



## PRESS RELEASE

### JAPFA LTD

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### 1H2022 Financial Results

## Amid a high-cost environment, Japfa reports 10.4% growth in revenue and EBITDA of US\$254.2 million

- Group revenue grew to US\$2.5 billion mainly driven by increases in poultry prices.
- Higher feed raw material costs across all segments and African Swine Fever (“ASF”) in Vietnam challenged operations and tightened profitability.
- The performance of PT Japfa Tbk and Dairy, although lower than last year, counteracted the weaker performance of APO-Vietnam.
- Despite a high-cost environment, the Group’s half-year EBITDA remained respectable at US\$254.2 million compared to full-year 2021 EBITDA of US\$533.9 million.

**Singapore, 28 April 2022** – Leading industrialised agri-food company Japfa Ltd (“Japfa” or, together with its subsidiaries, the “Group”) today posted a 10.4% growth in revenue for the first half ended 30 June 2022 (“1H2022”).

Amid a challenging environment, revenue rose to US\$2,498.0 million, compared to US\$2,262.4 million in 1H2021, mainly driven by increases in poultry prices. Profit margins were impacted by higher raw material prices across all our segments as well as other external factors including ASF and Covid-19.

Despite a high-cost environment, the Group’s half-year EBITDA stood at US\$254.2 million, a respectable result compared to FY2021 EBITDA of US\$533.9 million. Core PATMI without Forex was US\$53.6 million compared to US\$117.3 million in 1H2021.

The performance of both PT Japfa Tbk and Dairy, although lower than last year, counteracted the weaker performance of APO-Vietnam. In particular:

- **PT Japfa Tbk:** Despite the high-cost environment affecting profitability, the segment delivered a respectable EBITDA mainly on the back of higher poultry prices;
- **Animal Protein Other (“APO”):** Profits were impacted by higher raw material costs and a resurgence of African Swine Fever (“ASF”) in Swine-Vietnam. Nevertheless, EBITDA remained positive;
- **Dairy:** Revenue increased on the back of higher productivity and sales volumes, while Profit After Tax (“PAT”) was affected by a change in bio-asset fair values.

During the reporting period, PT Japfa Tbk made another important step forward in its sustainability journey by securing the first Sustainability-Linked Loan (“SLL”) within the Japfa Group. PT Japfa Tbk signed the SLL with PT Bank Negara Indonesia Tbk, Persero (“BNI”). The SLL of Rp1.42 trillion (US\$95 million) is a 5-year bilateral credit facility for general corporate purposes. The SLL follows the issuance by PT Japfa Tbk of the first Sustainability-Linked Bond in the agri-food industry back in 2021 and addresses the efficient use of water resources.

**Tan Yong Nang, Chief Executive Officer of Japfa**, said: “The first half of 2022 was challenging, strongly influenced by higher raw materials costs and other external factors, such as ASF, Covid-19 and geopolitical tensions. Despite growth in revenue, higher input costs affected profitability throughout our operations and increased production costs in breeding, fattening and downstream. Nevertheless, we

recorded a half-year EBITDA of US\$254.2 million, a respectable result particularly when compared to full-year 2021. While uncertainties remain at a global level, we continue to focus on being one of the most efficient and lowest cost producers in our domestic markets. This enables us to ride through major down-cycles, as we have successfully demonstrated in the past, and provide safe and affordable protein foods to consumers in Asia. At the same time, we continue to focus on our sustainability initiatives and are pleased to announce another important step in this direction as PT Japfa Tbk secured the Group's first Sustainability-Linked Loan".

### **Financial Highlights**

US\$ million	1H2021	1H2022	Change
Revenue	2,262.4	2,498.0	10.4%
Operating profit	270.9	171.0	-36.9%
Operating Profit Margin (%)	12.0%	6.8%	-5.2 ppt
EBITDA <sup>1</sup>	351.6	254.2	-27.7%
Profit After Tax ("PAT")	191.5	94.3	-50.8%
Net Profit Attributable to Owners ("PATMI")	118.5	44.0	-62.9%
Core PATMI without Forex <sup>2</sup>	117.3	53.6	-54.3%

### **Segmental Results**

#### **PT Japfa Tbk**

PT Japfa Tbk delivered a respectable EBITDA although profitability was affected by a high-cost environment.

Revenue increased 9.8% y-o-y to US\$1,690.2 million (vs US\$1,539.6 million in 1H2021) mainly driven by higher prices. Although prices have increased, profitability remained under pressure due to high feed raw material costs, which resulted in increased production costs across the vertically integrated operations.

Profits were also affected by the impact of Covid-19 on demand at the beginning of 2022, resulting in lower broiler prices in February 2022.

With regard to feed, PT Japfa Tbk is generally able to pass on raw material costs increases in its feed selling prices. Poultry feed margins were subdued since 2Q2021 because of the high raw material price environment.

In a challenging environment, PT Japfa Tbk delivered a respectable 1H2022 EBITDA of US\$169.9 million compared to FY2021 EBITDA of US\$335.7 million.

#### **Animal Protein Other ("APO")**

In 1H2022, the APO segment recorded a 10.1% growth in revenue to US\$506.2 million compared to a year ago. Profits however were impacted by the weaker results from Vietnam due to higher raw materials cost and African Swine Fever ("ASF"). The segment posted an EBITDA of US\$14.3 million compared to US\$51.6 million in 1H2021.

<sup>1</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>2</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 posted growth in revenue mainly driven by higher sales volumes of poultry and recovery of poultry prices.

Margins remained under pressure due to higher raw material costs, resulting in higher production costs for both poultry and swine.

With the resurgence of ASF in 4Q2021, swine prices have been depressed by the pre-emptive sales on the market. In addition, operational costs have increased due to ASF and higher feed costs. This contrasts with a year ago when prices were exceptionally high due to the supply shortage in the market. As a result, there was a significant swing in swine performance from an operating profit in 1H2021 to an operating loss in 1H2022.

Vietnam's feed and poultry businesses were profitable but unable to cover the weaker performance from swine operations.

APO-India posted an increase in revenue as a result of higher sales volumes and prices across poultry operations. Feed margins improved through continuous effort to manage inventory and control costs. APO-India recorded a PAT of US\$3.8 million.

APO-Myanmar recorded a positive EBITDA on the back of improvements in poultry prices and the cost control measures introduced by the management to face the challenging situation in the country. The Group continues to monitor the situation and adapt operations as necessary.

## **Dairy**

The Dairy segment recorded growth in revenue driven by higher productivity and sales volumes, while profit after tax ("PAT") was mainly affected by a change in bio-asset fair values.

Revenue increased 13.8% y-o-y to US\$296.7 million from US\$260.7 million. Growth in revenue was driven by higher raw milk sales volumes arising from improved productivity, with an Average Daily Milk ("ADM") of 41.8kg/head/day, as well as the additional contribution from Farm 8 and the two new farms acquired in Shandong.

The segment's profitability was impacted by high feed raw material costs, which in turn resulted in increased production costs for both dairy and beef operations.

In 1H2022, operating profit stood at US\$42.1 million (vs US\$53.1 million in 1H2021) and EBITDA at US\$63.3 million (vs US\$76.8 million in 1H2022). Excluding US\$9 million of expenses related to the proposed listing of AustAsia<sup>3</sup> on the Stock Exchange of Hong Kong announced in 1Q2022, operating profit and EBITDA would have remained fairly stable compared to a year ago.

PAT has been mainly affected by a change in bio-asset fair values of US\$18.6 million, from a bio-asset gain of US\$14.6 million in 1H2021 to a bio-asset loss of US\$4.0 million in 1H2022. The lower fair value in 1H2022 is due to higher feed costs used in the computation of future cash flows from dairy operations.

Beef operations contributed US\$35.2 million and US\$6.3 million to the segment's revenue and EBITDA respectively.

## **Relevant updates**

### **PT Japfa Tbk: Sustainability-Linked Loan**

PT Japfa Tbk took another important step along its sustainability journey by securing the first Sustainability-Linked Loan ("SLL") within the Japfa Group. The SLL of Rp1.42 trillion (US\$95 million) is a

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<sup>3</sup> AustaAsia Investment Holdings Pte Ltd ("AustAsia" or "AIH") is the holding company of the Group's dairy farming business.

5-year bilateral credit facility for general corporate purposes. The Japfa Group is pleased to be part of this milestone for BNI as this is their first SLL in the agri-food sector.

This SLL comes after the Sustainability-Linked Bonds (SLB) issued by PT Japfa Tbk in 2021. The underlying basis of the sustainability-linked funding has been a Life Cycle Assessment (LCA) on poultry operations in Indonesia. The LCA is a formal science-based assessment of the Company's vertically integrated production cycle from feed to chicken products sold. Based on the LCA, wastewater treatment and water management have been identified as key focus areas where positive impacts can be made.

The Japfa Group aims to contribute towards the UN Sustainability Development Goal (UN SDG) Goal 2 – Zero Hunger by producing nutritious, safe and affordable staple protein foods through an efficient production system, which includes optimising resources and minimising waste.

### **Dairy: Proposed Listing of AustAsia on SEHK - Update**

On 29 March 2022, Japfa announced the submission by AustAsia of an application for the proposed listing on the Stock Exchange of Hong Kong (“SEHK”). The SEHK approval is still pending. In addition, the timing of the proposed listing will be subject to prevailing market conditions.

In connection with the proposed listing, Japfa Ltd is proposing the distribution in specie (“DIS”) of the entire shareholding in AustAsia to shareholders in proportion to their respective shareholdings in Japfa Ltd by way of a capital reduction, with no cash outlay required. On 19 July 2022, the proposed DIS received the Approval-In-Principal from SGX.

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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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