



## PRESS RELEASE

### JAPFA LTD

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### 1H2023 Financial Results

## 1H2023 results impacted by persistent challenging conditions

- Performance continues to be affected by margin compression arising from the combined effect of high raw material costs and lower consumer purchasing power.
- Despite challenging conditions in 1Q2023, PT Japfa Tbk delivered a profit, albeit lower year-on-year, while our operations in Vietnam recorded a loss.
- At group level, Japfa recorded an EBITDA of US\$64.0 million. The Core PATMI without Forex was a loss of US\$49.3 million.
- With the successful delivery of live chickens to Singapore from Indonesia, Japfa opens up to new opportunities to provide fresh proteins to local consumers and contribute to Singapore food security strategy.

**Singapore, 31 July 2023** – Leading industrialised agri-food company Japfa Ltd (“Japfa” or, together with its subsidiaries, the “Group”) today reported financial results for the first half ended 30 June 2023 (“1H2023”).

The Group’s profitability for 1H2023 was affected by the ongoing challenging conditions. 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\$64.0 million (vs US\$190.9 million in 1H2022). The Core PATMI without Forex attributable to Japfa Ltd was a loss of US\$49.3 million compared to a positive result of US\$31.3 million in 1H2022.

- **PT Japfa Tbk:** Against a challenging backdrop, feed remains a pillar of profitability despite some pressures arising from the high-cost environment. The prolonged demand and supply imbalance in DOC and broiler since 2022 resulted in weak poultry prices which rebounded in 2Q2023. As a result, the segment delivered a profit, albeit lower year-on-year (“y-o-y”).
- **Animal Protein Other (“APO”):** Low ASPs and high production costs across all markets impacted results and the segment recorded a loss.

**Tan Yong Nang, Chief Executive Officer of Japfa**, said: “Our 1H2023 results are strongly influenced by the ongoing external challenges, with inflationary pressures affecting both the production costs and selling prices of our products. The initiatives that we have launched in 1Q2023 to navigate the current environment are well on track and we are confident that this prudent and disciplined approach will allow Japfa to achieve its long-term goals and capture the growth potential for protein consumption in our key markets. The semester was also marked by a notable achievement, with the delivery of live chicken boilers to Singapore from Indonesia via sea. This successful shipment is the result of the combined efforts of Japfa, Singapore and Indonesia’s authorities and has open up a new important option to supply fresh

chicken and other staple protein foods to local consumers and contribute to Singapore’s food security strategy”.

In the light of the ongoing challenging conditions, in 1Q2023 Japfa initiated plans to mitigate risks, increase efficiency, reduce cost and streamline operations in both PT Japfa Tbk and APO-Vietnam. These initiatives are well on track.

Over the long-term, the prospects of protein consumption in Emerging Asia markets remain sound and Japfa is well placed to capture this growth potential. Going forward, we will continue to sharpen our vertically integrated operations by further expanding the downstream business and working towards adding our growing aquaculture business in Indonesia as a new platform for growth. At the same time, we will further leverage Japfa’s in-house vaccine research and production company, Vaksindo, which provides a strategic defense against one of the key risks in livestock production.

### **Financial Highlights<sup>1</sup>**

US\$ million	1H2022	1H2023	Change
Revenue	2,213.4	2,118.9	-4.3%
Operating profit	128.6	3.8	n/m
Operating Profit Margin (%)	5.8%	0.2%	-5.6 pts
EBITDA <sup>2</sup>	190.9	64.0	-66.5%
Profit After Tax (“PAT”)	64.7	(50.8)	n/m
Net Profit Attributable to Owners (“PATMI”)	25.5	(53.6)	n/m
Core PATMI without Forex <sup>3</sup>	31.3	(49.3)	n/m

### **Segmental Results**

#### **PT Japfa Tbk**

In a challenging environment, PT Japfa Tbk recorded a positive performance, albeit weaker than a year ago, due the combination of external factors including:

- High raw material costs, that impacted 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 since 2022 resulted in weak poultry prices, which improved in 2Q2023.

The segment’s revenue was stable in local currency terms but lower in US dollar terms due to an appreciation of the Indonesian Rupiah against the US dollar. Revenue decreased 4.8% y-o-y to US\$1,609.3 million (vs US\$1,690.2 million in 1H2022).

PT Japfa Tbk recorded an operating profit of US\$41.8 million in 1H2023, compared to an operating profit of US\$129.0 million in 1H2022. The EBITDA stood at US\$81.1 million, down 52.3% compared to

<sup>1</sup>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 1H2022 financial results.

<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.

<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. We have not made an estimate of the tax impact on foreign exchange gain/losses.

US\$169.9 million in 1H2022. The segment posted a PAT of US\$3.7 million compared to US\$79.5 million a year ago.

Despite some pressure on margins due to the persistent high-cost environment, feed remains a pillar of profitability, as PT Japfa Tbk continue to be able to pass raw material prices increases in its selling prices. In addition, an adjustment in DOC and broiler supply in 2Q2023 was reflected in higher poultry prices that lead to an improvement in profitability.

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 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 cyclical tendency tends to even-out over the course of each financial year.

As the long-term prospects of protein consumption in our markets remain sound, Japfa has laid solid foundations to capture this growth:

- **Downstream business:** further development of poultry processing and consumer products business, as well as retail sales growth through PT Japfa Tbk retail outlets both offline and online.
- **Aquaculture:** our aquaculture operations are vertically integrated and include feed mills, shrimp and fish hatcheries, grow-out farms and seafood processing facilities. Our shrimp broodstock multiplication centres (JV with Hendrix Genetics) cultivate Kona Bay shrimp broodstock from Hawaii, a market leader supplying more than 50% of the market in Indonesia.
- **Vaksindo:** leader in the Indonesia market and currently exports to 14 countries. With an expertise in Avian Influenza H5N1 vaccines since 2004, Vaksindo is one of the leading producers providing vaccines of matching strains.

### **Animal Protein Other (“APO”)**

APO results were impacted by low ASPs and high production costs across all markets.

Revenue remained stable at US\$500.6 million, with a slight decrease of 1.1% y-o-y (vs US\$506.2 million in 1H2022). The APO segment posted a PAT loss of US\$53.6 million in 1H2023, compared to a PAT loss of US\$17.7 million 1H2022, 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 swine and poultry.

#### APO-Vietnam

APO-Vietnam performance in 1H2023 continues to be affected by margin compression. Vietnam-Swine recorded an operating loss in 1H2023 due to low swine ASPs, high production costs, the effects from ASF and the costs related to the streamlining of swine operations.

Swine ASPs were volatile because pre-emptive sales in the market due to ASF. In addition, pork prices remained low in 1H2023 due to weak consumer demand resulting from factory layoffs and workers lowering their spending, as many export-oriented companies 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. In addition, the direct cost to streamline our swine breeding and fattening operations amounted to approximately US\$8 million. Lastly, swine fattening livestock hit by ASF returned to a “normalised” level in 1H2023, after a significant one-off impact in 4Q2022.

In Vietnam-Poultry, both broiler and colour birds recorded operating losses in 1H2023 with declining ASPs due to weaker consumer demand arising from sluggish general economic conditions.

After major downcycles, like the one the whole industry is going through in Vietnam, the industry goes typically through a consolidation phase where 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 sound, 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 1H2023.

#### 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.

### **Relevant Updates - Japfa delivers fresh chickens to Singapore**

In May 2023, Japfa delivered 23,000 live chickens from Indonesia to Singapore. This was the first time live birds were shipped via sea to Singapore from Indonesia. This shipment was a notable achievement to test a new important option to supply fresh chicken to Singapore, with the birds transported live via sea and slaughtered in the destination country. As one of the largest animal protein producers in the region, Japfa is able to meet Singapore's demand and standards for staple protein foods.

This first shipment opens up new opportunities to provide not only fresh chicken but also other staple protein foods to Singapore, and Japfa is committed to continue to invest in the Bintan project to support Singapore's food security strategy.

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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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