



## PRESS RELEASE

### JAPFA LTD

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### 1Q2022 Financial Results

## Japfa delivers 13.0% growth in revenue and an EBITDA of US\$129.8 million in a challenging environment

- Group revenue rose to US\$1,246.0 million driven by higher sales volumes across all segments, and EBITDA remains respectable.
- Increase in revenue mitigated pressure on profitability caused by external factors including high global raw material prices, inflationary pressures, African Swine Fever (“ASF”) and Covid-19.
- Proposed listing of AustAsia<sup>1</sup> (“AIH”) on the Stock Exchange of Hong Kong (“SEHK”).

**Singapore, 28 April 2022** – Leading industrialised agri-food company Japfa Ltd (“Japfa” or, together with its subsidiaries, the “Group”) today posted a 13.0% growth in revenue for the first quarter ended 31 March 2021 (“1Q2021”).

Revenue grew to US\$1,246.0 million compared to US\$1,103.1 million in 1Q2021, driven by higher sales volumes across all segments. Profits in 1Q2022 reduced compared to 1Q2021 as major global external factors have worsened. The impact of high global raw material prices, inflationary pressures, ASF and Covid-19 weighed down profitability.

The double-digit increase in revenue mitigated the decrease in profits. EBITDA stood at US\$129.8 million, a 30.1% decrease year-on-year (“y-o-y”), and Core PATMI without Forex was US\$24.6 million compared to US\$67.9 million a year ago.

The performance of both PT Japfa Tbk and Dairy counterbalanced the weaker performance of APO in Vietnam. In particular:

- **PT Japfa Tbk:** PT Japfa Tbk recorded healthy results on the back of growth in sales volumes across the board, despite the high cost environment;
- **Animal Protein Other (“APO”):** Vietnam margins remained under pressure due to high raw material costs and a resurgence of African Swine Fever (“ASF”) leading to lower swine fattening prices and higher biosecurity costs;
- **Dairy:** revenue increased on the back of higher sales volumes and strong prices of raw milk, while profits tightened due to the expenses related to the proposed listing of AustAsia (“AIH”).

On 29 March 2022, Japfa announced (i) the submission of an application for the proposed listing of AustAsia on the Stock Exchange of Hong Kong and (ii) the proposed distribution *in specie* of its entire shareholding in AustAsia to shareholders by way of a proposed capital reduction, with no cash outlay. The proposed distribution will create two leading agri-food businesses in Animal Proteins and Dairy respectively, with a clearer and focused approach to drive growth, as well as unlock value for shareholders.

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<sup>1</sup> AustaAsia Investment Holdings Pte Ltd (“AustAsia” or “AIH”) is the holding company of the Group’s dairy farming business.

**Tan Yong Nang, Chief Executive Officer of Japfa**, said: “Despite the negative impact of major external factors, we recorded respectable results in this first quarter. Global high raw material prices, ongoing supply chain issues and inflation are weighting on costs, while the Covid-19 pandemic is still impacting consumer demand in some of our markets, resulting in pressures on our profitability. Our response to this challenging environment has been tangible so far, as demonstrated by a 13% growth in revenue. By being one of the most efficient and lowest cost producers, Japfa is able to ride through major down-cycles and, as we have already demonstrated in the past, we can handle market challenges and cyclicity. With a focus on providing safe and affordable proteins to increase food security in Emerging Asia, we remain well positioned take advantage of the growth opportunities in the region”.

### **Financial Highlights**

<b>US\$ million</b>	<b>1Q2021</b>	<b>1Q2022</b>	<b>Change</b>
<b>Revenue</b>	<b>1,103.1</b>	<b>1,246.0</b>	<b>13.0%</b>
<b>Operating profit</b>	<b>149.8</b>	<b>81.4</b>	<b>-45.7%</b>
<b>Operating Profit Margin (%)</b>	<b>13.6%</b>	<b>6.5%</b>	<b>-7.1 ppt</b>
<b>EBITDA<sup>2</sup></b>	<b>185.6</b>	<b>129.8</b>	<b>-30.1%</b>
<b>Profit After Tax (“PAT”)</b>	<b>82.1</b>	<b>41.1</b>	<b>-50.0%</b>
<b>Net Profit Attributable to Owners (“PATMI”)</b>	<b>48.5</b>	<b>17.3</b>	<b>-64.3%</b>
<b>Core PATMI without Forex<sup>3</sup></b>	<b>67.9</b>	<b>24.6</b>	<b>-63.8%</b>

### **Segmental Results**

#### **PT Japfa Tbk**

PT Japfa Tbk delivered healthy results, despite a high-cost environment.

Revenue grew 12.3% y-o-y to US\$846.0 million (vs US\$753.4 million in 1Q2021) driven by higher sales volumes across the board. Profitability remained under pressure due to high raw material and global shipping costs, resulting in increased production costs across the vertically integrated operations, including DOC and broiler.

Profits were also impacted by the recent Covid-19 outbreak which affected demand, resulting in lower broiler prices in February 2022 in contrast with 1Q2021 when broiler prices were more stabilised.

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 high raw material prices. However, in 1Q2022 there were some margin improvements with higher feed prices.

Amid a high-cost environment and Covid-19 disruptions, PT Japfa Tbk delivered a respectable EBITDA of US\$93.8 million compared to US\$116.3 million a year ago (-19.3% y-o-y).

#### **Animal Protein Other (“APO”)**

The APO segment recorded a 11.4% growth in revenue to US\$245.3 million y-o-y. Profits however were impacted by weaker results from Vietnam due to higher raw materials cost, African Swine Fever (“ASF”) and Covid-19. The segment’s EBITDA remained positive at US\$0.8 million compared to US\$29.0 million in 1Q2021.

<sup>2</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>3</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.

APO-Vietnam posted growth in revenue driven by higher sale volumes as consumer demand picks up with the progressive reopening on the economy, after being impacted by Covid-19 restrictions since 3Q2021.

Margins remained under pressure due to higher global raw material and shipping costs, resulting in higher production costs for both poultry and swine. In addition, with the resurgence of ASF in 4Q2021, swine prices were depressed by the pre-emptive sales on the market. This contrasted with a year ago when prices were exceptionally high due to the supply shortage in the market.

The Vietnam's feed business remained profitable but unable to balance the weaker performance from poultry and swine operations.

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, affected by Covid-19 and the political conditions. The Group will continue to monitor the situation and adjust operations as necessary.

APO-India recorded 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\$2.7 million.

## **Dairy**

In the quarter under review, the Dairy segment posted higher revenue driven by sales volumes, while profits were affected by expenses related to the proposed listing of AustAsia.

Revenue increased 18.2% y-o-y to US\$152.4 million compared to US\$128.9 million. Growth in revenue was driven by strong raw milk prices due to supply shortage in the market, as well as higher raw milk sales volumes, with the additional contribution from Farm 8 and the two recently acquired farms in Shandong.

In addition, Average Daily Milk ("ADM") yield improved to 41.6kg/head/day, mitigating the increase in global feed costs.

Beef operations contributed US\$15.3 million and US\$2.6 million to the segment's revenue and EBITDA respectively.

On a y-o-y basis, profits reduced due the expenses related to the proposed listing of AustAsia on the Stock Exchange of Hong Kong, as announced in March 2022.

EBITDA was US\$32.9 million compared to US\$38.2 million, with a 13.9% decrease y-o-y.

## **Relevant updates**

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

On 29 March 2022, Japfa announced (i) the submission by AustAsia of an application for the proposed listing on the Stock Exchange of Hong Kong ("SEHK"), and (ii) the proposed distribution *in specie* of the entire shareholding in AustAsia to shareholders in proportion to their respective shareholdings in Japfa by way of a capital reduction, with no cash outlay required.

The proposed distribution will create two leading agri-food business in Animal Proteins and Dairy:

- Japfa Animal Protein, as a leading integrated animal protein company riding on the strong growth of emerging Asia
- AustAsia as the leading independent milk producer in China

The creation of two separate business enables a clearer and focused approach on their respective core business and strategies to drive growth in both entities. This also enables Japfa to better focus its financial resources on the further development of the animal protein business. The transaction is expected to unlock shareholder value by giving clarity to two distinct business and potentially leading to a re-rating of Japfa equity value.

### **APO: Inauguration of a 48,000-head swine fattening farm in Vietnam**

In the quarter under review, APO-Vietnam inaugurated a swine fattening farm with a capacity of 48,000 heads. The farm is located on a 40 hectares area with 24 barns in the Phu Rieng district, Binh Phuoc province. The farm will supply more than 100,000 pigs, equivalent to more than 11,000 tons per year.

With a total investment of nearly VND400 billion (approximately US\$17 million), the farm is a pioneer in Vietnam, as it is designed and built with the most advanced technologies to provide safe and sustainable pork supply. The farm uses fully automated technology to improve efficiency and includes a wastewater treatment system. The farm is an important step within the self-contained animal husbandry supply chain process and is expected to contribute to improve Vietnam's animal husbandry standards.

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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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