y mainly due to lower DOC selling prices particularly in 1H2023, while commercial farming operations reported a loss in FY2023.

The streamlining initiatives adopted in the Downstream business contributed to the performance improvement in 2H2023.

DOC and broiler prices are prone to fluctuation according to demand and supply dynamics, with effects on our selling prices and profitability. Global macro-economic factors, such as the inflationary pressures affecting consumer purchasing power since 2022, add to market dynamics. Over the last few years, supply in Indonesia has progressively grown in line with the expected growth in chicken demand given the low per capita consumption. The impact of inflation has reduced consumer purchasing power and demand for chicken, resulting in a prolonged demand and supply imbalance in both DOCs and broilers. As reflected by the quarterly oscillation of PT Japfa Tbk operating profit over the last four years, the cyclicity tends to even-out over time.

As the long-term prospect of protein consumption remain solid in Indonesia, PT Japfa is well positioned to capture this growth through both its poultry and aquaculture operations.

Animal Protein Other (“APO”)

The segment performance was affected by weak consumer purchasing power, however EBITDA remained positive at US\$9.6 million compared to US\$5.2 million a year ago on the back of substantial improvements in 2H2023. Nevertheless, APO results for FY2023 were dragged down by a weak performance in 1H2023.

Revenue slightly increased at US\$1,042.7 million in FY2023 compared to US\$1,038.9 million a year ago (+0.4% y-o-y). APO recorded an operating loss of US\$33.4 million in FY2023, compared to an operating loss of US\$33.8 million in FY2022, primarily from the margin contraction in Vietnam operations in 1H2023. The segment posted a negative PAT of US\$56.9 million in FY2023, compared to a negative PAT of US\$52.0 million in FY2022.

APO-Vietnam

Feed remains a steady contributor to profitability.

Management’s efforts to streamline operations successfully reduced production costs, especially in 2H2023. As a result, swine operations recorded an operating profit of US\$6.5 million (excluding streamlining cost and African Swine Fever “ASF”) in FY2023, despite the lower swine selling prices y-o-y. It should be noted that in FY2023, APO-Vietnam incurred US\$14.3 million in streamlining costs.

Both broilers and colour birds recorded an operating loss in FY2023, with low selling prices due to weak consumer purchasing power arising from sluggish general economic conditions. While broiler prices remained subdued throughout 2023, colour birds prices showed some signs of recovery in 2H2023.

Since 2022, APO-Vietnam results were affected by low selling prices and increasing production costs. In addition, ASF also impacted our operations. The tangible costs reduction resulting from the streamlining initiative adopted by the management, combined with the sound long-term prospects of economic growth in Vietnam, bode well for Japfa.

APO-India, Myanmar, Bangladesh

For the remaining countries under APO, feed remain the major business activity. Collectively these countries recorded a negative EBITDA of US\$0.7 million in FY2023.

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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

Contacts

Japfa Investor Relations and Corporate Communication

Tel. +65 67350031 - Email: investorcontact@japfa.com

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